

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2022

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from

to

Commission File Number: 001-34139



Federal Home Loan Mortgage Corporation

(Exact name of registrant as specified in its charter)

Federally chartered  
corporation

52-0904874

8200 Jones Branch Drive  
McLean, Virginia

22102-3110

(703) 903-2000

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number,  
including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 11, 2022, there were 650,059,553 shares of the registrant's common stock outstanding.

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# Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Quarterly Report on Form 10-Q includes forward-looking statements that are based on current expectations and that are subject to significant risks and uncertainties. These forward-looking statements are made as of the date of this Form 10-Q. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q. Actual results might differ significantly from those described in or implied by such statements due to various factors and uncertainties, including those described in the **MD&A - Forward-Looking Statements** section of this Form 10-Q and the **Introduction** and **Risk Factors** sections of our Annual Report on Form 10-K for the year ended December 31, 2021, or 2021 Annual Report.*

*Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the **Glossary** of our 2021 Annual Report.*

*You should read the following **MD&A** in conjunction with our 2021 Annual Report and our condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2022 included in **Financial Statements**.*

## INTRODUCTION

Freddie Mac is a GSE chartered by Congress in 1970, with a mission to provide liquidity, stability, and affordability to the U.S. housing market. We do this primarily by purchasing single-family and multifamily residential mortgage loans originated by lenders. In most instances, we package these loans into guaranteed mortgage-related securities, which are sold in the global capital markets, and transfer interest-rate and liquidity risks to third-party investors. In addition, we transfer mortgage credit risk exposure to third-party investors through our credit risk transfer programs, which include securities- and insurance-based offerings. We also invest in mortgage loans and mortgage-related securities. We do not originate mortgage loans or lend money directly to mortgage borrowers.

We support the U.S. housing market and the overall economy by enabling America's families to access mortgage loan funding with better terms and by providing consistent liquidity to the single-family and multifamily mortgage markets. We have helped many distressed borrowers keep their homes or avoid foreclosure and have helped many distressed renters avoid eviction.

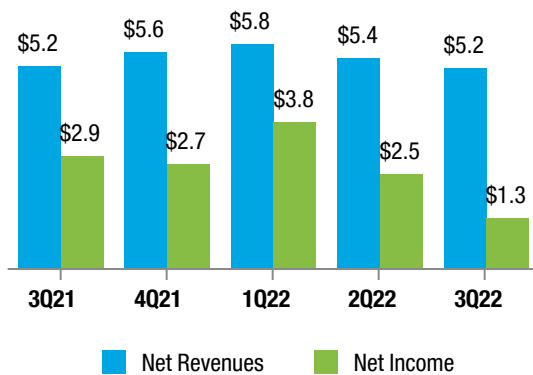
Since September 2008, we have been operating in conservatorship, with FHFA as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. Our future is uncertain, and the conservatorship has no specified termination date. We do not know what changes may occur to our business model during or following conservatorship, including whether we will continue to exist. In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury, under which we issued Treasury both senior preferred stock and a warrant to purchase common stock. Our Purchase Agreement with Treasury is critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities. For additional information on the conservatorship and related matters and the Purchase Agreement, see our 2021 Annual Report.

# Business Results

## Consolidated Financial Results

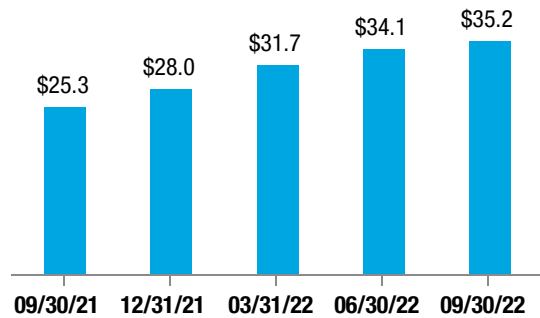
### Net Revenues and Net Income

(In billions)



### Net Worth

(In billions)

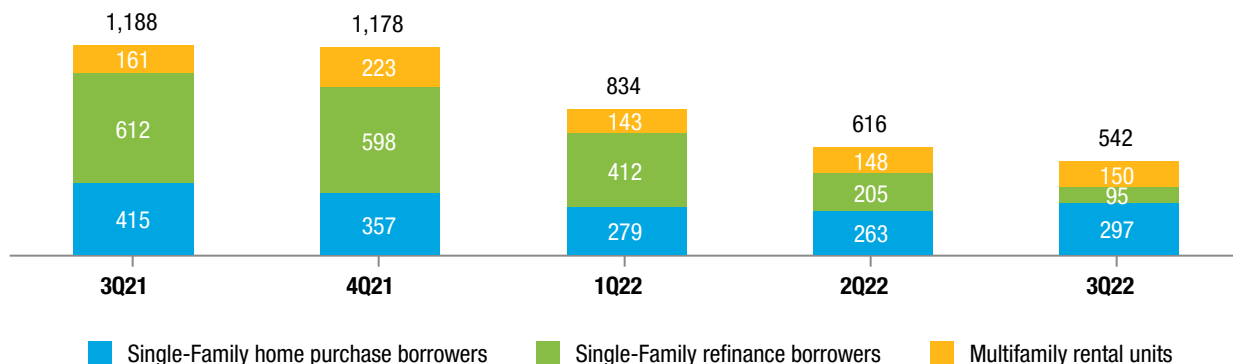


- Net income was \$1.3 billion for 3Q 2022, a decrease of 55% year-over-year, primarily driven by a credit reserve build in Single-Family.
- Net revenues were \$5.2 billion, down 1% year-over-year, as higher net interest income in Single-Family was offset by a decline in non-interest income in Multifamily.
- Net worth was \$35.2 billion as of September 30, 2022, up from \$34.1 billion as of June 30, 2022 and \$25.3 billion as of September 30, 2021. The quarterly increases in net worth have been, or will be, added to the aggregate liquidation preference of the senior preferred stock. The liquidation preference of the senior preferred stock was \$106.7 billion on September 30, 2022, and will increase to \$107.9 billion on December 31, 2022 based on the increase in net worth in 3Q 2022.

## Market Liquidity

### Market Liquidity

(In thousands)

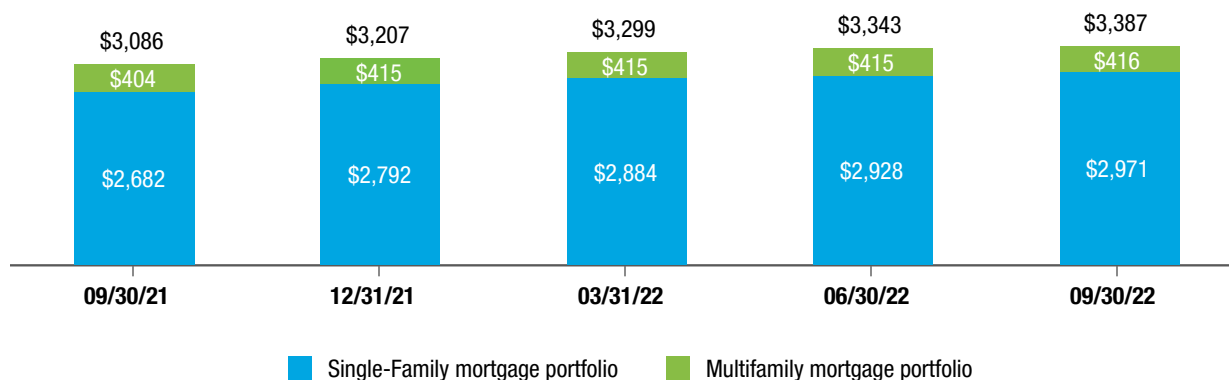


We support the U.S. housing market by executing our mission to provide liquidity and help maintain credit availability for new and refinanced single-family mortgages as well as for rental housing. We provided \$135 billion in liquidity to the mortgage market in 3Q 2022, which enabled the financing of 542,000 home purchases, refinancings, and rental units.

## Mortgage Portfolio Balances

### Mortgage Portfolio

(UPB in billions)

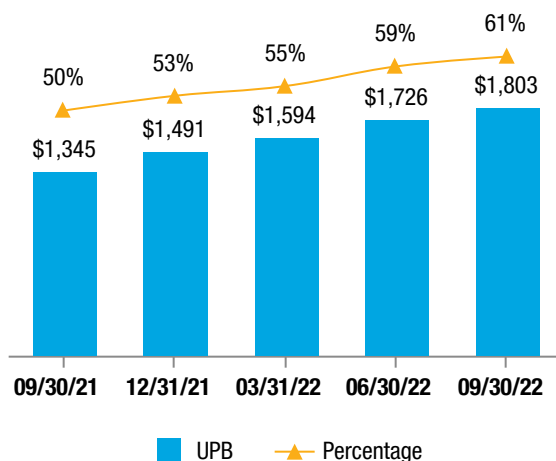


- Our mortgage portfolio increased 10% year-over-year to \$3.4 trillion, driven by an 11% increase in our Single-Family mortgage portfolio and a 3% increase in our Multifamily mortgage portfolio.
  - The growth in our Single-Family mortgage portfolio was primarily driven by an increase in average portfolio loan size and a higher share of single-family mortgage debt outstanding. The increase in the average portfolio loan size was driven by house price appreciation in recent quarters, which contributed to new business acquisitions having a larger loan size compared to older vintages that continued to run off.
  - Our Multifamily mortgage portfolio increased as new business activities were partially offset by borrower prepayments.

## Credit Risk Transfer

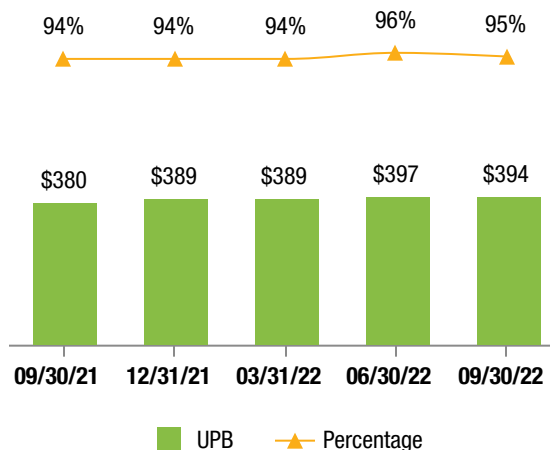
### Single-Family Mortgage Portfolio with Credit Enhancement

(UPB in billions)



### Multifamily Mortgage Portfolio with Credit Enhancement

(UPB in billions)

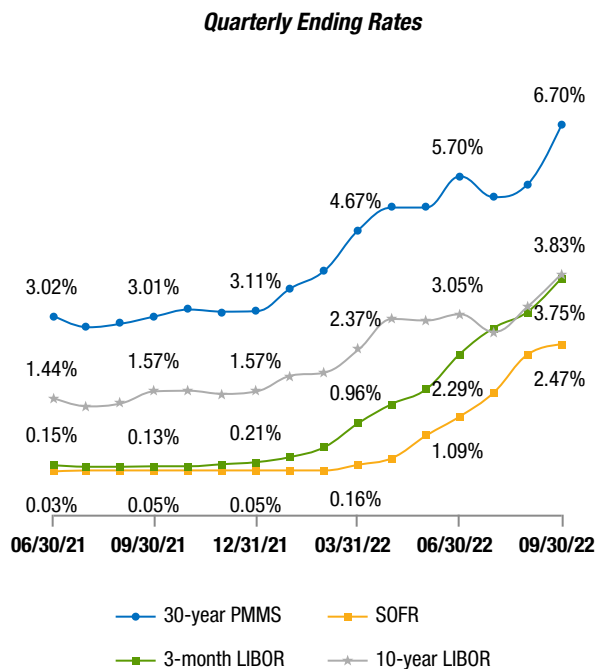


In addition to transferring interest-rate and liquidity risk to third-party investors through our securitization activities, we engage in various credit enhancement arrangements to reduce our credit risk exposure. We transfer a portion of the credit risk, primarily on recently acquired loans, through our CRT programs. We also reduce our credit risk exposure through other credit enhancement arrangements, mainly primary mortgage insurance. See **MD&A - Risk Management - Credit Risk** for additional information on our credit enhancements and CRT programs.

# MARKET CONDITIONS AND ECONOMIC INDICATORS

The following graphs and related discussions present certain market and macroeconomic indicators that can significantly affect our business and financial results. Certain market and macroeconomic prior period data have been updated to reflect revised historical data.

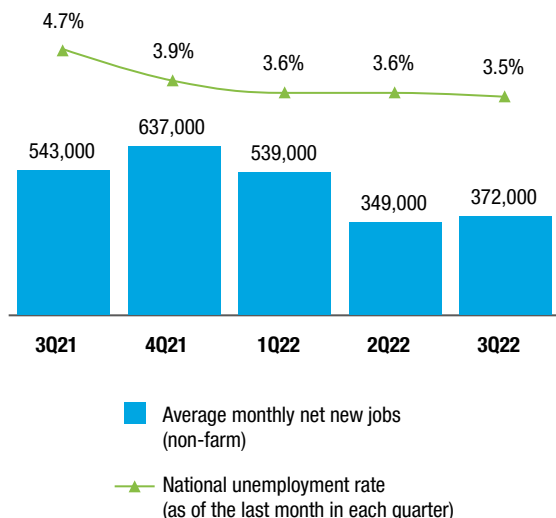
## Interest Rates<sup>(1)</sup>



- The 30-year Primary Mortgage Market Survey (PMMS) interest rate is indicative of what a consumer could expect to be offered on a first-lien prime conventional conforming home purchase mortgage with an LTV of 80%. Increases (decreases) in the PMMS rate typically result in decreases (increases) in refinancing activity and total originations.
- Changes in benchmark interest rates can significantly affect our financial position and results of operations, including our net interest income and the fair value of our financial instruments. We have elected hedge accounting for certain assets and liabilities in an effort to reduce GAAP earnings variability attributable to changes in benchmark interest rates.

(1) 30-year PMMS interest rates are as of the last week in each quarter. SOFR interest rates are 30-day average rates.

## Unemployment Rate and Monthly Net New Jobs

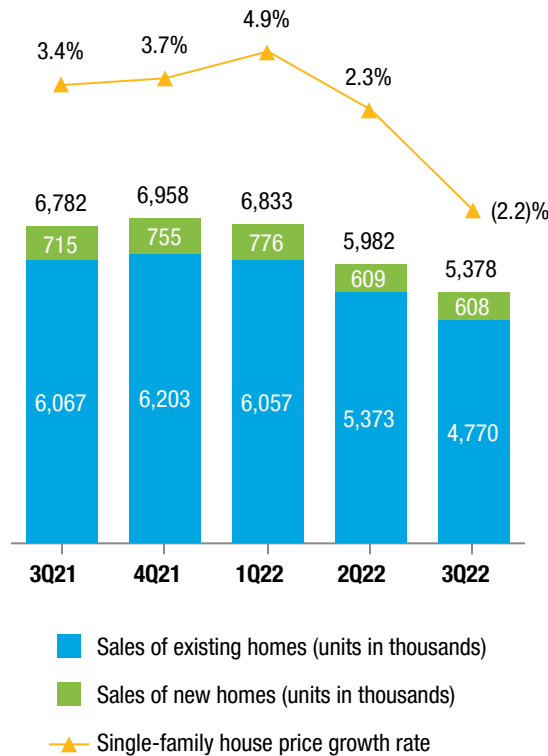


- Changes in the national unemployment rate can affect several market factors, including the demand for single-family and multifamily housing and loan delinquency rates.
- The unemployment rate fell to 3.5% as of September 2022, down from 4.7% as of September 2021. Employment growth remains strong, with the U.S. economy adding 3.8 million non-farm payroll jobs from December 2021 through September 2022 after seasonal adjustment.

Source: U.S. Bureau of Labor Statistics.

# Single-Family Housing and Mortgage Market Conditions

## U.S. Single-Family Home Sales and House Prices

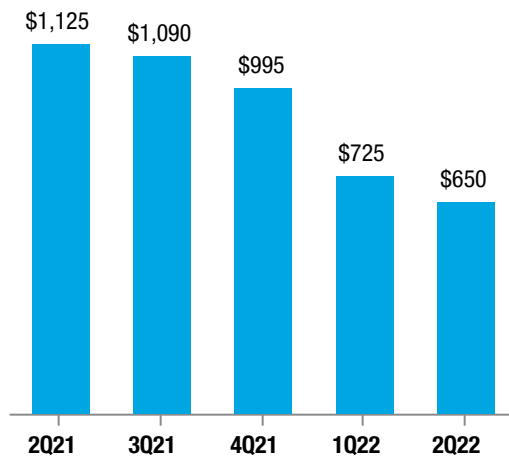


- Home sales decreased in 3Q 2022 compared to 3Q 2021 due to the substantial increase in mortgage interest rates.
- Single-family house prices decreased 2.2% during 3Q 2022, compared to an increase of 3.4% during 3Q 2021.

Sources: National Association of Realtors, U.S. Census Bureau, and Freddie Mac House Price Index.

## U.S. Single-Family Mortgage Originations

(UPB in billions)



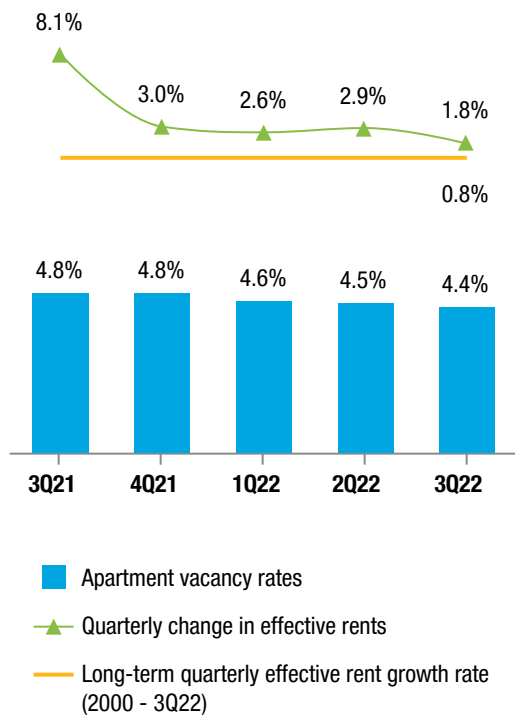
- U.S. single-family loan origination volumes decreased to \$0.7 trillion in 2Q 2022 from \$1.1 trillion in 2Q 2021 as a result of higher mortgage interest rates and increasing house prices.

Source: Inside Mortgage Finance. 3Q 2022 U.S. single-family mortgage originations data is not yet available.



# Multifamily Housing and Mortgage Market Conditions

## Apartment Vacancy Rates and Change in Effective Rents

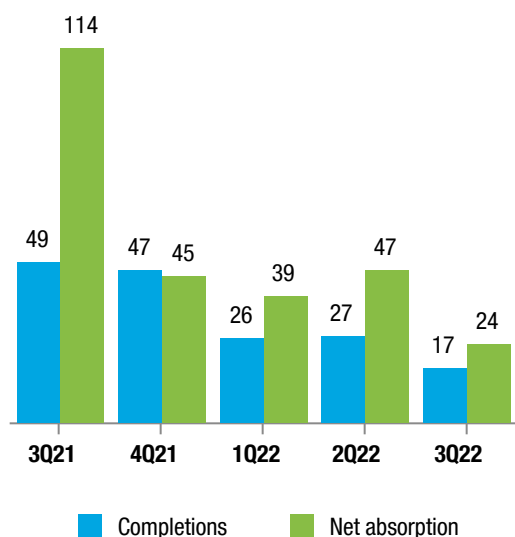


- Vacancy rates continued to decrease during 3Q 2022. The decrease in vacancy rates was driven by ongoing demand resulting from the rising cost of single-family home ownership and a strong labor market.
- Effective rent growth (i.e., the average rent paid by the renter over the term of the lease, adjusted for concessions by the property owner and costs borne by the renter) increased at the national level and in most major geographic markets in 3Q 2022. While rent growth increased 10.7% over the past year, it has begun to decelerate and is expected to continue to moderate over the near term due to slower economic growth.

Source: Reis.

## Apartment Completions and Net Absorption

(Units in thousands)



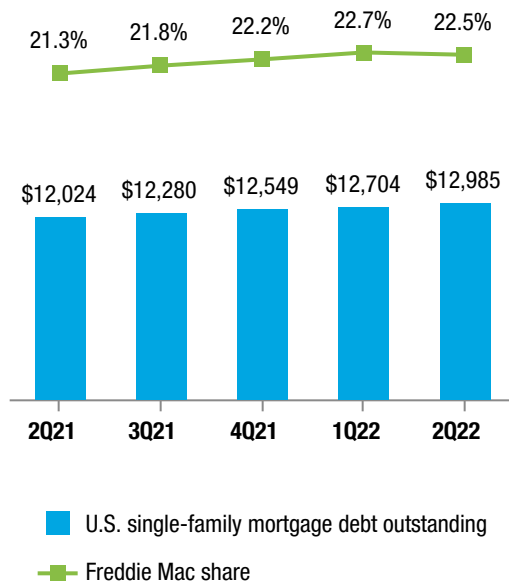
- Net absorptions have decreased from the cyclical highs seen earlier in the year. Meanwhile, completions have been relatively constrained during 3Q 2022 but are expected to increase in the future.

Source: Reis.

# Mortgage Debt Outstanding

## Single-Family Mortgage Debt Outstanding

(UPB in billions)

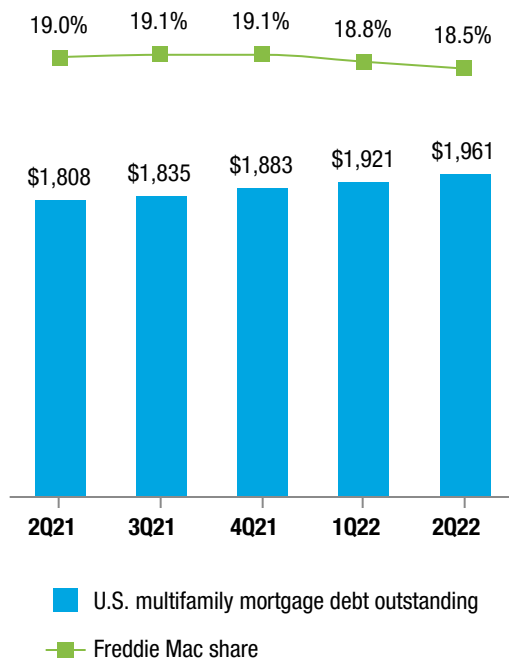


- U.S. single-family mortgage debt outstanding increased year-over-year, primarily driven by house price appreciation in recent quarters and first-time homebuyers. An increase in U.S. single-family mortgage debt outstanding typically results in the growth of our Single-Family mortgage portfolio.

Source: Federal Reserve Financial Accounts of the United States of America. 3Q 2022 U.S. single-family mortgage debt outstanding data is not yet available.

## Multifamily Mortgage Debt Outstanding

(UPB in billions)

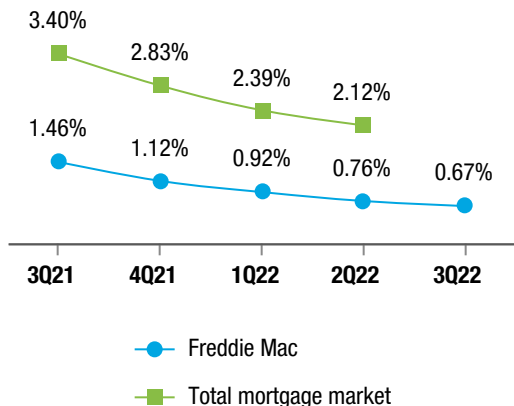


- Our share of multifamily mortgage debt outstanding decreased in 2Q 2022 as we accounted for a smaller share of total multifamily mortgage debt origination volume. This reduction in our share of mortgage debt origination volume was driven by significant competition during 2Q 2022.

Source: Federal Reserve Financial Accounts of the United States of America. 3Q 2022 U.S. multifamily mortgage debt outstanding data is not yet available.

# Delinquency Rates

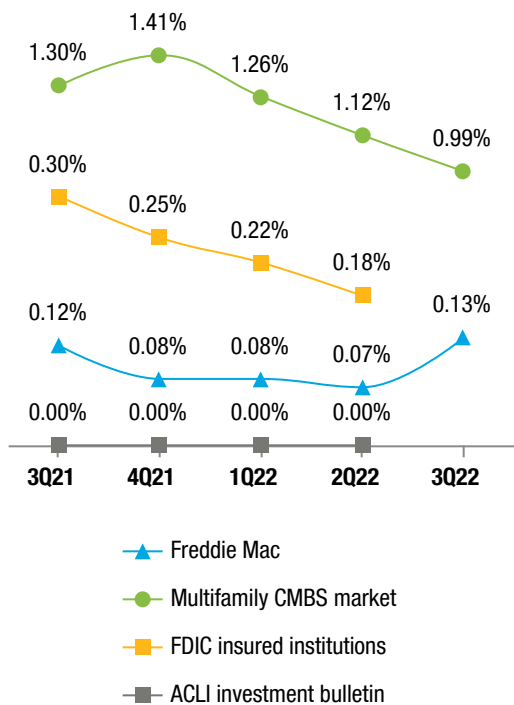
## Single-Family Serious Delinquency Rates



- Our Single-Family serious delinquency rate is based on the number of loans in our Single-Family mortgage portfolio that are three monthly payments or more past due or in the process of foreclosure.
- Our Single-Family serious delinquency rate declined year-over-year primarily due to borrowers exiting forbearance and completing loan workout activities that return their mortgages to current status.

Source: National Delinquency Survey from the Mortgage Bankers Association. 3Q 2022 total mortgage market rate is not yet available.

## Multifamily Delinquency Rates



- Our Multifamily delinquency rate is 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.
- Our Multifamily delinquency rate increased slightly year-over-year and also increased quarter-over-quarter. The quarter-over-quarter increase was primarily due to delinquencies related to two loan pools having a common sponsor. The loans in these two pools are included in K Certificates with subordination.

Source: Freddie Mac, FDIC Quarterly Banking Profile, Intex Solutions, Inc., and Wells Fargo Securities (Multifamily CMBS market, excluding REOs), American Council of Life Insurers (ACLI). The 3Q 2022 delinquency rates for FDIC insured institutions and ACLI investment bulletin are not yet available.

## CONSOLIDATED RESULTS OF OPERATIONS

The discussion of our consolidated results of operations should be read in conjunction with our condensed consolidated financial statements and accompanying notes.

The table below compares our summarized consolidated results of operations. Certain amounts in the prior period have been reclassified to conform to the current presentation. See **Note 1** for additional information about the prior period reclassifications.

**Table 1 - Summary of Consolidated Results of Operations**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Net interest income	\$4,554	\$4,418	\$136	3 %	\$13,417	\$12,824	\$593	5 %
Guarantee income	125	246	(121)	(49)	400	850	(450)	(53)
Investment gains (losses), net	415	383	32	8	2,249	2,227	22	1
Other income (loss)	87	200	(113)	(57)	365	485	(120)	(25)
<b>Net revenues</b>	<b>5,181</b>	<b>5,247</b>	<b>(66)</b>	<b>(1)</b>	<b>16,431</b>	<b>16,386</b>	<b>45</b>	<b>—</b>
<b>Benefit (provision) for credit losses</b>	<b>(1,796)</b>	<b>243</b>	<b>(2,039)</b>	<b>(839)</b>	<b>(1,266)</b>	<b>1,179</b>	<b>(2,445)</b>	<b>(207)</b>
Salaries and employee benefits	(387)	(352)	(35)	(10)	(1,119)	(1,042)	(77)	(7)
Credit enhancement expense	(542)	(386)	(156)	(40)	(1,559)	(1,090)	(469)	(43)
Benefit for (decrease in) credit enhancement recoveries	210	(60)	270	450	192	(510)	702	138
Legislative assessments expense	(753)	(734)	(19)	(3)	(2,260)	(2,121)	(139)	(7)
Other expense	(353)	(312)	(41)	(13)	(1,031)	(1,038)	7	1
<b>Non-interest expense</b>	<b>(1,825)</b>	<b>(1,844)</b>	<b>19</b>	<b>1</b>	<b>(5,777)</b>	<b>(5,801)</b>	<b>24</b>	<b>—</b>
<b>Income (loss) before income tax (expense) benefit</b>	<b>1,560</b>	<b>3,646</b>	<b>(2,086)</b>	<b>(57)</b>	<b>9,388</b>	<b>11,764</b>	<b>(2,376)</b>	<b>(20)</b>
Income tax (expense) benefit	(247)	(727)	480	66	(1,824)	(2,399)	575	24
<b>Net income (loss)</b>	<b>1,313</b>	<b>2,919</b>	<b>(1,606)</b>	<b>(55)</b>	<b>7,564</b>	<b>9,365</b>	<b>(1,801)</b>	<b>(19)</b>
Other comprehensive income (loss), net of taxes and reclassification adjustments	(181)	(10)	(171)	(1,710)	(367)	(467)	100	21
<b>Comprehensive income (loss)</b>	<b>\$1,132</b>	<b>\$2,909</b>	<b>(\$1,777)</b>	<b>(61)%</b>	<b>\$7,197</b>	<b>\$8,898</b>	<b>(\$1,701)</b>	<b>(19)%</b>

# Net Revenues

## Net Interest Income

The table below presents the components of net interest income.

**Table 2 - Components of Net Interest Income**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Guarantee net interest income:								
Contractual net interest income <sup>(1)</sup>	\$3,577	\$2,912	\$665	23 %	\$10,379	\$7,929	\$2,450	31 %
Deferred fee income	550	955	(405)	(42)	2,536	3,729	(1,193)	(32)
<b>Total guarantee net interest income</b>	<b>4,127</b>	<b>3,867</b>	<b>260</b>	<b>7</b>	<b>12,915</b>	<b>11,658</b>	<b>1,257</b>	<b>11</b>
Investments net interest income	914	729	185	25	2,186	2,505	(319)	(13)
Income (expense) from hedge accounting	(487)	(178)	(309)	(174)	(1,684)	(1,339)	(345)	(26)
<b>Net interest income</b>	<b>\$4,554</b>	<b>\$4,418</b>	<b>\$136</b>	<b>3 %</b>	<b>\$13,417</b>	<b>\$12,824</b>	<b>\$593</b>	<b>5 %</b>

(1) Includes majority of amounts previously presented as net interest income related to the legislated guarantee fees. Prior period amounts have been reclassified to conform to the current period presentation.

### Key Drivers:

#### ■ Guarantee net interest income

- **3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021** - Increased primarily driven by continued mortgage portfolio growth and higher average portfolio guarantee fee rates, partially offset by lower deferred fee income, which was driven by slower prepayments as a result of higher mortgage interest rates.

#### ■ Investments net interest income

- **3Q 2022 vs. 3Q 2021** - Increased primarily due to higher returns on securities purchased under agreements to resell as a result of higher short-term interest rates.
- **YTD 2022 vs. YTD 2021** - Decreased primarily due to a decline in the size of the mortgage-related investments portfolio.

#### ■ Income (expense) from hedge accounting

- **3Q 2022 vs. 3Q 2021** - Expense increased primarily due to higher accruals of periodic cash settlements on derivatives in hedging relationships as a result of higher interest rates, partially offset by lower amortization of hedge accounting-related basis adjustments driven by a lower unamortized balance.
- **YTD 2022 vs. YTD 2021** - Expense increased primarily due to higher accruals of periodic cash settlements on derivatives in hedging relationships as a result of higher interest rates and an unfavorable earnings mismatch on qualifying fair value hedge relationships. This increase was partially offset by lower amortization of hedge accounting-related basis adjustments driven by a lower unamortized balance.

## Net Interest Yield Analysis

The table below presents a yield analysis of interest-earning assets and interest-bearing liabilities.

**Table 3 - Analysis of Net Interest Yield**

(Dollars in millions)	3Q 2022			3Q 2021		
	Average Balance	Interest Income (Expense)	Average Rate	Average Balance	Interest Income (Expense)	Average Rate
<b>Interest-earning assets:</b>						
Cash and cash equivalents	\$13,418	\$52	1.54 %	\$26,657	\$2	0.02 %
Securities purchased under agreements to resell	100,393	554	2.21	110,140	15	0.06
Investment securities	46,561	416	3.57	57,549	627	4.35
Mortgage loans <sup>(1)</sup>	2,992,378	20,843	2.79	2,670,685	15,124	2.27
Other assets	3,882	29	2.93	6,543	23	1.39
<b>Total interest-earning assets</b>	<b>3,156,632</b>	<b>21,894</b>	<b>2.77</b>	<b>2,871,574</b>	<b>15,791</b>	<b>2.20</b>
<b>Interest-bearing liabilities:</b>						
Debt of consolidated trusts	2,939,663	(16,166)	(2.20)	2,602,220	(10,954)	(1.68)
Debt of Freddie Mac	177,205	(1,174)	(2.64)	223,385	(419)	(0.75)
<b>Total interest-bearing liabilities</b>	<b>3,116,868</b>	<b>(17,340)</b>	<b>(2.22)</b>	<b>2,825,605</b>	<b>(11,373)</b>	<b>(1.61)</b>
Impact of net non-interest-bearing funding	39,764	—	0.03	45,969	—	0.03
<b>Total funding of interest-earning assets</b>	<b>3,156,632</b>	<b>(17,340)</b>	<b>(2.19)</b>	<b>2,871,574</b>	<b>(11,373)</b>	<b>(1.58)</b>
<b>Net interest income/yield</b>		<b>\$4,554</b>	<b>0.58 %</b>		<b>\$4,418</b>	<b>0.62 %</b>

(1) Loan fees included in net interest income were \$0.3 billion and \$0.7 billion during 3Q 2022 and 3Q 2021, respectively.

(Dollars in millions)	YTD 2022			YTD 2021		
	Average Balance	Interest Income (Expense)	Average Rate	Average Balance	Interest Income (Expense)	Average Rate
<b>Interest-earning assets:</b>						
Cash and cash equivalents	\$14,626	\$71	0.64 %	\$70,708	\$6	0.01 %
Securities purchased under agreements to resell	95,406	763	1.07	73,232	36	0.07
Investment securities	49,196	1,264	3.43	57,433	1,854	4.30
Mortgage loans <sup>(1)</sup>	2,949,123	57,477	2.60	2,564,295	42,969	2.23
Other assets	4,555	67	1.93	5,844	58	1.32
<b>Total interest-earning assets</b>	<b>3,112,906</b>	<b>59,642</b>	<b>2.55</b>	<b>2,771,512</b>	<b>44,923</b>	<b>2.16</b>
<b>Interest-bearing liabilities:</b>						
Debt of consolidated trusts	2,893,353	(44,010)	(2.03)	2,474,639	(30,742)	(1.66)
Debt of Freddie Mac	177,934	(2,215)	(1.66)	251,388	(1,357)	(0.72)
<b>Total interest-bearing liabilities</b>	<b>3,071,287</b>	<b>(46,225)</b>	<b>(2.01)</b>	<b>2,726,027</b>	<b>(32,099)</b>	<b>(1.57)</b>
Impact of net non-interest-bearing funding	41,619	—	0.03	45,485	—	0.03
<b>Total funding of interest-earning assets</b>	<b>3,112,906</b>	<b>(46,225)</b>	<b>(1.98)</b>	<b>2,771,512</b>	<b>(32,099)</b>	<b>(1.54)</b>
<b>Net interest income/yield</b>		<b>\$13,417</b>	<b>0.57 %</b>		<b>\$12,824</b>	<b>0.62 %</b>

(1) Loan fees included in net interest income were \$1.2 billion and \$2.5 billion during YTD 2022 and YTD 2021, respectively.

## Guarantee Income

The table below presents the components of guarantee income.

**Table 4 - Components of Guarantee Income**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Contractual guarantee fees	\$323	\$311	\$12	4 %	\$963	\$900	\$63	7 %
Guarantee obligation amortization	292	294	(2)	(1)	897	854	43	5
Guarantee asset fair value changes	(490)	(359)	(131)	(36)	(1,460)	(904)	(556)	(62)
<b>Guarantee income</b>	<b>\$125</b>	<b>\$246</b>	<b>(\$121)</b>	<b>(49)%</b>	<b>\$400</b>	<b>\$850</b>	<b>(\$450)</b>	<b>(53)%</b>

**Key Drivers:**

- **3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021** - Decreased due to fair value losses on guarantee assets as a result of higher interest rates.

## Investment Gains (Losses), Net

The table below presents the components of investment gains (losses), net.

**Table 5 - Investment Gains (Losses), Net**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Single-Family	(\$13)	(\$247)	\$234	95 %	\$1,471	\$190	\$1,281	674 %
Multifamily	428	630	(202)	(32)	778	2,037	(1,259)	(62)
<b>Investment gains (losses), net</b>	<b>\$415</b>	<b>\$383</b>	<b>\$32</b>	<b>8 %</b>	<b>\$2,249</b>	<b>\$2,227</b>	<b>\$22</b>	<b>1 %</b>

**Key Drivers:**

- **3Q 2022 vs. 3Q 2021** - Increased primarily due to lower interest rate- and spread-related losses in Single-Family. This increase was partially offset by lower Multifamily gains due to spread widening and lower margins on new loan purchases and securitizations, partially offset by gains from interest-rate risk management activities.
- **YTD 2022 vs. YTD 2021** - Increased primarily due to gains in Single-Family on commitments to hedge our securitization pipeline. This increase was partially offset by lower Multifamily gains due to spread widening and lower margins on new loan purchases and securitizations, partially offset by gains from interest-rate risk management activities.

## Benefit (Provision) for Credit Losses

The table below presents the components of benefit (provision) for credit losses.

**Table 6 - Benefit (Provision) for Credit Losses**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Single-Family	(\$1,784)	\$244	(\$2,028)	(831)%	(\$1,251)	\$1,076	(\$2,327)	(216)%
Multifamily	(12)	(1)	(11)	(1,100)	(15)	103	(118)	(115)
<b>Benefit (provision) for credit losses</b>	<b>(\$1,796)</b>	<b>\$243</b>	<b>(\$2,039)</b>	<b>(839)%</b>	<b>(\$1,266)</b>	<b>\$1,179</b>	<b>(\$2,445)</b>	<b>(207)%</b>

**Key Drivers:**

- **3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021** - A provision for credit losses in the 2022 periods, primarily driven by deterioration in housing market conditions, including lower observed and forecasted house price appreciation. The benefit for credit losses in the 2021 periods was primarily driven by observed house price appreciation and reduced expected credit losses related to COVID-19.

## Non-Interest Expense

### Credit Enhancement Expense

#### Key Drivers:

- **3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021** - Increased \$0.2 billion and \$0.5 billion, respectively, due to higher outstanding cumulative volumes of CRT transactions and higher spreads on recent transactions.

### Legislative Assessments Expense

Legislative assessments expense relates to two fees: (1) the legislated guarantee fees on single-family loans that we are required to remit to Treasury and (2) the fee imposed on Freddie Mac's total new business purchases that is allocated to the affordable housing funds and remitted to Treasury and HUD. The legislated guarantee fees relate to the 10 basis point increase in guarantee fees implemented at the direction of FHFA pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 as extended by the Infrastructure Investment and Jobs Act. The affordable housing funds allocation relates to the GSE Act requirement to set aside in each fiscal year an amount equal to 4.2 basis points of each dollar of total new business purchases, and pay such amount to certain housing funds. We are prohibited from passing through the costs of the affordable housing funds allocation to the originators of the loans that we purchase.

The table below presents the components of legislative assessments expense.

**Table 7 - Components of Legislative Assessments Expense**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Legislated guarantee fees expense	(\$696)	(\$602)	(\$94)	(16)%	(\$2,046)	(\$1,706)	(\$340)	(20)%
Affordable housing funds allocation	(57)	(132)	75	57	(214)	(415)	201	48
<b>Legislative assessments expense</b>	<b>(\$753)</b>	<b>(\$734)</b>	<b>(\$19)</b>	<b>(3)%</b>	<b>(\$2,260)</b>	<b>(\$2,121)</b>	<b>(\$139)</b>	<b>(7)%</b>

#### Key Drivers:

- **3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021** - Increased primarily due to higher legislated guarantee fees expense due to growth in our Single-Family mortgage portfolio, partially offset by lower affordable housing funds allocation primarily due to lower Single-Family new business activity.



## CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized condensed consolidated balance sheets.

**Table 8 - Summarized Condensed Consolidated Balance Sheets**

(Dollars in millions)	September 30, 2022	December 31, 2021	Change	
			\$	%
<b>Assets:</b>				
Cash and cash equivalents	\$5,691	\$10,150	(\$4,459)	(44)%
Securities purchased under agreements to resell	97,643	71,203	26,440	37
<b>Subtotal</b>	<b>103,334</b>	<b>81,353</b>	<b>21,981</b>	<b>27</b>
Investment securities, at fair value	43,270	53,015	(9,745)	(18)
Mortgage loans, net	3,007,373	2,848,109	159,264	6
Accrued interest receivable, net	8,201	7,474	727	10
Deferred tax assets, net	5,561	6,214	(653)	(11)
Other assets	22,917	29,421	(6,504)	(22)
<b>Total assets</b>	<b>\$3,190,656</b>	<b>\$3,025,586</b>	<b>\$165,070</b>	<b>5 %</b>
<b>Liabilities and Equity:</b>				
<b>Liabilities:</b>				
Accrued interest payable	\$6,915	\$6,268	\$647	10 %
Debt	3,137,222	2,980,185	157,037	5
Other liabilities	11,289	11,100	189	2
<b>Total liabilities</b>	<b>3,155,426</b>	<b>2,997,553</b>	<b>157,873</b>	<b>5</b>
<b>Total equity</b>	<b>35,230</b>	<b>28,033</b>	<b>7,197</b>	<b>26</b>
<b>Total liabilities and equity</b>	<b>\$3,190,656</b>	<b>\$3,025,586</b>	<b>\$165,070</b>	<b>5 %</b>

### Key Drivers:

As of September 30, 2022 compared to December 31, 2021:

- **Cash and cash equivalents** and **securities purchased under agreements to resell** increased on a combined basis driven by new debt issuance, increased sales of mortgage-related securities, and cash provided by operating activities. This increase was partially offset by a decrease in trust cash driven by lower loan prepayments.
- **Investment securities, at fair value** decreased primarily due to sales and maturities of Treasury securities and sales of mortgage-related securities.
- **Mortgage loans, net** and **debt** increased primarily due to the increase in the size of the Single-Family mortgage portfolio.
- **Other assets** decreased primarily due to lower servicer receivables driven by a decrease in loan prepayments.

## OUR PORTFOLIOS

### Mortgage Portfolio

The table below presents the UPB of our mortgage portfolio by segment.

**Table 9 - Mortgage Portfolio**

(In millions)	September 30, 2022			December 31, 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
Securitized mortgage loans:						
Held by consolidated trusts	\$2,893,676	\$26,114	\$2,919,790	\$2,706,514	\$18,757	\$2,725,271
Held by nonconsolidated trusts	31,884	363,043	394,927	33,340	362,627	395,967
<b>Total securitized mortgage loans</b>	<b>2,925,560</b>	<b>389,157</b>	<b>3,314,717</b>	<b>2,739,854</b>	<b>381,384</b>	<b>3,121,238</b>
Unsecuritized mortgage loans:						
Securitization pipeline and other loans	9,909	16,474	26,383	21,189	22,771	43,960
Seasoned loans	26,381	—	26,381	20,594	—	20,594
<b>Total unsecuritized mortgage loans</b>	<b>36,290</b>	<b>16,474</b>	<b>52,764</b>	<b>41,783</b>	<b>22,771</b>	<b>64,554</b>
<b>Other</b>	<b>9,692</b>	<b>10,315</b>	<b>20,007</b>	<b>10,587</b>	<b>10,508</b>	<b>21,095</b>
<b>Total mortgage portfolio</b>	<b>\$2,971,542</b>	<b>\$415,946</b>	<b>\$3,387,488</b>	<b>\$2,792,224</b>	<b>\$414,663</b>	<b>\$3,206,887</b>

### Guarantee Portfolio

The table below presents the UPB of our guarantee portfolio by segment.

**Table 10 - Guarantee Portfolio**

(In millions)	September 30, 2022			December 31, 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
Guaranteed mortgage-related securities:						
Issued by consolidated trusts	\$2,906,631	\$26,139	\$2,932,770	\$2,744,899	\$18,883	\$2,763,782
Issued by nonconsolidated trusts	26,133	320,726	346,859	27,538	318,756	346,294
<b>Total guaranteed mortgage-related securities</b>	<b>2,932,764</b>	<b>346,865</b>	<b>3,279,629</b>	<b>2,772,437</b>	<b>337,639</b>	<b>3,110,076</b>
<b>Other</b>	<b>9,692</b>	<b>10,315</b>	<b>20,007</b>	<b>10,587</b>	<b>10,508</b>	<b>21,095</b>
<b>Total guarantee portfolio</b>	<b>\$2,942,456</b>	<b>\$357,180</b>	<b>\$3,299,636</b>	<b>\$2,783,024</b>	<b>\$348,147</b>	<b>\$3,131,171</b>

### Investments Portfolio

Our investments portfolio consists of our mortgage-related investments portfolio and our other investments portfolio.

#### Mortgage-Related Investments Portfolio

The Purchase Agreement limits the size of our mortgage-related investments portfolio to a maximum amount of \$250 billion, which will be reduced to \$225 billion on December 31, 2022. The calculation of mortgage assets subject to the Purchase Agreement cap includes the UPB of mortgage assets and 10% of the notional value of interest-only securities. We are also subject to additional limitations on the size and composition of our mortgage-related investments portfolio pursuant to FHFA guidance. For additional information on the restrictions on our mortgage-related investments portfolio, see the **Conservatorship and Related Matters** section in our 2021 Annual Report.

The table below presents the details of our mortgage-related investments portfolio.

**Table 11 - Mortgage-Related Investments Portfolio**

(In millions)	September 30, 2022			December 31, 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
Unsecuritized mortgage loans	\$36,290	\$16,474	\$52,764	\$41,783	\$22,771	\$64,554
Mortgage-related securities	20,993	6,016	27,009	43,357	3,100	46,457
<b>Mortgage-related investments portfolio</b>	<b>\$57,283</b>	<b>\$22,490</b>	<b>\$79,773</b>	<b>\$85,140</b>	<b>\$25,871</b>	<b>\$111,011</b>
10% of notional amount of interest-only securities			\$22,133			\$12,517
Mortgage-related investments portfolio for purposes of Purchase Agreement cap			101,906			123,528

## Other Investments Portfolio

The table below presents the details of our other investments portfolio.

**Table 12 - Other Investments Portfolio**

(In millions)	September 30, 2022				December 31, 2021			
	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio <sup>(1)</sup>	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio <sup>(1)</sup>
Cash and cash equivalents	\$4,917	\$678	\$96	\$5,691	\$8,455	\$1,596	\$99	\$10,150
Securities purchased under agreements to resell	88,447	15,500	1,208	105,155	43,729	34,000	807	78,536
Non-mortgage-related securities	23,591	—	2,979	26,570	28,078	—	4,695	32,773
Other assets	—	—	5,729	5,729	—	—	8,194	8,194
<b>Other investments portfolio</b>	<b>\$116,955</b>	<b>\$16,178</b>	<b>\$10,012</b>	<b>\$143,145</b>	<b>\$80,262</b>	<b>\$35,596</b>	<b>\$13,795</b>	<b>\$129,653</b>

(1) Represents carrying value.

# OUR BUSINESS SEGMENTS

As shown in the table below, we have two reportable segments, which are based on the way we manage our business.

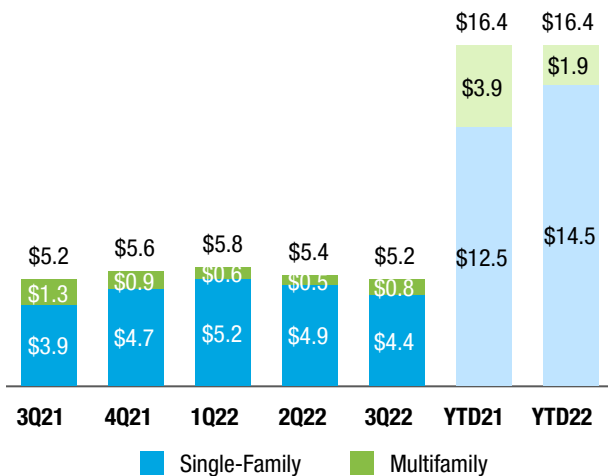
Segment	Description
<b>Single-Family</b>	Reflects results from our purchase, securitization, and guarantee of single-family loans, our investments in single-family loans and mortgage-related securities, the management of Single-Family mortgage credit risk and market risk, and any results of our treasury function that are not allocated to each segment.
<b>Multifamily</b>	Reflects results from our purchase, securitization, and guarantee of multifamily loans, our investments in multifamily loans and mortgage-related securities, and the management of Multifamily mortgage credit risk and market risk.

## Segment Net Revenues and Net Income (Loss)

The graphs below show our net revenues and net income (loss) by segment.

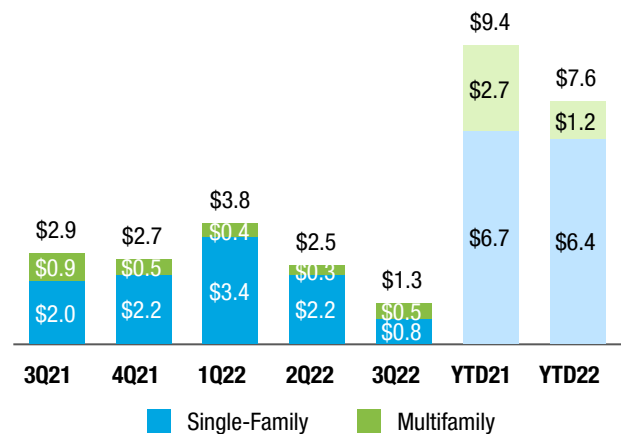
**Segment Net Revenues**

(In billions)



**Segment Net Income (Loss)**

(In billions)



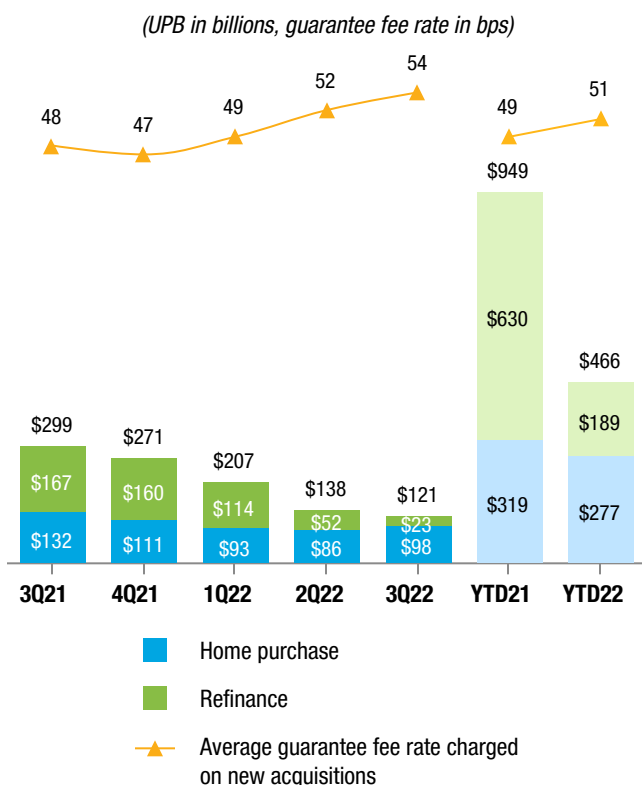
# Single-Family

## Business Results

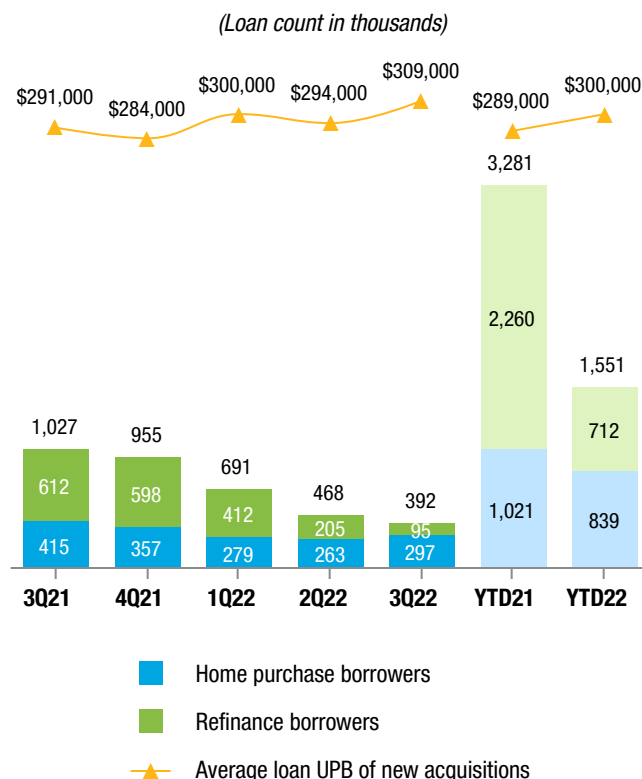
The graphs, tables, and related discussion below present the business results of our Single-Family segment.

### New Business Activity

**UPB of Single-Family Loan Purchases and Guarantees by Loan Purpose and Average Guarantee Fee Rate<sup>(1)</sup> Charged on New Acquisitions**



**Number of Families Helped to Own a Home and Average Loan UPB of New Acquisitions**



(1) Guarantee fee rate calculation excludes the legislated guarantee fees and includes deferred fees recognized over the estimated life of the related loans.

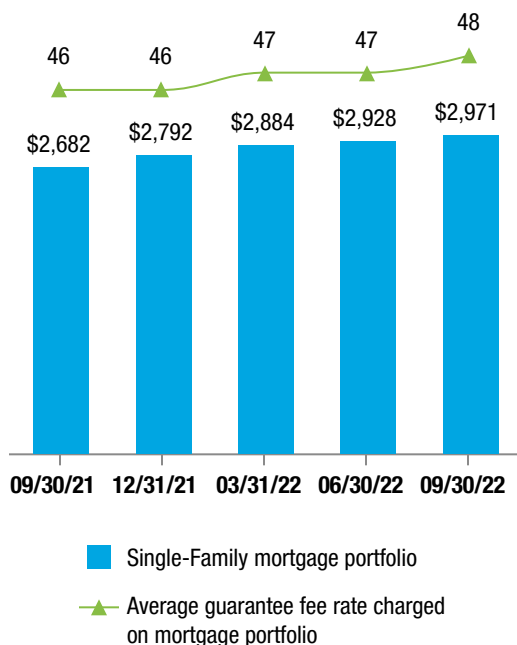
■ **3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021**

- Our loan purchase and guarantee activity, particularly refinance activity, slowed significantly due to higher mortgage interest rates. We expect volume for the remainder of the year to be lower than 2021 due in part to higher mortgage interest rates.
- The average loan size of new acquisitions increased due to a higher conforming loan limit and house price appreciation in recent quarters.
- The average guarantee fee rate charged on new acquisitions increased in the 2022 periods primarily due to (i) higher credit fees we began to charge in April 2022 for certain loans, and (ii) a shift in the market leading to a decrease in deliveries of loans with certain characteristics (i.e., rate-term refinance loans) and an increase in deliveries of loans with other characteristics (i.e., loans secured by investment properties).

## Single-Family Mortgage Portfolio

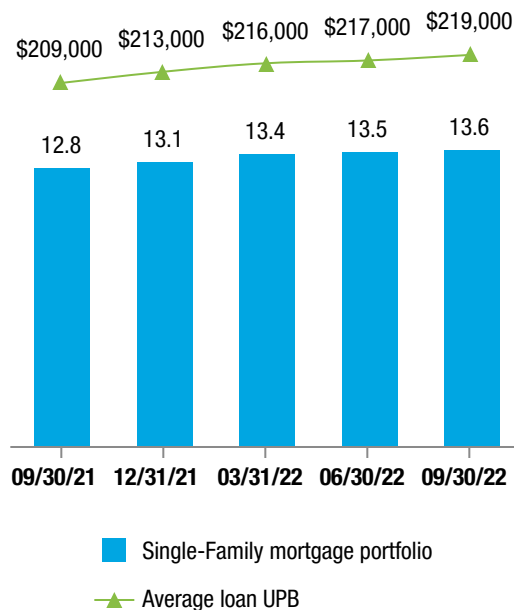
### Single-Family Mortgage Portfolio and Average Guarantee Fee Rate<sup>(1)</sup> Charged on Mortgage Portfolio

(UPB in billions, guarantee fee rate in bps)



### Single-Family Mortgage Loans

(Loan count in millions)



(1) Guarantee fee rate calculation excludes the legislated guarantee fees. Guarantee fee rate calculation also excludes certain loans, the majority of which are held by VIEs that we do not consolidate. The UPB of these excluded loans was \$44 billion as of September 30, 2022.

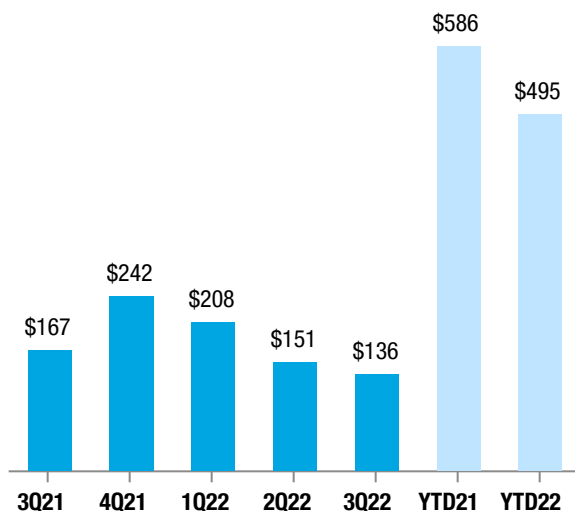
- Our Single-Family mortgage portfolio grew \$289 billion, or 11%, year-over-year, primarily driven by an increase in average portfolio loan size and a higher share of single-family mortgage debt outstanding. The increase in the average portfolio loan size was driven by house price appreciation in recent quarters, which contributed to new business acquisitions having a larger loan size compared to older vintages that continued to run off.
- The average guarantee fee rate charged on our Single-Family mortgage portfolio increased year-over-year as older vintages with lower charged guarantee fee rates were replaced by acquisitions of new loans with higher charged guarantee fee rates.

## CRT Activities

We transfer credit risk on a portion of our Single-Family mortgage portfolio to the private market, reducing the risk of future losses to us when borrowers default. The graphs below show the issuance amounts associated with CRT transactions for loans in our Single-Family mortgage portfolio.

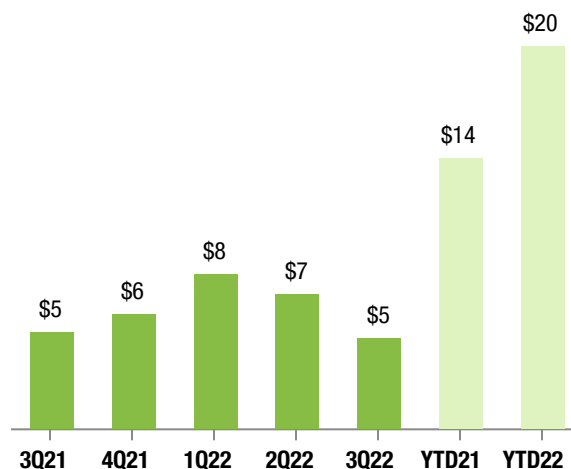
**UPB Covered by New CRT Issuance**

(In billions)



**New CRT Issuance Maximum Coverage**

(In billions)



### ■ 3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021

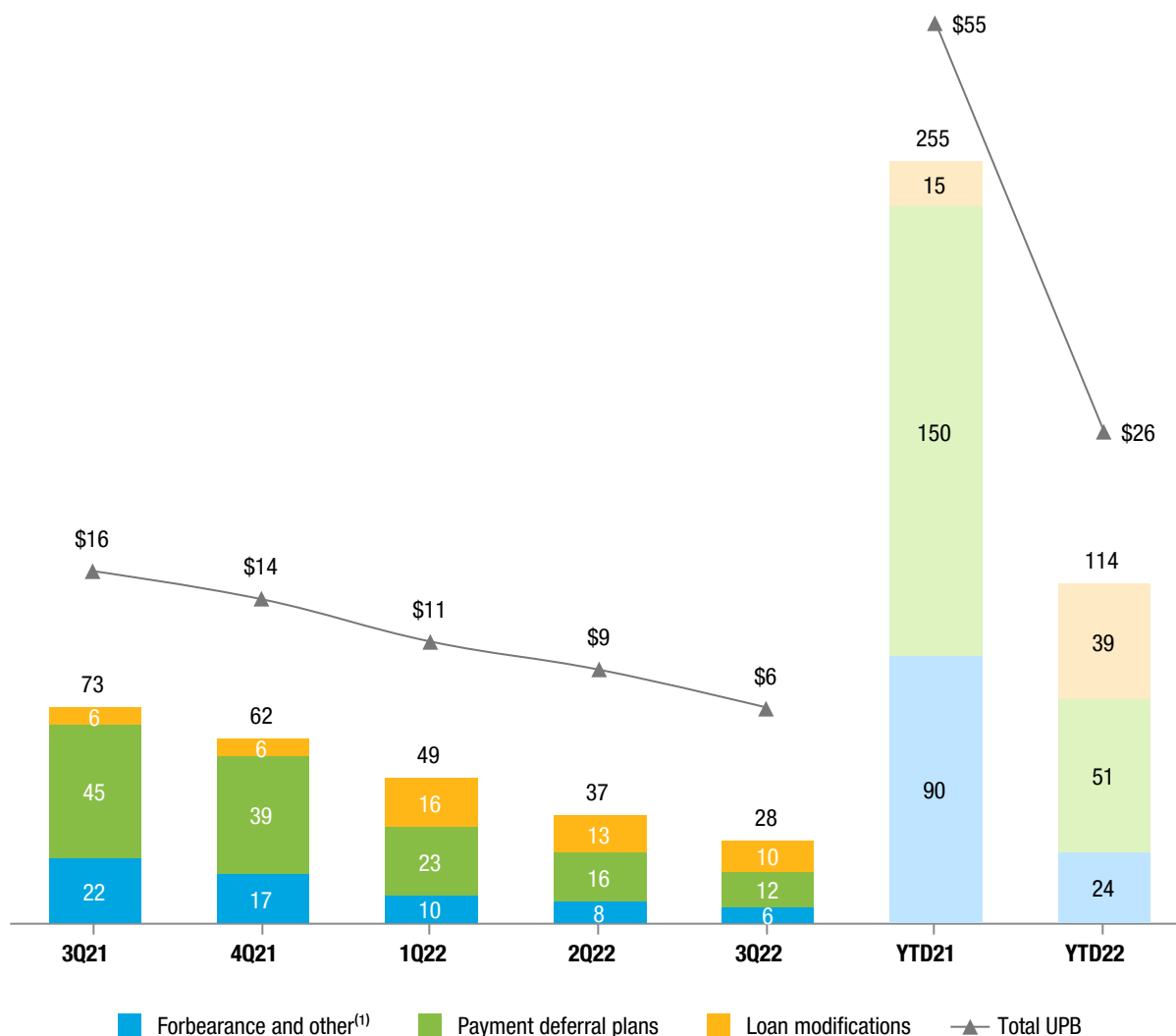
- The percentage of our Single-Family acquisitions targeted for CRT transactions (primarily 30-year fixed rate loans with LTV ratios between 60% and 97%) increased to 79% and 72% during 3Q 2022 and YTD 2022, respectively, from 66% and 63% during 3Q 2021 and YTD 2021, respectively, primarily driven by higher LTV ratios of recently acquired loans and an increase in the percentage of 30-year loan acquisitions.
- The UPB of mortgage loans covered by CRT transactions issued during the 2022 periods decreased compared to the 2021 periods due to a decrease in loan acquisition activity in recent quarters. The related maximum coverage increased during YTD 2022 as we obtained a higher amount of credit coverage on the recently acquired loans primarily in response to higher capital requirements under the ERCF.

See **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors** for additional information on our CRT activities and other credit enhancements. See **MD&A - Liquidity and Capital Resources - Capital Resources** for additional information on the ERCF.

## Loss Mitigation Activities

The following graph provides details about the single-family loan workout activities that were completed during the period. The forbearance data included below is limited to loans in forbearance that are past due based on the loans' original contractual terms and excludes both loans for which we do not control servicing and loans included in certain legacy transactions, as the forbearance data for such loans is either not reported to us by the servicers or is otherwise not readily available to us.

**Completed Loan Workout Activity**  
(UPB in billions, number of loan workouts in thousands)



(1) Other includes repayment plans and foreclosure alternatives.

- Completed loan workout activity includes forbearance plans where borrowers fully reinstated the loan to current status during or at the end of the forbearance period, payment deferral plans, loan modifications, successfully completed repayment plans, short sales, and deeds in lieu of foreclosure. Completed loan workout activity excludes active loss mitigation activity that was ongoing and had not been completed as of the end of the quarter, such as forbearance plans that had been initiated but not completed and trial period modifications. There were approximately 31,000 loans in active forbearance plans and 11,000 loans in other active loss mitigation activity as of September 30, 2022.
- 3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021** - Our loan workout activity decreased as the overall forbearance population continued to decline.



## Financial Results

The table below presents the components of net income and comprehensive income for our Single-Family segment.

**Table 13 - Single-Family Segment Financial Results**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Net interest income	\$4,363	\$4,080	\$283	7 %	\$12,704	\$11,848	\$856	7 %
Non-interest income (loss)	58	(119)	177	149	1,802	677	1,125	166
<b>Net revenues</b>	<b>4,421</b>	<b>3,961</b>	<b>460</b>	<b>12</b>	<b>14,506</b>	<b>12,525</b>	<b>1,981</b>	<b>16</b>
Benefit (provision) for credit losses	(1,784)	244	(2,028)	(831)	(1,251)	1,076	(2,327)	(216)
Non-interest expense	(1,653)	(1,672)	19	1	(5,285)	(5,284)	(1)	—
<b>Income (loss) before income tax (expense) benefit</b>	<b>984</b>	<b>2,533</b>	<b>(1,549)</b>	<b>(61)</b>	<b>7,970</b>	<b>8,317</b>	<b>(347)</b>	<b>(4)</b>
Income tax (expense) benefit	(141)	(505)	364	72	(1,548)	(1,696)	148	9
<b>Net income (loss)</b>	<b>843</b>	<b>2,028</b>	<b>(1,185)</b>	<b>(58)</b>	<b>6,422</b>	<b>6,621</b>	<b>(199)</b>	<b>(3)</b>
Other comprehensive income (loss), net of taxes and reclassification adjustments	(39)	18	(57)	(317)	(46)	(384)	338	88
<b>Comprehensive income (loss)</b>	<b>\$804</b>	<b>\$2,046</b>	<b>(\$1,242)</b>	<b>(61)%</b>	<b>\$6,376</b>	<b>\$6,237</b>	<b>\$139</b>	<b>2 %</b>

### Key Business Drivers:

#### ■ 3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021

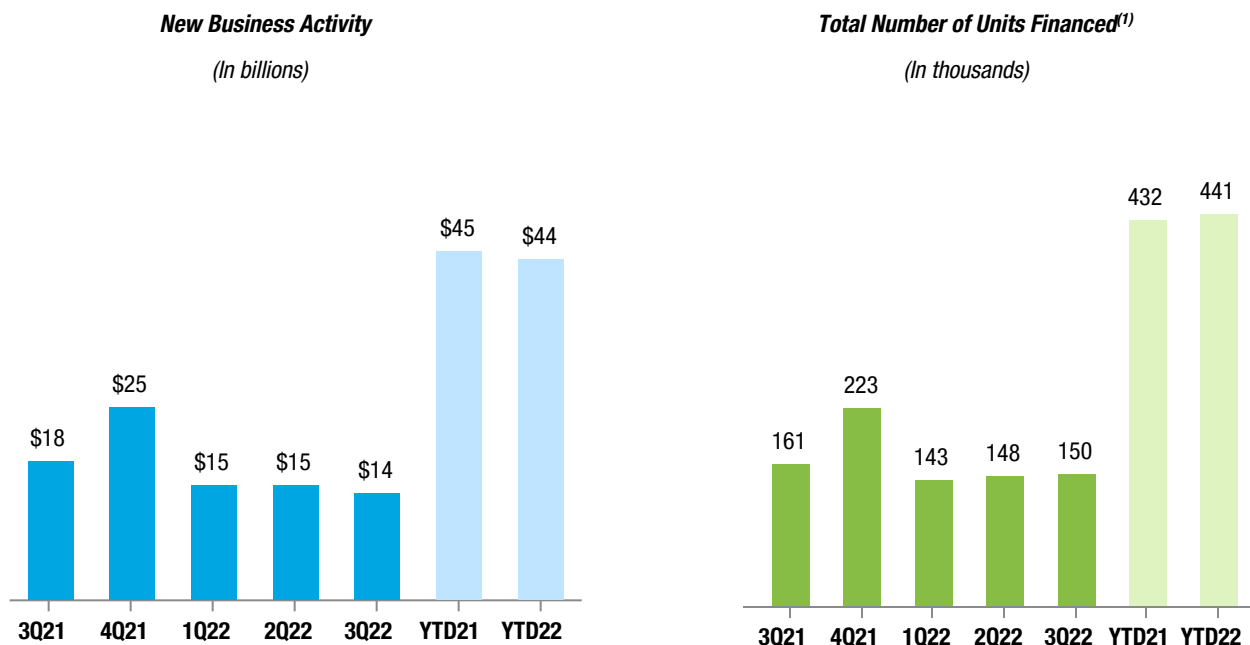
- A provision for credit losses during the 2022 periods, primarily driven by deterioration in housing market conditions, including lower observed and forecasted house price appreciation. The benefit for credit losses during the 2021 periods was primarily driven by observed house price appreciation and reduced expected credit losses related to COVID-19.
- Higher net interest income primarily due to continued mortgage portfolio growth and higher average portfolio guarantee fee rates. This increase was partially offset by lower deferred fee income, which was driven by slower prepayments as a result of higher mortgage interest rates.

# Multifamily

## Business Results

The graphs, tables, and related discussion below present the business results of our Multifamily segment.

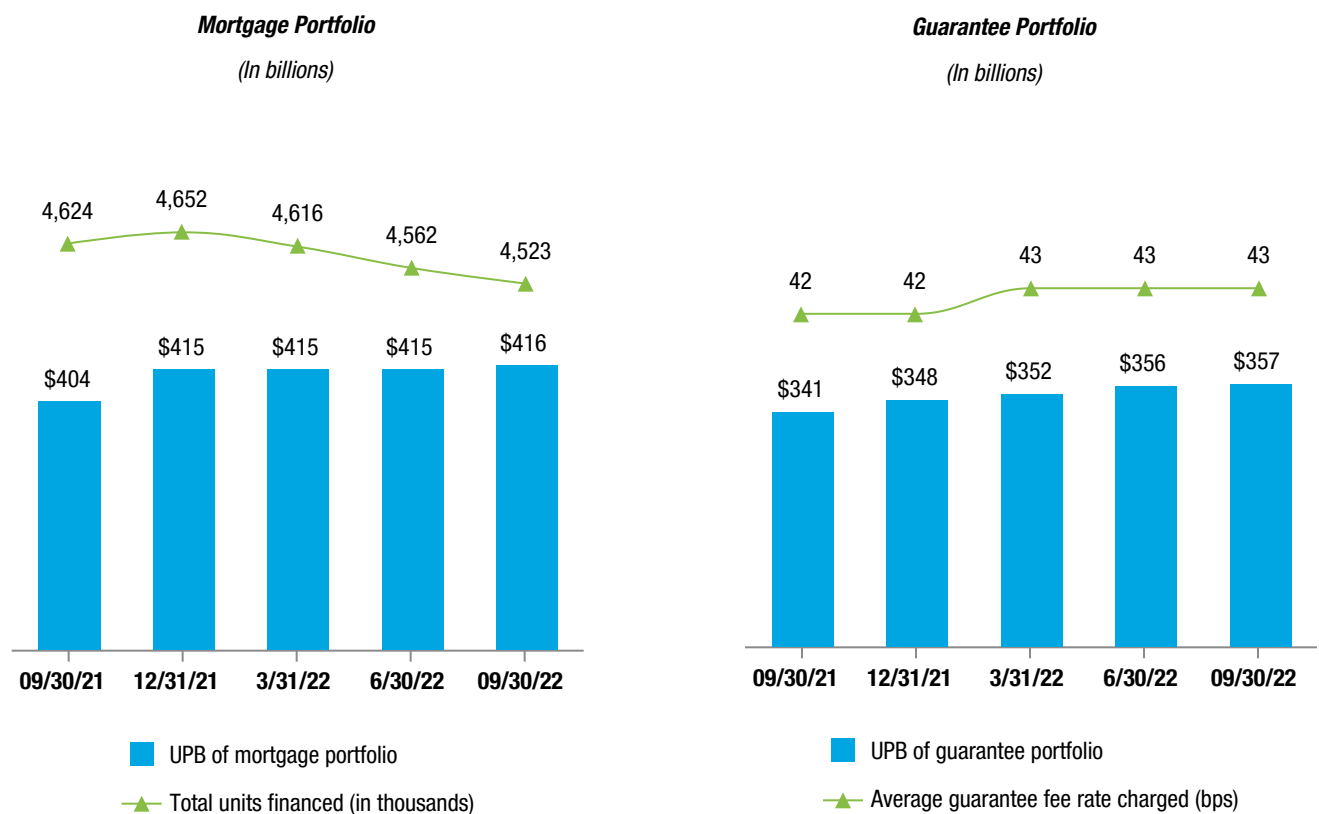
### New Business Activity



(1) 1Q22 and 2Q22 data has been revised to reflect updated information.

- As of September 30, 2022, the total multifamily new business activity subject to the FHFA 2022 loan purchase cap of \$78 billion was \$44.3 billion. Approximately 74% of this activity, based on UPB, was mission-driven, affordable housing, with approximately 38% being affordable to renters at or below 60% of AMI, both currently exceeding FHFA's minimum requirements (50% and 25%, respectively).
- Our new business activity was lower year-over-year due to rising interest rates and increased competition during the 2022 periods.
- Outstanding commitments, including index lock agreements and commitments to purchase or guarantee multifamily assets, were \$21.4 billion and \$25.3 billion as of September 30, 2022 and September 30, 2021, respectively.

## Multifamily Mortgage Portfolio and Guarantee Portfolio

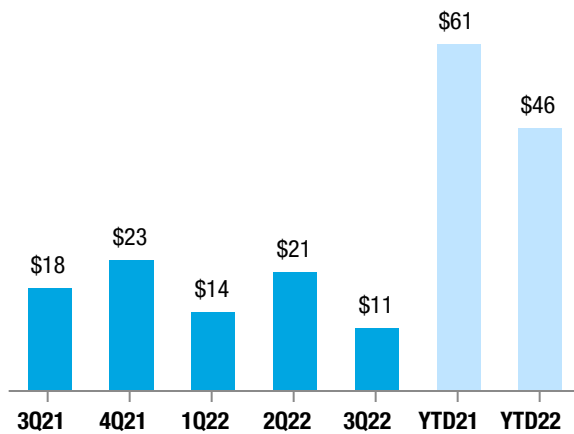


- Our Multifamily mortgage and guarantee portfolios increased year-over-year as new business activities were partially offset by borrower prepayments.
- While the mortgage portfolio increased year-over-year, total portfolio unit count decreased, primarily driven by the impact of portfolio payoffs and higher average per unit costs of newly financed multifamily properties as a result of property price appreciation.
- In addition to our Multifamily mortgage portfolio, we own equity interests in LIHTC fund partnerships with carrying values totaling \$2.3 billion and \$1.5 billion as of September 30, 2022 and September 30, 2021, respectively.

## CRT Activities

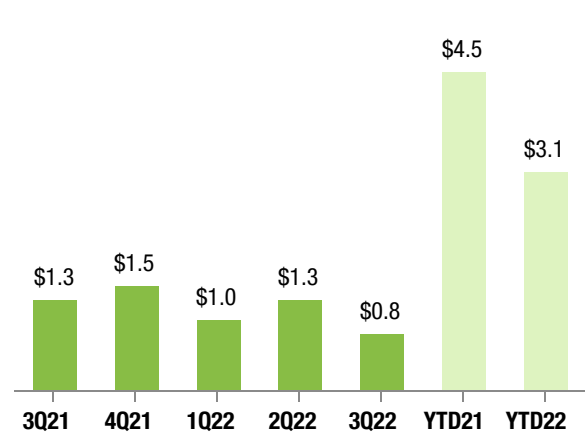
**UPB Covered by New CRT Issuance**

(In billions)



**New CRT Issuance Maximum Coverage**

(In billions)



■ **3Q 2022 vs. 3Q 2021**

- The UPB of mortgage loans covered by CRT transactions and the maximum coverage decreased primarily due to the issuance of a SCR Trust note in 3Q 2021 and a smaller average securitization pipeline. There were no SCR Trust note transactions in 3Q 2022.

■ **YTD 2022 vs. YTD 2021**

- The UPB of mortgage loans covered by CRT transactions and the maximum coverage decreased due to fewer securitizations with subordination during YTD 2022 as a result of a smaller average securitization pipeline.

See **MD&A - Risk Management - Multifamily Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors** for more information on risk transfer transactions and credit enhancements on our Multifamily mortgage portfolio.

## Financial Results

The table below presents the components of net income and comprehensive income for our Multifamily segment.

**Table 14 - Multifamily Segment Financial Results**

(Dollars in millions)	3Q 2022	3Q 2021	Change		YTD 2022	YTD 2021	Change	
			\$	%			\$	%
Net interest income	\$191	\$338	(\$147)	(43)%	\$713	\$976	(\$263)	(27)%
Non-interest income (loss)	569	948	(379)	(40)	1,212	2,885	(1,673)	(58)
<b>Net revenues</b>	<b>760</b>	<b>1,286</b>	<b>(526)</b>	<b>(41)</b>	<b>1,925</b>	<b>3,861</b>	<b>(1,936)</b>	<b>(50)</b>
Benefit (provision) for credit losses	(12)	(1)	(11)	(1,100)	(15)	103	(118)	(115)
Non-interest expense	(172)	(172)	—	—	(492)	(517)	25	5
<b>Income (loss) before income tax (expense) benefit</b>	<b>576</b>	<b>1,113</b>	<b>(537)</b>	<b>(48)</b>	<b>1,418</b>	<b>3,447</b>	<b>(2,029)</b>	<b>(59)</b>
Income tax (expense) benefit	(106)	(222)	116	52	(276)	(703)	427	61
<b>Net income (loss)</b>	<b>470</b>	<b>891</b>	<b>(421)</b>	<b>(47)</b>	<b>1,142</b>	<b>2,744</b>	<b>(1,602)</b>	<b>(58)</b>
Other comprehensive income (loss), net of taxes and reclassification adjustments	(142)	(28)	(114)	(407)	(321)	(83)	(238)	(287)
<b>Comprehensive income (loss)</b>	<b>\$328</b>	<b>\$863</b>	<b>(\$535)</b>	<b>(62)%</b>	<b>\$821</b>	<b>\$2,661</b>	<b>(\$1,840)</b>	<b>(69)%</b>

### Key Business Drivers:

#### ■ 3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021

- Net income decreased mainly driven by lower non-interest income from:
  - Lower guarantee income due to fair value losses on our guarantee assets as a result of higher interest rates.
  - Lower net investment gains due to spread widening and lower margins on new loan purchases and securitizations, partially offset by gains from interest-rate risk management activities. On June 22, 2022, we updated our funds transfer pricing methodologies to allocate gains and losses on derivative instruments to Multifamily to offset interest rate-related changes in fair value on our guarantee assets.

## RISK MANAGEMENT

To achieve our mission, we take risks as an integral part of our business activities. We are exposed to the following key types of risk: credit risk, market risk, liquidity risk, operational risk, strategic risk, reputation risk, and legal risk.

### Credit Risk

#### Allowance for Credit Losses

In 1Q 2022, we adopted accounting guidance that eliminates the recognition and measurement of TDRs. Upon adoption of this guidance, we no longer measure an allowance for credit losses for TDRs we reasonably expect will occur, and we no longer recognize an incremental allowance for credit losses for the economic concession granted to a borrower experiencing financial difficulty for changes in the timing and amount of contractual cash flows when a loan is restructured. See **Note 3** for additional information on the adoption of this new accounting guidance.

The tables below present a summary of the changes in our allowance for credit losses and key allowance for credit losses ratios.

**Table 15 - Allowance for Credit Losses Activity**

(Dollars in millions)	3Q 2022			3Q 2021			YTD 2022			YTD 2021		
	Single-Family	Multi-family	Total	Single-Family	Multi-family	Total	Single-Family	Multi-family	Total	Single-Family	Multi-family	Total
<b>Allowance for credit losses:</b>												
Beginning balance	\$5,342	\$81	\$5,423	\$5,513	\$96	\$5,609	\$5,440	\$78	\$5,518	\$6,353	\$200	\$6,553
Provision (benefit) for credit losses	1,784	12	1,796	(244)	1	(243)	1,251	15	1,266	(1,076)	(103)	(1,179)
Charge-offs	(108)	—	(108)	(288)	—	(288)	(388)	—	(388)	(729)	—	(729)
Recoveries collected	29	—	29	43	—	43	124	—	124	150	—	150
Net charge-offs	(79)	—	(79)	(245)	—	(245)	(264)	—	(264)	(579)	—	(579)
Other <sup>(1)</sup>	168	—	168	268	—	268	788	—	788	594	—	594
<b>Ending balance</b>	<b>\$7,215</b>	<b>\$93</b>	<b>\$7,308</b>	<b>\$5,292</b>	<b>\$97</b>	<b>\$5,389</b>	<b>\$7,215</b>	<b>\$93</b>	<b>\$7,308</b>	<b>\$5,292</b>	<b>\$97</b>	<b>\$5,389</b>
Average loans outstanding during the period <sup>(2)</sup>	\$2,957,019	\$33,614	\$2,990,633	\$2,649,506	\$23,673	\$2,673,179	\$2,914,163	\$30,500	\$2,944,663	\$2,538,629	\$22,979	\$2,561,608
Net charge-offs to average loans outstanding	— %	— %	— %	0.01 %	— %	0.01 %	0.01 %	— %	0.01 %	0.02 %	— %	0.02 %
<b>Components of ending balance of allowance for credit losses:</b>												
Mortgage loans held-for-investment	\$6,802	\$49	\$6,851	\$4,490	\$41	\$4,531						
Advances of pre-foreclosure costs	354	—	354	592	—	592						
Accrued interest receivable on mortgage loans	6	—	6	157	—	157						
Off-balance sheet credit exposures	53	44	97	53	56	109						
<b>Total ending balance</b>	<b>\$7,215</b>	<b>\$93</b>	<b>\$7,308</b>	<b>\$5,292</b>	<b>\$97</b>	<b>\$5,389</b>						

(1) Primarily includes capitalization of past due interest related to non-accrual loans that received payment deferral plans and loan modifications.

(2) Based on amortized cost basis of held-for-investment loans.

**Table 16 - Allowance for Credit Losses Ratios**

(Dollars in millions)	September 30, 2022			December 31, 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
Allowance for credit losses on mortgage loans held-for-investment	\$6,802	\$49	\$6,851	\$4,913	\$34	\$4,947
Total loans outstanding <sup>(1)</sup>	2,968,995	35,864	3,004,859	2,806,535	26,743	2,833,278
Non-accrual loans <sup>(1)</sup>	10,315	42	10,357	18,650	—	18,650
Allowance for credit losses <sup>(2)</sup> to total loans outstanding	0.23 %	0.14 %	0.23 %	0.18 %	0.13 %	0.17 %
Non-accrual loans to total loans outstanding	0.35	0.12	0.34	0.66	—	0.66
Allowance for credit losses <sup>(3)</sup> to non-accrual loans	65.94	116.67	66.15	26.34	NM	26.53

(1) Based on amortized cost basis of held-for-investment loans.

(2) Represents allowance for credit losses on total held-for-investment loans.

(3) NM - not meaningful due to the non-accrual loans balance rounding to zero.

As of September 30, 2022 compared to December 31, 2021:

- The ratio of non-accrual loans to total loans outstanding decreased as borrowers continued to exit forbearance and complete loan workout activities that returned their mortgages to current status.
- The ratios of allowance for credit losses to total loans outstanding and to non-accrual loans increased as the allowance for credit losses increased due to the deterioration in housing market conditions, including lower observed and forecasted house price appreciation. The ratio of allowance for credit losses to non-accrual loans also increased as the balance of loans in non-accrual status decreased.

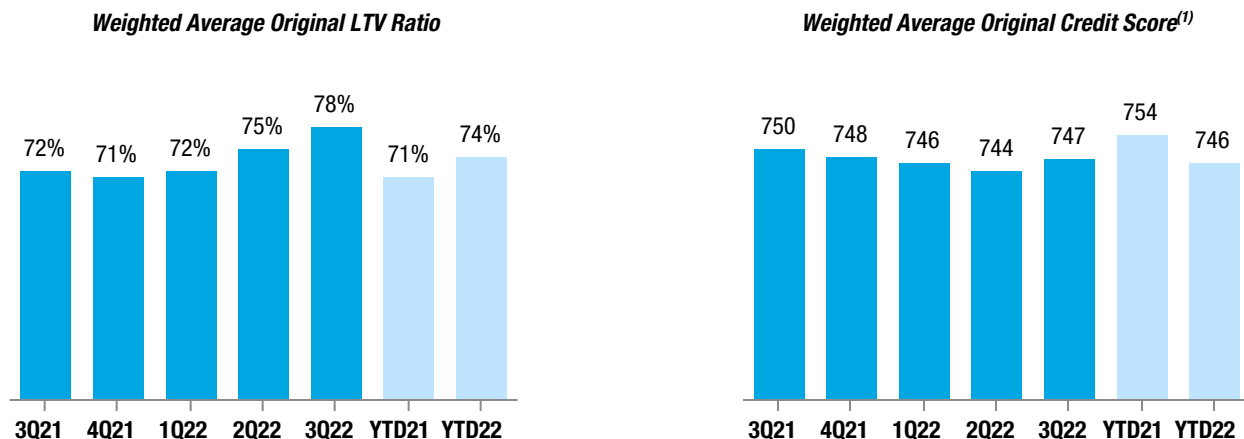
## Single-Family Mortgage Credit Risk

### Maintaining Prudent Underwriting Standards and Quality Control Practices and Managing Seller/Service Performance

#### Loan Purchase Credit Characteristics

We monitor and evaluate market conditions that could affect the credit quality of our single-family loan purchases. Additionally, when managing our new acquisitions, we consider our risk limits and guidance from FHFA and capital requirements under the ERCF. This may affect the volume and characteristics of our loan acquisitions.

The charts below show the credit profile of the single-family loans we purchased or guaranteed. The average original LTV increased year-over-year due to the increase in the percentage of loan acquisitions related to home purchases as home purchase loans typically have higher LTV ratios than refinance loans. The average original credit score decreased year-over-year as the credit scores associated with the refinance loans decreased. The percentage of loans with a DTI ratio greater than 45% also increased year-over-year due to changes in market conditions, such as increasing house prices and higher mortgage interest rates in recent quarters.



(1) Weighted average original credit score is based on three credit bureaus (Equifax, Experian, and TransUnion).

The table below contains additional information about the single-family loans we purchased or guaranteed.

**Table 17 - Single-Family New Business Activity**

(Dollars in millions)	3Q 2022		3Q 2021		YTD 2022		YTD 2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
20- and 30-year or more, amortizing fixed-rate	\$112,585	93 %	\$256,682	86 %	\$419,472	90 %	\$808,696	85 %
15-year or less, amortizing fixed-rate	6,702	5	39,373	13	41,270	9	136,143	14
Adjustable-rate	1,928	2	2,384	1	5,226	1	3,883	1
<b>Total</b>	<b>\$121,215</b>	<b>100 %</b>	<b>\$298,439</b>	<b>100 %</b>	<b>\$465,968</b>	<b>100 %</b>	<b>\$948,722</b>	<b>100 %</b>

**Percentage of purchases**

DTI ratio > 45%	19 %	12 %	16 %	11 %
Original LTV ratio > 90%	24	14	18	11
Transaction type:				
Cash window	24	31	26	47
Guarantor swap	76	69	74	53
Property type:				
Detached single-family houses and townhouses	92	93	92	93
Condominium or co-op	8	7	8	7
Occupancy type:				
Primary residence	91	95	90	94
Second home	2	3	3	3
Investment property	7	2	7	3
Loan purpose:				
Purchase	80	44	59	34
Cash-out refinance	16	26	27	23
Other refinance	4	30	14	43

## Transferring Credit Risk to Third-Party Investors

To reduce our credit risk exposure, we engage in various credit enhancement arrangements, which include CRT transactions and other credit enhancements.

**Single-Family Mortgage Portfolio CRT Issuance**

The table below provides the UPB of the mortgage loans covered by CRT transactions issued during the periods presented as well as the maximum coverage provided by those transactions.

**Table 18 - Single-Family Mortgage Portfolio CRT Issuance**

(In millions)	3Q 2022		3Q 2021	
	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>
STACR	\$90,747	\$2,849	\$109,064	\$2,257
Insurance/reinsurance	44,770	1,767	113,135	2,093
Other	625	132	966	278
Less: UPB with more than one type of CRT	—	—	(56,551)	—
<b>Total CRT issuance</b>	<b>\$136,142</b>	<b>\$4,748</b>	<b>\$166,614</b>	<b>\$4,628</b>

Referenced footnotes are included after the year-to-date table.



(In millions)	YTD 2022		YTD 2021	
	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>
STACR	\$325,721	\$12,720	\$386,907	\$7,301
Insurance/reinsurance	166,461	6,482	410,645	6,374
Other	2,322	526	4,369	858
Less: UPB with more than one type of CRT	—	—	(216,386)	—
<b>Total CRT issuance</b>	<b>\$494,504</b>	<b>\$19,728</b>	<b>\$585,535</b>	<b>\$14,533</b>

(1) Represents the UPB of the assets included in the associated reference pool or securitization trust, as applicable.

(2) For STACR transactions, represents the balance held by third parties at issuance. For insurance/reinsurance transactions, represents the aggregate limit of insurance purchased from third parties at issuance.

### Single-Family Mortgage Portfolio Credit Enhancement Coverage Outstanding

The table below provides information on the UPB and maximum coverage associated with credit-enhanced loans in our Single-Family mortgage portfolio.

**Table 19 - Single-Family Mortgage Portfolio Credit Enhancement Coverage Outstanding**

(Dollars in millions)	September 30, 2022		
	UPB <sup>(1)</sup>	% of Portfolio	Maximum Coverage <sup>(2)</sup>
Primary mortgage insurance <sup>(3)</sup>	\$600,802	20%	\$152,085
STACR	1,214,036	41	36,478
Insurance/reinsurance	926,379	31	20,017
Other	39,941	1	10,635
Less: UPB with multiple credit enhancements and other reconciling items <sup>(4)</sup>	(977,982)	(32)	—
<b>Single-Family mortgage portfolio - credit-enhanced</b>	<b>1,803,176</b>	<b>61</b>	<b>219,215</b>
Single-Family mortgage portfolio - non-credit-enhanced	1,168,366	39	N/A
<b>Total</b>	<b>\$2,971,542</b>	<b>100%</b>	<b>\$219,215</b>

(Dollars in millions)	December 31, 2021		
	UPB <sup>(1)</sup>	% of Portfolio	Maximum Coverage <sup>(2)</sup>
Primary mortgage insurance <sup>(3)</sup>	\$545,293	20%	\$135,330
STACR	1,024,013	37	32,641
Insurance/reinsurance	914,003	33	16,209
Other	42,273	1	10,598
Less: UPB with multiple credit enhancements and other reconciling items <sup>(4)</sup>	(1,034,546)	(38)	—
<b>Single-Family mortgage portfolio - credit-enhanced</b>	<b>1,491,036</b>	<b>53</b>	<b>194,778</b>
Single-Family mortgage portfolio - non-credit-enhanced	1,301,188	47	N/A
<b>Total</b>	<b>\$2,792,224</b>	<b>100%</b>	<b>\$194,778</b>

(1) Represents the current UPB of the assets included in the associated reference pool or securitization trust, as applicable.

(2) For STACR transactions, represents the outstanding balance held by third parties. For insurance/reinsurance transactions, represents the remaining aggregate limit of insurance purchased from third parties.

(3) Amounts exclude certain loans for which we do not control servicing, as the coverage information for these loans is not readily available to us.

(4) Other reconciling items primarily include timing differences in reporting cycles between the UPB of certain CRT transactions and the UPB of the underlying loans.

### Credit Enhancement Coverage Characteristics

The table below provides the serious delinquency rates for the credit-enhanced and non-credit-enhanced loans in our Single-Family mortgage portfolio. The credit-enhanced categories are not mutually exclusive as a single loan may be covered by both primary mortgage insurance and other credit enhancements.

**Table 20 - Serious Delinquency Rates for Credit-Enhanced and Non-Credit-Enhanced Loans in Our Single-Family Mortgage Portfolio**

(% of portfolio based on UPB) <sup>(1)</sup>	September 30, 2022		December 31, 2021	
	% of Portfolio <sup>(2)</sup>	SDQ Rate	% of Portfolio <sup>(2)</sup>	SDQ Rate
Credit-enhanced:				
Primary mortgage insurance	20 %	1.07 %	20 %	1.79 %
CRT and other	56	0.68	47	1.24
Non-credit-enhanced	39	0.59	47	0.93
<b>Total</b>	<b>N/A</b>	<b>0.67</b>	<b>N/A</b>	<b>1.12</b>

(1) Excludes loans underlying certain securitization products for which loan-level data is not available.

(2) Percentages do not total to 100% as a single loan may be included in multiple line items.

### Credit Enhancement Expenses and Recoveries

The table below presents the details of the credit enhancement recovery receivables we have recognized within other assets on our condensed consolidated balance sheets.

**Table 21 - Single-Family Credit Enhancement Receivables**

(In millions)	September 30, 2022	December 31, 2021
Freestanding credit enhancement expected recovery receivables, net of allowance	\$324	\$114
Primary mortgage insurance receivables, net of allowance	53	76
<b>Total credit enhancement receivables</b>	<b>\$377</b>	<b>\$190</b>

See **MD&A - Consolidated Results of Operations** for additional information on credit enhancement expense.

## Monitoring Loan Performance and Characteristics

We review loan performance, including delinquency statistics and related loan characteristics, in conjunction with housing market and economic conditions, to assess credit risk when estimating our allowance for credit losses. We also use this information to assess if our pricing and eligibility standards reflect the risk associated with the loans we purchase and guarantee.

### Loan Characteristics

The table below contains details of the characteristics of the loans in our Single-Family mortgage portfolio.

**Table 22 - Credit Quality Characteristics of Our Single-Family Mortgage Portfolio**

(Dollars in millions)	September 30, 2022					
	UPB	Original Credit Score <sup>(1)</sup>	Current Credit Score <sup>(1)(2)</sup>	Original LTV Ratio	Current LTV Ratio	Current LTV Ratio >100%
Single-Family mortgage portfolio year of origination:						
2022	\$369,924	745	743	75 %	73 %	— %
2021	1,071,887	752	757	71	59	—
2020	791,199	761	766	71	50	—
2019	134,941	746	752	76	50	—
2018	54,504	736	736	76	46	—
2017 and prior	549,087	737	751	75	34	—
<b>Total</b>	<b>\$2,971,542</b>	<b>750</b>	<b>756</b>	<b>72</b>	<b>53</b>	<b>—</b>

Referenced footnotes are included after the prior period table.

(Dollars in millions)	December 31, 2021					
	UPB	Original Credit Score <sup>(1)</sup>	Current Credit Score <sup>(1)(2)</sup>	Original LTV Ratio	Current LTV Ratio	Current LTV Ratio >100%
Single-Family mortgage portfolio year of origination:						
2021	\$1,059,299	752	751	71 %	66 %	— %
2020	867,122	760	769	71	56	—
2019	157,971	746	751	76	55	—
2018	66,149	736	736	76	52	—
2017	88,800	741	746	75	46	—
2016 and prior	552,883	737	752	75	36	—
<b>Total</b>	<b>\$ 2,792,224</b>	<b>751</b>	<b>756</b>	<b>72</b>	<b>55</b>	<b>—</b>

(1) Original credit score is based on three credit bureaus (Equifax, Experian, and TransUnion). Current credit score is based on Experian only.

(2) Credit scores for certain recently acquired loans may not have been updated by the credit bureau since the loan acquisition and therefore the original credit scores also represent the current credit scores.

The following table presents the combination of credit score and CLTV ratio attributes of loans in our Single-Family mortgage portfolio.

**Table 23 - Single-Family Mortgage Portfolio Attribute Combinations**

Original credit score	September 30, 2022												
	CLTV ≤ 60		CLTV > 60 to 80		CLTV > 80 to 90		CLTV > 90 to 100		CLTV > 100		All Loans		
	% of Portfolio	SDQ Rate	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate	% Modified <sup>(2)</sup>
< 620	0.7 %	6.08 %	0.1 %	10.66 %	— %	NM	— %	NM	— %	NM	0.8 %	6.57 %	8.5 %
620 to 679	4.9	2.10	2.0	2.05	0.3	1.93 %	0.1	1.42 %	—	NM	7.3	2.08	3.6
≥ 680	58.5	0.42	26.2	0.44	4.9	0.38	2.2	0.17	—	NM	91.8	0.42	0.7
Not available	0.1	5.55	—	NM	—	NM	—	NM	—	NM	0.1	5.57	20.0
<b>Total</b>	<b>64.2 %</b>	<b>0.70</b>	<b>28.3 %</b>	<b>0.63</b>	<b>5.2 %</b>	<b>0.53</b>	<b>2.3 %</b>	<b>0.29</b>	<b>— %</b>	<b>NM</b>	<b>100.0 %</b>	<b>0.67</b>	<b>1.1</b>

Original credit score	December 31, 2021												
	CLTV ≤ 60		CLTV > 60 to 80		CLTV > 80 to 90		CLTV > 90 to 100		CLTV > 100		All Loans		
	% of Portfolio	SDQ Rate	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate <sup>(1)</sup>	% of Portfolio	SDQ Rate	% Modified <sup>(2)</sup>
< 620	0.8 %	6.69 %	0.2 %	11.68 %	— %	NM	— %	NM	— %	NM	1.0 %	7.50 %	8.5 %
620 to 679	4.4	3.29	2.3	3.05	0.3	2.56 %	0.1	2.57 %	—	NM	7.1	3.22	3.7
≥ 680	51.9	0.80	32.3	0.78	5.3	0.54	2.3	0.25	—	NM	91.8	0.78	0.6
Not available	0.1	6.58	—	NM	—	NM	—	NM	—	NM	0.1	6.85	18.7
<b>Total</b>	<b>57.2 %</b>	<b>1.19</b>	<b>34.8 %</b>	<b>1.04</b>	<b>5.6 %</b>	<b>0.77</b>	<b>2.4 %</b>	<b>0.47</b>	<b>— %</b>	<b>NM</b>	<b>100.0 %</b>	<b>1.12</b>	<b>1.0</b>

(1) NM - not meaningful due to the percentage of the portfolio rounding to zero.

(2) Primarily includes loans modified through the Freddie Mac Flex Modification program.

### Geographic Concentrations

We purchase mortgage loans from across the U.S. However, local economic conditions can affect the borrower's ability to repay and the value of the underlying collateral, leading to concentrations of credit risk in certain geographic areas. In addition, certain states and municipalities have passed or may pass laws that limit our ability to foreclose or evict and make it more difficult and costly to manage our risk.

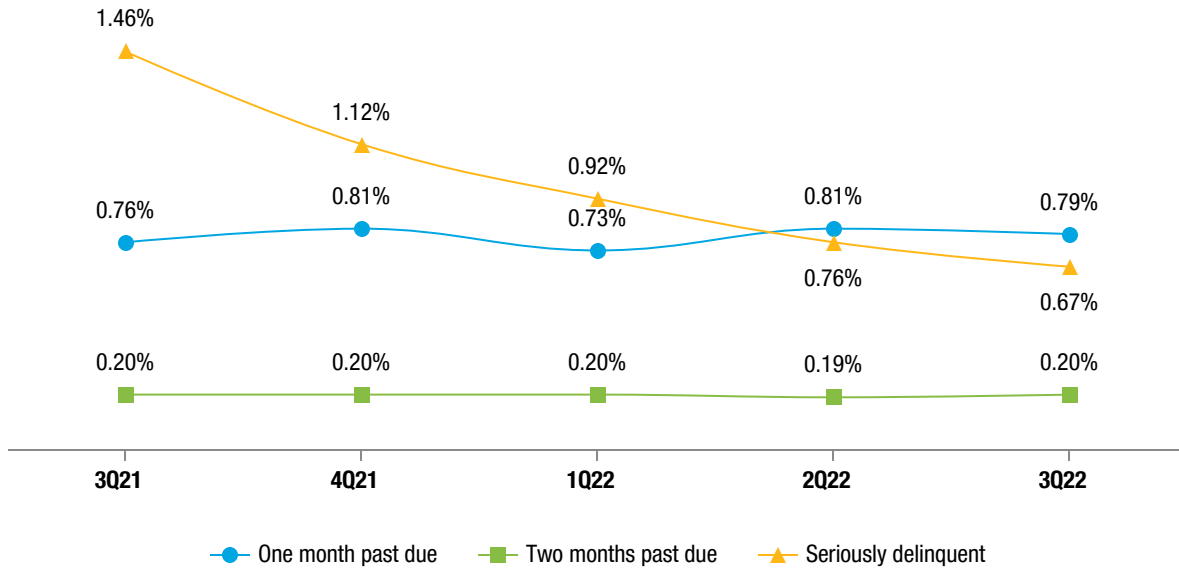
See **Note 12** for more information about the geographic distribution of our Single-Family mortgage portfolio.

**Delinquency Rates**

We report Single-Family delinquency rates based on the number of loans in our Single-Family mortgage portfolio that are past due as reported to us by our servicers as a percentage of the total number of loans in our Single-Family mortgage portfolio.

The chart below shows the delinquency rates of mortgage loans in our Single-Family mortgage portfolio.

**Single Family Delinquency Rates**



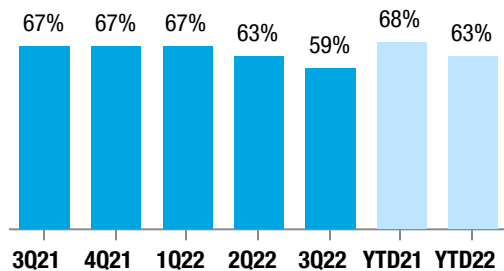
Our Single-Family serious delinquency rate decreased to 0.67% as of September 30, 2022, compared to 1.46% as of September 30, 2021, as borrowers continued to exit forbearance and completed loan workout activities that returned their mortgages to current status. See **Note 3** for additional information on the payment status of our single-family mortgage loans.

**Multifamily Mortgage Credit Risk**

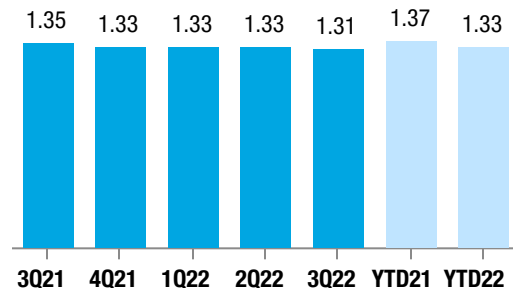
**Maintaining Policies and Procedures for New Business Activity, Including Prudent Underwriting Standards**

Our underwriting standards focus on the LTV ratio and DSCR, which estimates a borrower's ability to repay the loan using the secured property's cash flows, after expenses. The charts below provide the weighted average original LTV and DSCR for our new business activity for the periods presented.

**Weighted Average Original LTV Ratio**



**Weighted Average Original DSCR**



## Transferring Credit Risk to Third-Party Investors

To reduce our credit risk exposure, we engage in a variety of CRT activities; however, securitizations remain our principal credit risk transfer mechanism. Through securitizations (i.e., subordination), we have transferred a substantial amount of the expected and stressed credit risk on the Multifamily mortgage portfolio, thereby reducing our overall credit risk exposure.

### Multifamily Mortgage Portfolio CRT Issuance

The table below provides the UPB of the mortgage loans covered by CRT transactions issued during the periods presented as well as the maximum coverage provided by those transactions.

**Table 24 - Multifamily Mortgage Portfolio CRT Issuance**

(In millions)	3Q 2022		3Q 2021		YTD 2022		YTD 2021	
	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>	UPB <sup>(1)</sup>	Maximum Coverage <sup>(2)</sup>
Subordination	\$11,298	\$791	\$13,192	\$938	\$40,184	\$2,705	\$51,235	\$3,908
SCR	—	—	4,083	233	5,982	141	8,935	509
Insurance/reinsurance	—	—	—	—	5,982	200	—	—
Lender risk-sharing	50	10	1,015	110	264	36	1,015	110
Less: UPB with more than one type of CRT	—	—	—	—	(5,982)	—	—	—
<b>Total CRT issuance</b>	<b>\$11,348</b>	<b>\$801</b>	<b>\$18,290</b>	<b>\$1,281</b>	<b>\$46,430</b>	<b>\$3,082</b>	<b>\$61,185</b>	<b>\$4,527</b>

(1) Represents the UPB of the assets included in the associated reference pool or securitization trust, as applicable.

(2) For subordination, represents the UPB of the securities that are held by third parties at issuance and are subordinate to the securities we guarantee. For SCR transactions, represents the UPB of securities held by third parties at issuance. For insurance/reinsurance transactions, represents the aggregate limit of insurance purchased from third parties at issuance. For lender risk-sharing, represents the amount of loss recovery that is available subject to the terms of counterparty agreements at issuance.

### Multifamily Mortgage Portfolio Credit Enhancement Coverage Outstanding

While we obtain various forms of credit protection in connection with the acquisition, guarantee, and/or securitization of a loan or group of loans, our principal credit enhancement type is subordination, which is created through our securitization transactions. As of September 30, 2022 and December 31, 2021, our maximum coverage provided by subordination in nonconsolidated VIEs was \$42.2 billion and \$43.9 billion, respectively.

The table below presents the UPB and delinquency rates for both credit-enhanced and non-credit-enhanced loans underlying our Multifamily mortgage portfolio.

**Table 25 - Credit-Enhanced and Non-Credit-Enhanced Loans Underlying Our Multifamily Mortgage Portfolio**

(Dollars in millions)	September 30, 2022		December 31, 2021	
	UPB	Delinquency Rate	UPB	Delinquency Rate
Credit-enhanced:				
Subordination	\$360,938	0.14 %	\$360,113	0.08 %
Other	33,177	0.14	28,565	0.16
<b>Total credit-enhanced</b>	<b>394,115</b>	<b>0.14</b>	<b>388,678</b>	<b>0.08</b>
Non-credit-enhanced	21,831	0.12	25,985	0.05
<b>Total</b>	<b>\$415,946</b>	<b>0.13</b>	<b>\$414,663</b>	<b>0.08</b>

# Market Risk

## Overview

Our business segments have embedded exposure to market risk, which is the economic risk associated with adverse changes in interest rates, volatility, and spreads. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth. The primary sources of interest-rate risk are our investments in mortgage-related assets, the debt we issue to fund these assets, and our Single-Family guarantees.

## Interest-Rate Risk

Our primary interest-rate risk measures are duration gap and Portfolio Value Sensitivity (PVS). Duration gap measures the difference in price sensitivity to interest rate changes between our financial assets and liabilities and is expressed in months relative to the value of assets. PVS is an estimate of the change in the present value of the cash flows of our financial assets and liabilities from an instantaneous shock to interest rates, assuming spreads are held constant and no rebalancing actions are undertaken. PVS is measured in two ways, one measuring the estimated sensitivity of our portfolio value to a 50 basis point parallel movement in interest rates (PVS-L) and the other to a non-parallel movement resulting from a 25 basis point change in the slope of the yield curve (PVS-YC). While we believe that duration gap and PVS are useful risk management tools, they should be understood as estimates rather than as precise measurements.

The following tables provide our duration gap, estimated point-in-time and minimum and maximum PVS-L and PVS-YC results, and an average of the daily values and standard deviation. The table below also provides PVS-L estimates assuming an immediate 100 basis point shift in the yield curve. The interest-rate sensitivity of a mortgage portfolio varies across a wide range of interest rates.

**Table 26 - PVS-YC and PVS-L Results Assuming Shifts of the Yield Curve**

	September 30, 2022			December 31, 2021		
	PVS-YC 25 bps	PVS-L		PVS-YC 25 bps	PVS-L	
(In millions)		50 bps	100 bps		50 bps	100 bps
<b>Assuming shifts of the yield curve, (gains) losses on:<sup>(1)</sup></b>						
Assets:						
Investments	(\$381)	(\$3,217)	(\$6,534)	\$368	\$3,531	\$7,101
Guarantees <sup>(2)</sup>	92	560	1,175	(242)	(1,181)	(1,830)
<b>Total assets</b>	<b>(289)</b>	<b>(2,657)</b>	<b>(5,359)</b>	<b>126</b>	<b>2,350</b>	<b>5,271</b>
Liabilities	(60)	2,055	4,113	18	(2,385)	(4,870)
Derivatives	350	587	1,162	(144)	94	(217)
<b>Total</b>	<b>\$1</b>	<b>(\$15)</b>	<b>(\$84)</b>	<b>\$—</b>	<b>\$59</b>	<b>\$184</b>
<b>PVS</b>	<b>\$1</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$59</b>	<b>\$184</b>

(1) The categorization of the PVS impact between assets, liabilities, and derivatives in this table is based upon the economic characteristics of those assets and liabilities, not their accounting classification. For example, purchase and sale commitments of mortgage-related securities and debt of consolidated trusts held by the mortgage-related investments portfolio are both categorized as assets in this table.

(2) Represents the interest-rate risk from our Single-Family guarantees, which include buy-ups, float, and upfront fees (including buy-downs).

**Table 27 - Duration Gap and PVS Results**

(Duration gap in months, dollars in millions)	3Q 2022			3Q 2021		
	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps
Average	—	\$4	\$3	0.1	\$12	\$77
Minimum	(0.3)	—	—	(1.2)	—	—
Maximum	0.3	11	28	0.9	45	147
Standard deviation	0.1	3	5	0.5	9	33

(Duration gap in months, dollars in millions)	YTD 2022			YTD 2021		
	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps
Average	—	\$6	\$6	0.3	\$9	\$52
Minimum	(0.4)	—	—	(1.2)	—	—
Maximum	0.4	18	77	1.0	45	200
Standard deviation	0.1	4	13	0.4	7	48

Derivatives enable us to reduce our economic interest-rate risk exposure as we continue to align our derivative portfolio with the changing duration of our economically hedged assets and liabilities. The table below shows that the PVS-L risk levels, assuming a 50 basis point shift in the yield curve for the periods presented, would have been higher if we had not used derivatives.

**Table 28 - PVS-L Results Before Derivatives and After Derivatives**

(In millions)	PVS-L (50 bps)		Effect of Derivatives
	Before Derivatives	After Derivatives	
September 30, 2022 <sup>(1)</sup>	\$561	\$—	(\$561)
December 31, 2021 <sup>(2)</sup>	508	59	(449)

(1) Before derivatives, our adverse PVS-L rate movement was +50 bps, whereas after derivatives our adverse PVS-L rate movement was -50 bps.

(2) Before derivatives, our adverse PVS-L rate movement was -50 bps, whereas after derivatives our adverse PVS-L rate movement was +50 bps.

## Earnings Sensitivity to Market Risk

The accounting treatment for our financial assets and liabilities (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our GAAP earnings when interest rates and spreads change. We manage this variability of GAAP earnings, which may not reflect the economics of our business, using fair value hedge accounting. See **MD&A - Consolidated Results of Operations** and **MD&A - Our Business Segments** for additional information on the effect of changes in interest rates and market spreads on our financial results.

### Interest Rate-Related Earnings Sensitivity

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, changes in interest rates may still result in significant earnings variability from period to period.

By electing fair value hedge accounting for certain single-family mortgage loans and certain debt instruments, we are able to reduce the potential variability in our earnings attributable to changes in interest rates. See **Note 8** for additional information on hedge accounting.

#### Earnings Sensitivity to Changes in Interest Rates

We evaluate a range of interest rate scenarios to determine the sensitivity of our earnings due to changes in interest rates and to determine our fair value hedge accounting strategies. The interest rate scenarios evaluated include parallel shifts in the yield curve in which interest rates increase or decrease by 100 basis points, non-parallel shifts in the yield curve in which long-term interest rates increase or decrease by 100 basis points, and non-parallel shifts in the yield curve in which short-term and medium-term interest rates increase or decrease by 100 basis points. This evaluation identifies the net effect on comprehensive income from changes in fair value attributable to changes in interest rates for financial instruments measured at fair value, including the effects of fair value hedge accounting, for each of the identified scenarios. This evaluation does not include the net effect on comprehensive income from interest-rate sensitive items that are not measured at fair value (e.g., amortization of mortgage loan premiums and discounts, changes in fair value of held-for-sale mortgage loans for which we have not elected

the fair value option), or from changes in our future contractual net interest income due to repricing of our interest-bearing assets and liabilities. The before-tax results of this evaluation are shown in the table below.

**Table 29 - Earnings Sensitivity to Changes in Interest Rates**

(In millions)	September 30, 2022	September 30, 2021
<b>Interest Rate Scenarios<sup>(1)</sup></b>		
Parallel yield curve shifts:		
+100 basis points	\$62	\$26
-100 basis points	(62)	(26)
Non-parallel yield curve shifts - long-term interest rates:		
+100 basis points	202	(153)
-100 basis points	(202)	153
Non-parallel yield curve shifts - short-term and medium-term interest rates:		
+100 basis points	(140)	179
-100 basis points	140	(179)

(1) The earnings sensitivity presented is calculated using the change in interest rates and net effective duration exposure.

The actual effect of changes in interest rates on our comprehensive income in any given period may vary based on a number of factors, including, but not limited to, the composition of our assets and liabilities, the actual changes in interest rates that are realized at different terms along the yield curve, and the effectiveness of our hedge accounting strategies. Even if implemented properly, our hedge accounting programs may not be effective in reducing earnings volatility, and our hedges may fail in any given future period, which could expose us to significant earnings variability in that period.



## LIQUIDITY AND CAPITAL RESOURCES

Our business activities require that we maintain adequate liquidity to meet our financial obligations as they come due and to meet the needs of customers in a timely and cost-efficient manner. We are also required to comply with minimum liquidity requirements established by FHFA and to maintain adequate capital resources to avoid being placed into receivership by FHFA.

### Liquidity

#### Primary Sources of Liquidity

The following table lists the sources of our liquidity, the balances as of the dates shown, and a brief description of their importance to Freddie Mac.

**Table 30 - Liquidity Sources**

(In millions)	September 30, 2022 <sup>(1)</sup>	December 31, 2021 <sup>(1)</sup>	Description
Other Investments Portfolio - Liquidity and Contingency Operating Portfolio	\$116,955	\$80,262	The liquidity and contingency operating portfolio, included within our other investments portfolio, is primarily used for short-term liquidity management.
Mortgage Loans and Mortgage-Related Securities	24,479	43,393	The liquid portion of our mortgage-related investments portfolio can be pledged or sold for liquidity purposes. The amount of cash we may be able to successfully raise may be substantially less than the balance.

(1) Represents carrying value for the liquidity and contingency operating portfolio, included within our other investments portfolio, and UPB for the liquid portion of the mortgage-related investments portfolio.

#### Other Investments Portfolio

Our other investments portfolio is important to our cash flow, collateral management, asset and liability management, and ability to provide liquidity and stability to the mortgage market.

Our liquidity and contingency operating portfolio primarily includes securities purchased under agreements to resell and non-mortgage-related securities. Our non-mortgage-related securities consist of U.S. Treasury securities and other investments that we could sell to provide us with an additional source of liquidity to fund our business operations. We also maintain non-interest-bearing deposits at the Federal Reserve Bank of New York and interest-bearing deposits at commercial banks. Our interest-bearing deposits at commercial banks totaled \$4.7 billion and \$3.5 billion as of September 30, 2022 and December 31, 2021, respectively.

The other investments portfolio also included cash collateral posted to us primarily by derivatives counterparties of \$2.4 billion and \$1.2 billion as of September 30, 2022 and December 31, 2021, respectively. We have primarily invested this collateral in securities purchased under agreements to resell and non-mortgage-related securities as part of our liquidity and contingency operating portfolio, although the collateral may be subject to return to our counterparties based on the terms of our master netting and collateral agreements. See **MD&A - Our Portfolios - Investments Portfolio - Other Investments Portfolio** for more information about our other investments portfolio.

#### Mortgage Loans and Mortgage-Related Securities

We invest principally in mortgage loans and mortgage-related securities, certain categories of which are largely unencumbered and liquid. Our primary source of liquidity among these mortgage assets is our holdings of agency securities.

## Primary Sources of Funding

The following table lists the sources of our funding, the balances as of the dates shown, and a brief description of their importance to Freddie Mac.

**Table 31 - Funding Sources**

(In millions)	September 30, 2022 <sup>(1)</sup>	December 31, 2021 <sup>(1)</sup>	Description
Debt of Freddie Mac	\$163,249	\$177,131	Debt of Freddie Mac is used to fund our business activities.
Debt of Consolidated Trusts	2,973,973	2,803,054	Debt of consolidated trusts is used primarily to fund our Single-Family guarantee activities. This type of debt is principally repaid by the cash flows of the associated mortgage loans. As a result, our repayment obligation is limited to amounts paid pursuant to our guarantee of principal and interest and to purchase modified or seriously delinquent loans from the trusts.

(1) Represents the carrying value of debt balances after consideration of offsetting arrangements.

## Debt of Freddie Mac

We issue debt of Freddie Mac to fund our business activities. Competition for funding can vary depending on economic, financial market, and regulatory environments. We issue debt of Freddie Mac based on a variety of factors, including an assessment of market conditions, debt funding spreads, and our liquidity requirements.

The table below summarizes the par value and the average rate of debt of Freddie Mac we issued or paid off, including regularly scheduled principal payments, payments resulting from calls, and payments for repurchases. We call, exchange, or repurchase our outstanding debt from time to time for a variety of reasons, including managing our funding composition and supporting the liquidity of our debt securities.

**Table 32 - Debt of Freddie Mac Activity**

(Dollars in millions)	3Q 2022		3Q 2021	
	Par Value	Average Rate <sup>(1)</sup>	Par Value	Average Rate <sup>(1)</sup>
<b>Short-term:</b>				
Beginning balance	\$3,115	1.14 %	\$—	— %
Issuances	33,182	2.19	—	—
Repayments	—	—	—	—
Maturities	(24,387)	1.87	—	—
<b>Ending balance</b>	<b>11,910</b>	<b>2.46</b>	<b>—</b>	<b>—</b>
Securities sold under agreements to repurchase	7,512	2.06	3,455	(0.01)
Offsetting arrangements	(7,512)		(3,455)	
<b>Securities sold under agreements to repurchase, net</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total short-term debt</b>	<b>11,910</b>	<b>2.46</b>	<b>—</b>	<b>—</b>
<b>Long-term:</b>				
Beginning balance	165,433	1.52	230,476	1.17
Issuances	12,876	4.12	—	—
Repayments	(1,392)	5.68	(19,420)	0.60
Maturities	(13,603)	0.63	(13,645)	0.82
<b>Total long-term debt</b>	<b>163,314</b>	<b>1.83</b>	<b>197,411</b>	<b>1.25</b>
<b>Total debt of Freddie Mac, net</b>	<b>\$175,224</b>	<b>1.87 %</b>	<b>\$197,411</b>	<b>1.25 %</b>

Referenced footnote is included after the year-to-date table.

(Dollars in millions)	YTD 2022		YTD 2021	
	Par Value	Average Rate <sup>(1)</sup>	Par Value	Average Rate <sup>(1)</sup>
<b>Short-term:</b>				
Beginning balance	\$—	—%	\$4,955	1.31%
Issuances	40,900	1.87	22,050	0.04
Repayments	—	—	(24,568)	0.15
Maturities	(28,990)	1.59	(2,437)	1.48
<b>Ending balance</b>	<b>11,910</b>	<b>2.46</b>	<b>—</b>	<b>—</b>
Securities sold under agreements to repurchase	7,512	2.06	3,455	(0.01)
Offsetting arrangements	(7,512)		(3,455)	
<b>Securities sold under agreements to repurchase, net</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total short-term debt</b>	<b>11,910</b>	<b>2.46</b>	<b>—</b>	<b>—</b>
<b>Long-term:</b>				
Beginning balance	181,613	1.11	281,386	1.12
Issuances	29,948	3.58	1,090	0.60
Repayments	(3,297)	4.15	(56,436)	0.71
Maturities	(44,950)	0.37	(28,629)	1.12
<b>Total long-term debt</b>	<b>163,314</b>	<b>1.83</b>	<b>197,411</b>	<b>1.25</b>
<b>Total debt of Freddie Mac, net</b>	<b>\$175,224</b>	<b>1.87 %</b>	<b>\$197,411</b>	<b>1.25 %</b>

(1) Average rate is weighted based on par value.

The outstanding balance of total debt of Freddie Mac decreased from December 31, 2021 to September 30, 2022 primarily due to a lower mortgage-related investments portfolio balance and lower cash window purchase volume. As of September 30, 2022, our aggregate indebtedness pursuant to the Purchase Agreement was \$175.2 billion, which was below the current \$300.0 billion debt cap limit. Our aggregate indebtedness calculation primarily includes the par value of short- and long-term debt.

### **Maturity and Redemption Dates**

The following table presents the debt of Freddie Mac by contractual maturity date and earliest redemption date. The earliest redemption date refers to the earliest call date for callable debt and the contractual maturity date for all other debt of Freddie Mac.

**Table 33 - Maturity and Redemption Dates**

(Par value in millions)	As of September 30, 2022		As of December 31, 2021	
	Contractual Maturity Date	Earliest Redemption Date	Contractual Maturity Date	Earliest Redemption Date
Debt of Freddie Mac <sup>(1)</sup> :				
1 year or less	\$51,863	\$139,548	\$55,958	\$118,436
1 year through 2 years	31,740	13,545	38,688	35,724
2 years through 3 years	38,694	11,777	13,274	1,745
3 years through 4 years	18,885	1,281	35,436	12,076
4 years through 5 years	6,501	170	4,717	87
Thereafter	30,208	11,570	31,736	11,741
STACR and SCR debt <sup>(2)</sup>	4,845	4,845	9,139	9,139
<b>Total debt of Freddie Mac</b>	<b>\$182,736</b>	<b>\$182,736</b>	<b>\$188,948</b>	<b>\$188,948</b>

(1) Includes payables related to securities sold under agreements to repurchase that we offset against receivables related to securities purchased under agreements to resell on our condensed consolidated balance sheets, when such amounts meet the conditions for offsetting in the accounting guidance.

(2) STACR debt notes and SCR debt notes are subject to prepayment risk as their payments are based upon the performance of a reference pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty and are, therefore, included as a separate category in the table.

## Debt of Consolidated Trusts

The largest component of debt on our condensed consolidated balance sheets is debt of consolidated trusts, which relates to securitization transactions that we consolidate for accounting purposes. We primarily issue this type of debt by securitizing mortgage loans to fund our Single-Family activities.

The table below shows activity for the debt of consolidated trusts.

**Table 34 - Debt of Consolidated Trusts Activity**

(In millions)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
Beginning balance	\$2,877,722	\$2,506,334	\$2,732,056	\$2,240,602
Issuances	172,989	377,326	672,155	1,181,467
Repayments and extinguishments	(129,666)	(254,084)	(483,166)	(792,493)
<b>Ending balance</b>	<b>2,921,045</b>	<b>2,629,576</b>	<b>2,921,045</b>	<b>2,629,576</b>
Unamortized premiums and discounts	52,928	71,954	52,928	71,954
<b>Debt of consolidated trusts</b>	<b>\$2,973,973</b>	<b>\$2,701,530</b>	<b>\$2,973,973</b>	<b>\$2,701,530</b>

## Off-Balance Sheet Arrangements

We enter into certain business arrangements that are not recorded on our condensed consolidated balance sheets or that may be recorded in amounts that differ from the full contractual or notional amount of the transaction that affect our short- and long-term liquidity needs. Certain of these arrangements present credit risk exposure. See **MD&A - Risk Management - Credit Risk** for additional information on our credit risk exposure on off-balance sheet arrangements.

### Guarantees

We have certain off-balance sheet arrangements related to our securitization and other mortgage-related guarantee activities. Our off-balance sheet arrangements related to securitization activities primarily consist of guaranteed K Certificates and SB Certificates. Our guarantee of these securitization activities and other mortgage-related guarantees may result in liquidity needs to cover potential cash flow shortfalls from borrower defaults. As of September 30, 2022 and December 31, 2021, the outstanding UPB of the guaranteed securities was \$365.4 billion and \$366.0 billion, respectively.

In addition to our securitization and other mortgage-related guarantees, we have certain other guarantees that are accounted for as derivative instruments. These other guarantees are recognized on our condensed consolidated balance sheets at fair value and are not included in the totals above. See **Note 8** for additional information on these guarantees.

We have the ability to commingle TBA-eligible Fannie Mae collateral in certain of our resecuritization products. When we resecuritize Fannie Mae securities in our commingled resecuritization products, our guarantee covers timely payments of principal and interest on such securities. Accordingly, commingling Fannie Mae collateral in our resecuritization transactions increases our off-balance sheet liquidity exposure as we do not have control over the Fannie Mae collateral. As of September 30, 2022 and December 31, 2021, the total amount of our off-balance sheet exposure related to Fannie Mae securities backing Freddie Mac resecuritization products was approximately \$122.6 billion and \$111.2 billion, respectively.

### Cash Flows

Cash and cash equivalents (including restricted cash and cash equivalents) decreased by \$3.8 billion from \$9.5 billion as of September 30, 2021 to \$5.7 billion as of September 30, 2022, primarily driven by an increase in securities purchased under agreements to resell.

## Capital Resources

The table below presents activity related to our net worth.

**Table 35 - Net Worth Activity**

(In millions)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
Beginning balance	\$34,098	\$22,402	\$28,033	\$16,413
Comprehensive income (loss)	1,132	2,909	7,197	8,898
Capital draw from Treasury	—	—	—	—
Senior preferred stock dividends declared	—	—	—	—
<b>Total equity / net worth</b>	<b>\$35,230</b>	<b>\$25,311</b>	<b>\$35,230</b>	<b>\$25,311</b>
Remaining Treasury funding commitment	140,162	140,162	140,162	140,162
Aggregate draws under Purchase Agreement	71,648	71,648	71,648	71,648
Aggregate cash dividends paid to Treasury	119,680	119,680	119,680	119,680
Liquidation preference of the senior preferred stock	106,746	95,050	106,746	95,050

## ERCF

FHFA has established the ERCF as a new enterprise regulatory capital framework for Freddie Mac and Fannie Mae. Our current capital levels are significantly below the levels that would be required under the ERCF. The ERCF has a transition period for compliance, and we are not required to comply with the regulatory capital requirements or the buffer requirements while in conservatorship. In general, the compliance date for the regulatory capital requirements will be the later of the date of termination of our conservatorship and any later compliance date provided in a transition order, and the compliance date for buffer requirements in the ERCF will be the date of termination of our conservatorship. Pursuant to the final rule, we are required to comply with the regulatory capital reporting requirements under the ERCF in 2022, and we filed with FHFA our initial quarterly capital report on May 27, 2022.

The ERCF establishes risk-based and leverage capital requirements and includes supplemental capital requirements relating to the amount and form of the capital we hold, based largely on definitions of capital used in U.S. banking regulators' regulatory capital framework. The ERCF capital requirements contain both statutory capital elements (total capital and core capital) and regulatory capital elements (common equity tier 1 (CET1) capital, Tier 1 capital, and adjusted total capital). The ERCF also includes a requirement that we hold prescribed capital buffers that can be drawn down in periods of financial stress and then rebuilt over time as economic conditions improve. If we fall below the prescribed buffer amounts, we must restrict capital distributions such as stock repurchases and dividends, as well as discretionary bonus payments to executives, until the buffer amounts are restored.

### **Risk-Based Capital Requirements**

Under the ERCF risk-based capital requirements, we must maintain our CET1 capital, Tier 1 capital, and adjusted total capital ratios equal to at least 4.5%, 6%, and 8%, respectively, of risk-weighted assets. We must also maintain statutory total capital equal to at least 8% of risk-weighted assets. To avoid limits on capital distributions and discretionary bonus payments, we also must maintain CET1 capital that exceeds the risk-based capital requirements by at least the amount of the prescribed capital conservation buffer amount (PCCBA).

### **Leverage Capital Requirements**

Under the ERCF leverage capital requirements, we must maintain our Tier 1 capital ratio equal to at least 2.5% of adjusted total assets. We must also maintain our statutory core capital ratio equal to at least 2.5% of adjusted total assets. To avoid limits on capital distributions and discretionary bonus payments, we also must maintain our Tier 1 capital that exceeds the leverage capital requirements by at least the amount of the prescribed leverage buffer amount (PLBA).

**Capital Metrics**

The table below presents our capital metrics under the ERCF.

**Table 36 - Capital Metrics Under ERCF**

(In billions)	September 30, 2022
Adjusted total assets	\$3,695
Risk-weighted assets (standardized approach)	855

(In billions)	September 30, 2022
Stress capital buffer	\$27
Stability capital buffer	23
Countercyclical capital buffer	—
PCCBA	\$50
PLBA	\$11

(Dollars in billions)	September 30, 2022				
	Minimum Capital Requirement	Applicable Buffer <sup>(1)</sup>	Capital Requirement (Including Buffer)	Available Capital (Deficit)	Capital Shortfall
<b>Risk-based capital amounts:</b>					
Total capital (statutory) <sup>(2)</sup>	\$68	N/A	\$68	(\$30)	(\$98)
CET1 capital <sup>(3)</sup>	38	\$50	88	(57)	(145)
Tier 1 capital <sup>(3)</sup>	51	50	101	(43)	(144)
Adjusted total capital <sup>(3)</sup>	68	50	118	(43)	(161)
<b>Risk-based capital ratios<sup>(4)</sup>:</b>					
Total capital (statutory)	8.0 %	N/A	8.0 %	(3.5)%	(11.5)%
CET1 capital	4.5	5.8 %	10.3	(6.7)	(17.0)
Tier 1 capital	6.0	5.8	11.8	(5.0)	(16.8)
Adjusted total capital	8.0	5.8	13.8	(5.0)	(18.8)
<b>Leverage capital amounts:</b>					
Core capital (statutory) <sup>(5)</sup>	\$92	N/A	\$92	(\$37)	(\$129)
Tier 1 capital <sup>(3)</sup>	92	\$11	103	(43)	(146)
<b>Leverage capital ratios<sup>(6)</sup>:</b>					
Core capital (statutory)	2.5 %	N/A	2.5 %	(1.0)%	(3.5)%
Tier 1 capital	2.5	0.3 %	2.8	(1.2)	(4.0)

(1) PCCBA for risk-based capital and PLBA for leverage capital.

(2) Total capital is equal to core capital plus certain allowances for credit losses.

(3) Regulatory capital amounts exclude senior preferred stock, deferred tax assets arising from temporary differences that exceed 10% of CET1 capital, and certain other items.

(4) As a percentage of risk-weighted assets.

(5) Core capital excludes certain components of GAAP total equity (i.e., AOCI and senior preferred stock) as these items do not meet the statutory definition of core capital.

(6) As a percentage of adjusted total assets.

At September 30, 2022, our maximum payout ratio under the ERCF was 0.0%.

See **Note 15** for additional information on our amounts of capital and ratios under the ERCF.

## CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates and policies relate to the Single-Family allowance for credit losses. For additional information about our critical accounting estimates and other significant accounting policies, see **Note 1** and Critical Accounting Estimates in our 2021 Annual Report.

### Single-Family Allowance for Credit Losses

The Single-Family allowance for credit losses represents our estimate of expected credit losses over the contractual term of the mortgage loans. The Single-Family allowance for credit losses pertains to all held-for-investment single-family mortgage loans on our condensed consolidated balance sheets.

Determining the appropriateness of the Single-Family allowance for credit losses is a complex process that is subject to numerous estimates and assumptions requiring significant management judgment about matters that involve a high degree of subjectivity. This process involves the use of models that require us to make judgments about matters that are difficult to predict, the most significant of which is the probability of default.

Changes in forecasted house price growth rates can have a significant effect on our allowance for credit losses. The table below shows our nationwide forecasted house price growth rates that were used in determining our allowance for credit losses. See **Note 5** for additional information regarding our current period benefit (provision) for credit losses and estimation process.

**Table 37 - Forecasted House Price Growth Rates**

	2022	2023
September 30, 2022 <sup>(1)</sup>	6.7 %	(0.2)%
June 30, 2022 <sup>(1)</sup>	12.8	4.0
March 31, 2022 <sup>(1)</sup>	10.4	5.0
December 31, 2021	6.2	2.5

(1) Current year forecast includes actual rates observed in the prior months.

## REGULATION AND SUPERVISION

In addition to oversight by FHFA as our Conservator, we are subject to regulation and oversight by FHFA under our Charter and the GSE Act and to certain regulation by other government agencies. FHFA has the power to require us from time to time to change our processes, take action and/or stop taking action that could impact our business. Furthermore, regulatory activities by other government agencies can affect us indirectly, even if we are not directly subject to such agencies' regulation or oversight. For example, regulations that modify requirements applicable to the purchase or servicing of mortgages can affect us.

### Federal Housing Finance Agency

#### Updated Minimum Financial Eligibility Requirements for Enterprise Seller/ Servicers

On August 17, 2022, FHFA and Ginnie Mae issued a joint announcement of their updated minimum financial eligibility requirements for Enterprise seller/servicers and Ginnie Mae issuers. Freddie Mac announced the updated changes on September 21, 2022. The new requirements contain changes related to incorporating enhanced definitions of capital and liquidity, reducing the procyclicality of the current liquidity requirements, and incorporating lessons learned from the pandemic. They also include higher supplemental requirements applicable only to large non-depositories, defined as non-depositories having \$50 billion or more of total single-family servicing UPB, as well as a new origination liquidity requirement for sellers that originate greater than \$1 billion in single-family first lien mortgages in the most recent calendar year. The majority of the requirements are effective on September 30, 2023.

#### FICO 10T and VantageScore 4.0

On October 24, 2022, FHFA announced the validation and approval of both the FICO 10T and the VantageScore 4.0 credit score models for use by the Enterprises. FHFA expects that implementation of the FICO 10T and VantageScore 4.0 models will be a multiyear effort. Once implemented, lenders will be required to deliver both FICO 10T and VantageScore 4.0 credit scores with each loan sold to the Enterprises. FHFA and the Enterprises will conduct outreach to stakeholders to ensure a smooth transition to the newer credit score models.

FHFA also announced that the Enterprises will work toward changing the requirement that lenders provide credit reports from all three nationwide consumer reporting agencies (CRAs). Instead, the Enterprises will require lenders to provide credit reports from two of the three nationwide CRAs. The Enterprises will work with stakeholders on a plan for implementing the change from a tri-merge credit report requirement to a bi-merge credit report requirement.

#### Targeted Pricing Changes to Enterprise Pricing Framework

On October 24, 2022, FHFA announced targeted changes to the Enterprises' guarantee fee pricing by eliminating upfront fees for certain borrowers and affordable mortgage products, while implementing targeted increases to the upfront fees for most cash-out refinance loans.

As part of the pricing changes stemming from FHFA's ongoing review of the Enterprises' pricing framework announced last year, FHFA is eliminating upfront fees for:

- First-time homebuyers at or below 100 percent of area median income (AMI) in most of the United States and below 120 percent of AMI in high-cost areas;
- Home Possible and HomeReady loans (Freddie Mac and Fannie Mae's flagship affordable mortgage programs);
- HFA Advantage and HFA Preferred loans; and
- Single-family loans supporting the Duty to Serve program.

Freddie Mac announced the updated changes on October 31, 2022. The implementation of new fees for cash-out refinance loans will begin on February 1, 2023. All other announced fee changes will go into effect on December 1, 2022.



## Legislative and Regulatory Developments

### 2022 Dodd-Frank Stress Test Results

On August 11, 2022, FHFA released a report providing the results of the 2022 annual stress tests for Freddie Mac. This report provides updated information on possible ranges of future financial results for Freddie Mac under severely adverse economic conditions.

### Proposed Multifamily Affordable Housing Goals for 2023-2024

On August 16, 2022, FHFA proposed its multifamily affordable housing goals for Freddie Mac for 2023-2024. Under FHFA's existing housing goals regulation, the multifamily housing goals for the Enterprises include benchmark levels through the end of 2022 based on the total number of affordable units in multifamily properties financed by mortgage loans purchased by the Enterprise each year. This proposed rule would amend the regulation to establish benchmark levels for the multifamily housing goals for 2023 and 2024 based on a new methodology – the percentage of affordable units in multifamily properties financed by mortgages purchased by the Enterprise each year.

Our current and proposed affordable housing goal benchmark levels are set forth below.

**Table 38 - Current and Proposed 2023-2024 Multifamily Affordable Housing Goal Benchmark Levels**

Affordable Housing Goals	Current Benchmark Levels for 2022 (units)	Proposed Benchmark Levels for 2023-2024 (% of units)
Multifamily		
Low-income goal	415,000	61 %
Very low-income subgoal	88,000	12
Small multifamily (5-50 units) low-income subgoal	23,000	2

## FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, the news media, securities analysts, and others as part of our normal operations. Some of these communications, including this Form 10-Q, contain "forward-looking statements." Examples of forward-looking statements include, but are not limited to, statements pertaining to the conservatorship, our current expectations and objectives for the Single-Family and Multifamily segments of our business, our efforts to assist the housing market, our liquidity and capital management, economic and market conditions and trends including, but not limited to, changes in observed and forecasted house price appreciation, our market share, the effect of legislative and regulatory developments and new accounting guidance, the credit quality of loans we own or guarantee, the costs and benefits of our CRT transactions, the effects of natural disasters, other catastrophic events, including the COVID-19 pandemic, and significant climate change effects and actions taken in response thereto on our business, and our results of operations and financial condition. Forward-looking statements are often accompanied by, and identified with, terms such as "could," "may," "will," "believe," "expect," "anticipate," "forecast," and similar phrases. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates, and projections. Actual results may differ significantly from those described in or implied by such forward-looking statements due to various factors and uncertainties, including those described in the **Risk Factors** section in our 2021 Annual Report, and including, without limitation, the following:

- The actions the federal government (including FHFA, Treasury, and Congress) and state governments may take, require us to take, or restrict us from taking, including actions to support the housing market, such as programs implemented in response to the COVID-19 pandemic or to implement the recommendations in FHFA's Conservatorship Scorecards, recent requirements and guidance related to equitable housing, and other objectives for us;
- Changes in the fiscal and monetary policies of the Federal Reserve, including changes in target interest rates and in the amount of agency MBS and agency CMBS held by the Federal Reserve;
- Uncertainty regarding the duration and severity of the COVID-19 pandemic and the effects of the pandemic and actions taken in response thereto on the U.S. economy and housing market, which could, in turn, adversely affect our business in numerous ways, including, for example, by increasing our credit losses, impairing the value of our mortgage-related securities, decreasing our liquidity and capital levels, and increasing our credit risk and operational risk;
- The effect of the restrictions on our business due to the conservatorship and the Purchase Agreement;
- Changes in our Charter, applicable legislative or regulatory requirements (including any legislation affecting the future status of our company), or the Purchase Agreement;
- Changes to our capital requirements and potential effects of such changes on our business strategies;
- Changes in tax laws;
- Changes in privacy and cybersecurity laws and regulations;
- Changes in accounting policies, practices, standards, or guidance;
- Changes in economic and market conditions generally, and as a result of the COVID-19 pandemic, including changes in employment rates, inflation, interest rates, spreads, and house prices;
- Changes in the U.S. residential mortgage market, including changes in the supply and type of loan products (e.g., refinance vs. purchase and fixed-rate vs. ARM);
- The success of our efforts to mitigate our losses on our Single-Family mortgage portfolio;
- The success of our strategy to transfer mortgage credit risk through STACR, ACIS, K Certificate, SB Certificate, and other CRT transactions;
- Our ability to maintain adequate liquidity to fund our operations;
- Our ability to maintain the security and resiliency of our operational systems and infrastructure, including against cyberattacks or other security incidents;
- Our ability to effectively execute our business strategies, implement significant changes, and improve efficiency;
- The adequacy of our risk management framework, including the adequacy of our capital framework for measuring risk;
- Our ability to manage mortgage credit risk, including the effect of changes in underwriting and servicing practices;
- Our ability to limit or manage our economic exposure and GAAP earnings exposure to interest-rate volatility and spread volatility, including the availability of derivative financial instruments needed for interest-rate risk management purposes and our ability to apply hedge accounting;
- Our operational ability to issue new securities, make timely and correct payments on securities, and provide initial and ongoing disclosures;
- Our reliance on CSS and the CSP for the operation of the majority of our Single-Family securitization activities, limits on our influence over CSS Board decisions, and any additional changes FHFA may require in our relationship with, or support of, CSS;

- Changes in the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks;
- Changes in investor demand for our debt or mortgage-related securities;
- Our ability to maintain market acceptance of the UMBS, including our ability to maintain alignment of the prepayment speeds of our and Fannie Mae's respective UMBS;
- Changes in the practices of loan originators, servicers, investors, and other participants in the secondary mortgage market;
- Competition from other market participants, which could affect the pricing we offer for our products, the credit characteristics of the loans we purchase, and our ability to meet our affordable housing goals;
- The discontinuance of, transition from, or replacement of LIBOR and the adverse consequences it could have on our business and operations;
- The availability of critical third parties, or their vendors and other business partners, to deliver products or services, or to manage risks effectively;
- The occurrence of a major natural disaster, other catastrophic event, or significant climate change effects in areas in which our offices, significant portions of our total mortgage portfolio, or the offices of critical third parties are located, and for which we may be uninsured or significantly underinsured; and
- Other factors and assumptions described in this Form 10-Q and our 2021 Annual Report, including in the **MD&A** section.

Forward-looking statements are made only as of the date of this Form 10-Q, and we undertake no obligation to update any forward-looking statements we make to reflect events or circumstances occurring after the date of this Form 10-Q.

# Financial Statements

**FREDDIE MAC**

## Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(In millions, except share-related amounts)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
<b>Net interest income</b>				
Interest income	\$21,894	\$15,791	\$59,642	\$44,923
Interest expense	(17,340)	(11,373)	(46,225)	(32,099)
<b>Net interest income</b>	<b>4,554</b>	<b>4,418</b>	<b>13,417</b>	<b>12,824</b>
<b>Non-interest income (loss)</b>				
Guarantee income	125	246	400	850
Investment gains (losses), net	415	383	2,249	2,227
Other income (loss)	87	200	365	485
<b>Non-interest income (loss)</b>	<b>627</b>	<b>829</b>	<b>3,014</b>	<b>3,562</b>
<b>Net revenues</b>	<b>5,181</b>	<b>5,247</b>	<b>16,431</b>	<b>16,386</b>
<b>Benefit (provision) for credit losses</b>	<b>(1,796)</b>	<b>243</b>	<b>(1,266)</b>	<b>1,179</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	(387)	(352)	(1,119)	(1,042)
Credit enhancement expense	(542)	(386)	(1,559)	(1,090)
Benefit for (decrease in) credit enhancement recoveries	210	(60)	192	(510)
Legislative assessments expense	(753)	(734)	(2,260)	(2,121)
Other expense	(353)	(312)	(1,031)	(1,038)
<b>Non-interest expense</b>	<b>(1,825)</b>	<b>(1,844)</b>	<b>(5,777)</b>	<b>(5,801)</b>
<b>Income (loss) before income tax (expense) benefit</b>	<b>1,560</b>	<b>3,646</b>	<b>9,388</b>	<b>11,764</b>
Income tax (expense) benefit	(247)	(727)	(1,824)	(2,399)
<b>Net income (loss)</b>	<b>1,313</b>	<b>2,919</b>	<b>7,564</b>	<b>9,365</b>
Other comprehensive income (loss), net of taxes and reclassification adjustments	(181)	(10)	(367)	(467)
<b>Comprehensive income (loss)</b>	<b>\$1,132</b>	<b>\$2,909</b>	<b>\$7,197</b>	<b>\$8,898</b>
Net income (loss)	\$1,313	\$2,919	\$7,564	\$9,365
Future increase in senior preferred stock liquidation preference	(1,132)	(2,909)	(7,197)	(8,898)
<b>Net income (loss) attributable to common stockholders</b>	<b>\$181</b>	<b>\$10</b>	<b>\$367</b>	<b>\$467</b>
<b>Net income (loss) per common share</b>	<b>\$0.06</b>	<b>\$—</b>	<b>\$0.11</b>	<b>\$0.14</b>
Weighted average common shares (in millions)	3,234	3,234	3,234	3,234

The accompanying notes are an integral part of these condensed consolidated financial statements.

**FREDDIE MAC**

## Condensed Consolidated Balance Sheets (Unaudited)

(In millions, except share-related amounts)	September 30, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash equivalents (includes \$773 and \$1,695 of restricted cash and cash equivalents)	\$5,691	\$10,150
Securities purchased under agreements to resell	97,643	71,203
Investment securities, at fair value	43,270	53,015
Mortgage loans held-for-sale (includes \$3,542 and \$10,498 at fair value)	9,365	19,778
Mortgage loans held-for-investment (net of allowance for credit losses of \$6,851 and \$4,947)	2,998,008	2,828,331
Accrued interest receivable, net	8,201	7,474
Deferred tax assets, net	5,561	6,214
Other assets (includes \$6,008 and \$6,594 at fair value)	22,917	29,421
<b>Total assets</b>	<b>\$3,190,656</b>	<b>\$3,025,586</b>
<b>Liabilities and equity</b>		
<i>Liabilities</i>		
Accrued interest payable	\$6,915	\$6,268
Debt (includes \$4,252 and \$2,478 at fair value)	3,137,222	2,980,185
Other liabilities (includes \$961 and \$287 at fair value)	11,289	11,100
<b>Total liabilities</b>	<b>3,155,426</b>	<b>2,997,553</b>
Commitments and contingencies (Notes 4, 8, 14)		
<i>Equity</i>		
Senior preferred stock (liquidation preference of \$106,746 and \$97,959)	72,648	72,648
Preferred stock, at redemption value	14,109	14,109
Common stock, \$0.00 par value, 4,000,000,000 shares authorized, 725,863,886 shares issued and 650,059,553 shares outstanding	—	—
Retained earnings (accumulated deficit)	(47,429)	(54,993)
<i>AOCl, net of taxes, related to:</i>		
Available-for-sale securities	(77)	297
Other	(136)	(143)
AOCl, net of taxes	(213)	154
Treasury stock, at cost, 75,804,333 shares	(3,885)	(3,885)
<b>Total equity</b>	<b>35,230</b>	<b>28,033</b>
<b>Total liabilities and equity</b>	<b>\$3,190,656</b>	<b>\$3,025,586</b>

The table below presents the carrying value and classification of the assets and liabilities of consolidated VIEs on our condensed consolidated balance sheets.

(In millions)	September 30, 2022	December 31, 2021
<b>Assets:</b>		
Cash and cash equivalents (includes \$677 and \$1,595 of restricted cash and cash equivalents)	\$678	\$1,596
Securities purchased under agreements to resell	15,500	34,000
Investment securities, at fair value	309	420
Mortgage loans held-for-investment, net	2,956,534	2,784,626
Accrued interest receivable, net	7,721	7,019
Other assets	6,439	11,265
<b>Total assets of consolidated VIEs</b>	<b>\$2,987,181</b>	<b>\$2,838,926</b>
<b>Liabilities:</b>		
Accrued interest payable	\$6,449	\$5,823
Debt	2,973,973	2,803,054
<b>Total liabilities of consolidated VIEs</b>	<b>\$2,980,422</b>	<b>\$2,808,877</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

# FREDDIE MAC

## Condensed Consolidated Statements of Equity (Unaudited)

(In millions)	Shares Outstanding			Senior Preferred Stock	Preferred Stock, at Redemption Value	Common Stock, at Par Value	Retained Earnings (Accumulated Deficit)	AOCI, Net of Tax	Treasury Stock, at Cost	Total Equity
	Senior Preferred Stock	Preferred Stock	Common Stock							
<b>Balance at June 30, 2022</b>	1	464	650	\$72,648	\$14,109	\$—	(\$48,742)	(\$32)	(\$3,885)	\$34,098
<i>Comprehensive income (loss):</i>										
Net income (loss)	—	—	—	—	—	—	1,313	—	—	1,313
<i>Other comprehensive income (loss):</i>										
Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of \$42 million)	—	—	—	—	—	—	—	(159)	—	(159)
Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of \$7 million)	—	—	—	—	—	—	—	(25)	—	(25)
Other (net of taxes of \$1 million)	—	—	—	—	—	—	—	3	—	3
<b>Comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,313</b>	<b>(181)</b>	<b>—</b>	<b>1,132</b>
<b>Ending balance at September 30, 2022</b>	<b>1</b>	<b>464</b>	<b>650</b>	<b>\$72,648</b>	<b>\$14,109</b>	<b>\$—</b>	<b>(\$47,429)</b>	<b>(\$213)</b>	<b>(\$3,885)</b>	<b>\$35,230</b>
<b>Balance at June 30, 2021</b>	1	464	650	\$72,648	\$14,109	\$—	(\$60,656)	\$186	(\$3,885)	\$22,402
<i>Comprehensive income (loss):</i>										
Net income (loss)	—	—	—	—	—	—	2,919	—	—	2,919
<i>Other comprehensive income (loss):</i>										
Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of \$2 million)	—	—	—	—	—	—	—	(6)	—	(6)
Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of \$2 million)	—	—	—	—	—	—	—	(8)	—	(8)
Other (net of taxes of \$1 million)	—	—	—	—	—	—	—	4	—	4
<b>Comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,919</b>	<b>(10)</b>	<b>—</b>	<b>2,909</b>
<b>Ending balance at September 30, 2021</b>	<b>1</b>	<b>464</b>	<b>650</b>	<b>\$72,648</b>	<b>\$14,109</b>	<b>\$—</b>	<b>(\$57,737)</b>	<b>\$176</b>	<b>(\$3,885)</b>	<b>\$25,311</b>
(In millions)	Shares Outstanding			Senior Preferred Stock	Preferred Stock, at Redemption Value	Common Stock, at Par Value	Retained Earnings (Accumulated Deficit)	AOCI, Net of Tax	Treasury Stock, at Cost	Total Equity
	Senior Preferred Stock	Preferred Stock	Common Stock							
<b>Balance at December 31, 2021</b>	1	464	650	\$72,648	\$14,109	\$—	(\$54,993)	\$154	(\$3,885)	\$28,033
<i>Comprehensive income (loss):</i>										
Net income (loss)	—	—	—	—	—	—	7,564	—	—	7,564
<i>Other comprehensive income (loss):</i>										
Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of \$94 million)	—	—	—	—	—	—	—	(353)	—	(353)
Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of \$6 million)	—	—	—	—	—	—	—	(21)	—	(21)
Other (net of taxes of \$2 million)	—	—	—	—	—	—	—	7	—	7
<b>Comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,564</b>	<b>(367)</b>	<b>—</b>	<b>7,197</b>
<b>Ending balance at September 30, 2022</b>	<b>1</b>	<b>464</b>	<b>650</b>	<b>\$72,648</b>	<b>\$14,109</b>	<b>\$—</b>	<b>(\$47,429)</b>	<b>(\$213)</b>	<b>(\$3,885)</b>	<b>\$35,230</b>
<b>Balance at December 31, 2020</b>	1	464	650	\$72,648	\$14,109	\$—	(\$67,102)	\$643	(\$3,885)	\$16,413
<i>Comprehensive income (loss):</i>										
Net income (loss)	—	—	—	—	—	—	9,365	—	—	9,365
<i>Other comprehensive income (loss):</i>										
Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of \$28 million)	—	—	—	—	—	—	—	(105)	—	(105)
Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of \$100 million)	—	—	—	—	—	—	—	(377)	—	(377)
Other (net of taxes of \$2 million)	—	—	—	—	—	—	—	15	—	15
<b>Comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,365</b>	<b>(467)</b>	<b>—</b>	<b>8,898</b>
<b>Ending balance at September 30, 2021</b>	<b>1</b>	<b>464</b>	<b>650</b>	<b>\$72,648</b>	<b>\$14,109</b>	<b>\$—</b>	<b>(\$57,737)</b>	<b>\$176</b>	<b>(\$3,885)</b>	<b>\$25,311</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**FREDDIE MAC**

## Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)	YTD 2022	YTD 2021
<b>Net cash provided by (used in) operating activities</b>	<b>\$12,193</b>	<b>\$17,318</b>
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(107,222)	(96,169)
Proceeds from sales of investment securities	99,179	122,815
Proceeds from maturities and repayments of investment securities	11,226	6,996
Purchases of mortgage loans acquired as held-for-investment	(130,568)	(463,273)
Proceeds from sales of mortgage loans acquired as held-for-investment	2,843	6,917
Proceeds from repayments of mortgage loans acquired as held-for-investment	289,624	592,454
Advances under secured lending arrangements	(144,215)	(194,127)
Repayments of secured lending arrangements	369	478
Net proceeds from dispositions of real estate owned and other recoveries	180	199
Net (increase) decrease in securities purchased under agreements to resell	(26,619)	16,282
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	4,276	1,105
Other, net	(544)	(488)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,471)</b>	<b>(6,811)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt of consolidated trusts	310,836	669,060
Repayments and redemptions of debt of consolidated trusts	(319,703)	(608,468)
Proceeds from issuance of debt of Freddie Mac	70,831	23,153
Repayments of debt of Freddie Mac	(77,319)	(112,114)
Net increase (decrease) in securities sold under agreements to repurchase	179	3,455
Other, net	(5)	(4)
<b>Net cash provided by (used in) financing activities</b>	<b>(15,181)</b>	<b>(24,918)</b>
Net increase (decrease) in cash and cash equivalents (includes restricted cash and cash equivalents)	(4,459)	(14,411)
Cash and cash equivalents (includes restricted cash and cash equivalents) at beginning of year	10,150	23,889
<b>Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period</b>	<b>\$5,691</b>	<b>\$9,478</b>
<b>Supplemental cash flow information</b>		
Cash paid for:		
Debt interest	\$55,491	\$51,686
Income taxes	2,500	3,124
Non-cash investing and financing activities (Note 3 and 6)		

The accompanying notes are an integral part of these condensed consolidated financial statements.



# Notes to Condensed Consolidated Financial Statements

## NOTE 1

### Summary of Significant Accounting Policies

Freddie Mac is a GSE chartered by Congress in 1970, with a mission to provide liquidity, stability, and affordability to the U.S. housing market. We are regulated by FHFA, the SEC, HUD, and Treasury, and are currently operating under the conservatorship of FHFA. The conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury, under which we issued Treasury both senior preferred stock and a warrant to purchase common stock. Our Purchase Agreement with Treasury is critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities. For more information on the conservatorship, the roles of FHFA and Treasury, and the Purchase Agreement, see our 2021 Annual Report. Throughout our unaudited condensed consolidated financial statements and related notes, we use certain acronyms and terms which are defined in the **Glossary** of our 2021 Annual Report.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2021 Annual Report.

### Basis of Presentation

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The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and include our accounts as well as the accounts of other entities in which we have a controlling financial interest. All intercompany balances and transactions have been eliminated.

We are operating under the basis that we will realize assets and satisfy liabilities in the normal course of business as a going concern and in accordance with the authority provided by FHFA to our Board of Directors to oversee management's conduct of our business operations. In the opinion of management, our unaudited consolidated financial statements contain all adjustments, which include only normal recurring adjustments, necessary for a fair statement of our results.

We have reclassified certain amounts within non-interest expense in our condensed consolidated statement of operations to better present the significant drivers of our non-interest expense activity. Prior period amounts have been reclassified to conform to the current period presentation. These reclassifications did not change the total amounts of non-interest expense, net income, or comprehensive income in any period presented.

### Use of Estimates

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The preparation of our condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Management has made significant estimates to report the allowance for credit losses on single-family mortgage loans. Actual results could be different from these estimates.

## Recently Issued Accounting Guidance

### Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Consolidated Financial Statements
<b>ASU 2021-04</b> , Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options	The amendments in this Update require issuers to account for modifications or exchanges of freestanding equity-classified written call options based on the reason for the modification or exchange, to issue equity, to issue or modify debt, or for other reasons.	January 1, 2022	The adoption of the amendments did not have a material effect on our consolidated financial statements.
<b>ASU 2022-02</b> , Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures	The amendments in this Update eliminate the recognition and measurement guidance related to TDRs in ASC Subtopic 310-40 for entities that have adopted ASC Topic 326.  The amendments in this Update also require disclosure of current period gross write-offs by year of origination for financing receivables within the scope of ASC Subtopic 326-20.	January 1, 2022 for the amendments related to the elimination of the recognition and measurement of TDRs;  January 1, 2023 for the amendments related to disclosure of gross write-offs by year of origination.	We elected to early adopt the amendments related to the elimination of the recognition and measurement of TDRs on January 1, 2022 on a prospective basis. This change did not have a material effect on our consolidated financial statements. See <b>Note 3</b> for additional information on the adoption of these amendments and the new required disclosures.  We do not expect the adoption of the amendments related to disclosure of gross write-offs by year of origination to have a material effect on our consolidated financial statements.

### Recently Issued Accounting Guidance, Not Yet Adopted Within Our Consolidated Financial Statements

Standard	Description	Date of Adoption	Effect on Consolidated Financial Statements
<b>ASU 2022-01</b> , Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method	The amendments in this Update provide clarifications of the guidance in ASC Topic 815 on fair value hedge accounting of interest rate risk for portfolios of financial assets. The ASU amends the guidance in ASU 2017-12 that, among other things, establishes the "last-of-layer" method for making the fair value hedge accounting for these portfolios more accessible by allowing the entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets.	January 1, 2023	We do not expect the adoption of these amendments to have a material effect on our consolidated financial statements.

**NOTE 2**

## Securitization Activities and Consolidation

## Nonconsolidated VIEs

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our condensed consolidated balance sheets related to VIEs for which we are not the primary beneficiary and with which we were involved in the design and creation and have a significant continuing involvement. Our involvement with such VIEs primarily consists of investments in debt securities issued by resecuritization trusts and guarantees of senior securities issued by certain Multifamily securitization trusts.

**Table 2.1 - Nonconsolidated VIEs**

(In millions)	September 30, 2022	December 31, 2021
<b>Assets and Liabilities Recorded on our Condensed Consolidated Balance Sheets<sup>(1)</sup></b>		
<i>Assets:</i>		
Investment securities, at fair value	\$14,685	\$16,506
Accrued interest receivable, net	206	220
Other assets <sup>(2)</sup>	5,279	5,589
<i>Liabilities:</i>		
Debt	146	67
Other liabilities <sup>(2)</sup>	5,885	5,172

(1) Includes our variable interests in REMICs, Strips, commingled Supers, K Certificates, SB Certificates, certain senior subordinate securitization structures, and other securitization products that we do not consolidate.

(2) Includes our guarantee asset in other assets and our guarantee obligation in other liabilities.

The table below presents total assets and the maximum exposure to loss of the VIEs for which we are not the primary beneficiary and therefore do not consolidate.

**Table 2.2 - Total Assets and Maximum Exposure to Loss for our Nonconsolidated VIEs<sup>(1)</sup>**

(In millions)	September 30, 2022		December 31, 2021	
	Total Assets	Maximum Exposure <sup>(2)</sup>	Total Assets	Maximum Exposure <sup>(2)</sup>
<b>Securitization Activities</b>				
<i>Single-Family:</i>				
Other securitization products <sup>(3)</sup>	\$32,116	\$26,504	\$33,603	\$27,975
<i>Multifamily:</i>				
K Certificates	323,309	285,876	321,149	281,910
SB Certificates	24,280	21,726	24,944	22,389
Other securitization products	15,276	13,426	16,683	14,772
<b>CRT Activities</b>	32,651	76	23,605	44

(1) Excludes resecuritization products.

(2) For securitization activities, the maximum exposure primarily represents the contractual amounts that could be lost if counterparties or borrowers defaulted, without consideration of proceeds from related collateral liquidation and possible recoveries under credit enhancements. For CRT activities, the maximum exposure represents our recorded expected recovery receivable.

(3) Total assets excludes certain nonfinancial assets held by the VIEs.

In addition, the UPB of Fannie Mae securities underlying commingled Freddie Mac resecuritization trusts for which we are not the primary beneficiary totaled \$122.5 billion and \$110.8 billion as of September 30, 2022 and December 31, 2021, respectively. As a result of the recently implemented ERCF, we charge a 50 basis point fee for any commingled security issued on or after July 1, 2022. We apply the fee to collateral issued by Fannie Mae, at the time that such collateral is used for a new commingled security. See **Note 4** for additional information on our guarantee of Fannie Mae securities.

We also obtain interests in various other entities created by third parties through the normal course of business that may be VIEs, such as through our investments in certain non-Freddie Mac mortgage-related securities, purchases of multifamily loans, guarantees of multifamily housing revenue bonds, as a derivative counterparty, or through other activities. To the extent that we were not involved in the design or creation of these VIEs, they are excluded from the tables above. Our interests in these VIEs are generally passive in nature and are not expected to result in us obtaining a controlling financial interest in these VIEs in the future. As a result, we do not consolidate these VIEs and we account for our interests in these VIEs in the same manner that we account for our interests in other third-party transactions. See **Note 6** for additional information regarding our investments in non-Freddie Mac mortgage-related securities. See **Note 3** for more information regarding multifamily loans.

We do not believe the maximum exposure to loss from our involvement with VIEs for which we are not the primary beneficiary shown above is representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancements. Certain of our interest-rate risk-related guarantees to VIEs for which we are not the primary beneficiary may create exposure to loss that is unlimited. We account for these interest-rate risk-related guarantees at fair value as discussed further in **Note 4** and generally reduce our exposure to these guarantees with unlimited interest rate exposure through separate derivative contracts with third parties. See **Note 8** for additional information on derivatives.

**NOTE 3****Mortgage Loans**

The table below provides details of the loans on our condensed consolidated balance sheets.

**Table 3.1 - Mortgage Loans**

(In millions)	September 30, 2022			December 31, 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
Held-for-sale UPB	\$3,722	\$6,800	\$10,522	\$5,446	\$14,871	\$20,317
Cost basis and fair value adjustments, net	(721)	(436)	(1,157)	(813)	274	(539)
<b>Total held-for-sale loans, net</b>	<b>3,001</b>	<b>6,364</b>	<b>9,365</b>	<b>4,633</b>	<b>15,145</b>	<b>19,778</b>
Held-for-investment UPB	2,926,244	35,788	2,962,032	2,742,851	26,657	2,769,508
Cost basis adjustments	42,751	76	42,827	63,684	86	63,770
Allowance for credit losses	(6,802)	(49)	(6,851)	(4,913)	(34)	(4,947)
<b>Total held-for-investment loans, net</b>	<b>2,962,193</b>	<b>35,815</b>	<b>2,998,008</b>	<b>2,801,622</b>	<b>26,709</b>	<b>2,828,331</b>
<b>Total mortgage loans, net</b>	<b>\$2,965,194</b>	<b>\$42,179</b>	<b>\$3,007,373</b>	<b>\$2,806,255</b>	<b>\$41,854</b>	<b>\$2,848,109</b>

For the purposes of certain single-family mortgage loan disclosures below, we present loans by class of financing receivable type. Financing receivable classes used for disclosure consist of: "20- and 30-year or more, amortizing fixed-rate," "15-year or less, amortizing fixed-rate," and "adjustable-rate and other." The "other" class consists of Alt-A, interest-only, and option ARM loans.

The table below provides details of the UPB of loans we purchased and sold during the periods presented.

**Table 3.2 - Loans Purchased and Sold**

(In millions)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
<b>Single-Family:</b>				
Purchases:				
Held-for-investment loans	\$121,215	\$297,554	\$465,815	\$945,222
Sales of held-for-sale loans <sup>(1)</sup>	537	928	1,981	3,965
<b>Multifamily:</b>				
Purchases:				
Held-for-investment loans	5,617	2,959	11,139	5,879
Held-for-sale loans	8,835	13,744	32,474	37,580
Sales of held-for-sale loans <sup>(2)</sup>	11,475	13,390	40,666	52,221

(1) Our sales of single-family loans reflect the sale of single-family seasoned loans.

(2) Our sales of multifamily loans occur primarily through the issuance of Multifamily K Certificates and SB Certificates.

**Reclassifications**

The table below presents the allowance for credit losses or valuation allowance that was reversed or established due to loan reclassifications between held-for-investment and held-for-sale during the periods presented.

**Table 3.3 - Loan Reclassifications**

(In millions)	3Q 2022			3Q 2021		
	UPB	Allowance for Credit Losses Reversed or (Established)	Valuation Allowance (Established) or Reversed	UPB	Allowance for Credit Losses Reversed or (Established)	Valuation Allowance (Established) or Reversed
Single-Family reclassifications from:						
Held-for-investment to held-for-sale	\$361	\$10	\$—	\$388	\$19	\$—
Held-for-sale to held-for-investment <sup>(1)</sup>	30	(3)	2	81	4	—
Multifamily reclassifications from:						
Held-for-investment to held-for-sale	188	—	—	445	—	—
Held-for-sale to held-for-investment	—	—	—	—	—	—

Referenced footnote is included after the year-to-date table.

(In millions)	YTD 2022			YTD 2021		
	UPB	Allowance for Credit Losses Reversed or (Established)	Valuation Allowance (Established) or Reversed	UPB	Allowance for Credit Losses Reversed or (Established)	Valuation Allowance (Established) or Reversed
Single-family reclassifications from:						
Held-for-investment to held-for-sale	\$934	\$20	\$—	\$1,358	\$54	\$—
Held-for-sale to held-for-investment <sup>(1)</sup>	167	(10)	5	183	13	—
Multifamily reclassifications from:						
Held-for-investment to held-for-sale	889	1	—	2,175	6	—
Held-for-sale to held-for-investment	285	—	—	21	—	—

(1) Allowance for credit losses established upon loan reclassification from held-for-sale to held-for-investment to reflect the net amount we expect to collect on the loan. Loans with prior charge-offs may have a negative allowance for credit losses established upon reclassification.

## Interest Income

The table below presents the amortized cost basis of non-accrual loans as of the beginning and the end of the periods presented, including the interest income recognized for the period that is related to the loans on non-accrual status as of period end.

**Table 3.4 - Amortized Cost Basis of Held-for-Investment Loans on Non-Accrual**

(In millions)	Non-Accrual Amortized Cost Basis		Interest Income Recognized <sup>(1)</sup>	
	June 30, 2022	September 30, 2022	3Q 2022	YTD 2022
Single-Family:				
20- and 30-year or more, amortizing fixed-rate	\$11,021	\$9,462	\$37	\$121
15-year or less, amortizing fixed-rate	562	457	1	4
Adjustable-rate and other	435	396	1	4
<b>Total Single-Family</b>	<b>12,018</b>	<b>10,315</b>	<b>39</b>	<b>129</b>
<b>Total Multifamily</b>	<b>42</b>	<b>42</b>	<b>—</b>	<b>—</b>
<b>Total Single-Family and Multifamily</b>	<b>\$12,060</b>	<b>\$10,357</b>	<b>\$39</b>	<b>\$129</b>

(In millions)	Non-Accrual Amortized Cost Basis		Interest Income Recognized <sup>(1)</sup>	
	June 30, 2021	September 30, 2021	3Q 2021	YTD 2021
Single-Family:				
20- and 30-year or more, amortizing fixed-rate	\$19,431	\$17,524	\$35	\$115
15-year or less, amortizing fixed-rate	914	862	1	4
Adjustable-rate and other	879	818	2	6
<b>Total Single-Family</b>	<b>21,224</b>	<b>19,204</b>	<b>38</b>	<b>125</b>
<b>Total Multifamily</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Single-Family and Multifamily</b>	<b>\$21,224</b>	<b>\$19,204</b>	<b>\$38</b>	<b>\$125</b>

(1) Represents the amount of payments received during the period, including those received while the loans were on accrual status, for the held-for-investment loans on non-accrual status as of period end.

The table below provides the amount of accrued interest receivable, net presented on our condensed consolidated balance sheets and the amount of accrued interest receivable related to loans on non-accrual status at the end of the periods that was charged off.

**Table 3.5 - Accrued Interest Receivable, Net and Related Charge-Offs**

(In millions)	Accrued Interest Receivable, Net		Accrued Interest Receivable Related Charge-Offs			
	September 30, 2022	December 31, 2021	3Q 2022	3Q 2021	YTD 2022	YTD 2021
Single-Family loans	\$7,752	\$7,065	(\$47)	(\$222)	(\$192)	(\$507)
Multifamily loans	142	125	—	—	—	—

## Credit Quality

### Single-Family

The current LTV ratio is one key factor we consider when estimating our allowance for credit losses for single-family loans. As current LTV ratios increase, the borrower's equity in the home decreases, which may negatively affect the borrower's ability to refinance (outside of our relief refinance programs) or to sell the property for an amount at or above the balance of the outstanding loan.

The table below presents the amortized cost basis of single-family held-for-investment loans by current LTV ratio. Our current LTV ratios are estimates based on available data through the end of each period presented. For reporting purposes:

- Alt-A loans continue to be presented in the "adjustable-rate and other" category following modification, even though the borrower may have provided full documentation of assets and income to complete the modification and
- Option ARM loans continue to be presented in the "adjustable-rate and other" category following modification, even though the modified loan no longer provides for optional payment provisions.

**Table 3.6 - Amortized Cost Basis of Single-Family Held-for-Investment Loans by Current LTV Ratio and Vintage**

(In millions)	September 30, 2022						Total
	Year of Origination						
	2022	2021	2020	2019	2018	Prior	
Current LTV ratio:							
20- and 30-year or more, amortizing fixed-rate							
≤ 60	\$60,081	\$412,520	\$508,101	\$90,428	\$40,315	\$419,068	\$1,530,513
> 60 to 80	145,978	426,339	183,723	28,502	7,845	10,671	803,058
> 80 to 90	61,350	86,815	3,898	546	148	459	153,216
> 90 to 100	61,850	5,333	383	52	22	155	67,795
> 100	213	5	1	3	5	173	400
<b>Total 20- and 30-year or more, amortizing fixed-rate</b>	<b>329,472</b>	<b>931,012</b>	<b>696,106</b>	<b>119,531</b>	<b>48,335</b>	<b>430,526</b>	<b>2,554,982</b>
15-year or less, amortizing fixed-rate							
≤ 60	15,657	120,897	112,740	15,175	5,847	72,814	343,130
> 60 to 80	12,244	24,272	2,994	167	20	20	39,717
> 80 to 90	1,350	449	8	—	1	2	1,810
> 90 to 100	488	5	—	—	—	1	494
> 100	—	—	—	—	—	2	2
<b>Total 15-year or less, amortizing fixed-rate</b>	<b>29,739</b>	<b>145,623</b>	<b>115,742</b>	<b>15,342</b>	<b>5,868</b>	<b>72,839</b>	<b>385,153</b>
Adjustable-rate and other							
≤ 60	1,110	2,918	1,585	665	452	15,889	22,619
> 60 to 80	2,004	1,954	208	75	29	436	4,706
> 80 to 90	778	169	4	1	1	36	989
> 90 to 100	517	7	—	—	—	13	537
> 100	1	—	—	—	—	8	9
<b>Total adjustable-rate and other</b>	<b>4,410</b>	<b>5,048</b>	<b>1,797</b>	<b>741</b>	<b>482</b>	<b>16,382</b>	<b>28,860</b>
<b>Total Single-Family loans</b>	<b>\$363,621</b>	<b>\$1,081,683</b>	<b>\$813,645</b>	<b>\$135,614</b>	<b>\$54,685</b>	<b>\$519,747</b>	<b>\$2,968,995</b>
Total for all loan product types by current LTV ratio:							
≤ 60	\$76,848	\$536,335	\$622,426	\$106,268	\$46,614	\$507,771	\$1,896,262
> 60 to 80	160,226	452,565	186,925	28,744	7,894	11,127	847,481
> 80 to 90	63,478	87,433	3,910	547	150	497	156,015
> 90 to 100	62,855	5,345	383	52	22	169	68,826
> 100	214	5	1	3	5	183	411
<b>Total Single-Family loans</b>	<b>\$363,621</b>	<b>\$1,081,683</b>	<b>\$813,645</b>	<b>\$135,614</b>	<b>\$54,685</b>	<b>\$519,747</b>	<b>\$2,968,995</b>

(In millions)	December 31, 2021						Total
	Year of Origination						
	2021	2020	2019	2018	2017	Prior	
Current LTV ratio:							
20- and 30-year or more, amortizing fixed-rate							
≤ 60	\$260,244	\$397,680	\$77,812	\$39,143	\$61,434	\$405,467	\$1,241,780
> 60 to 80	467,193	334,560	60,570	18,914	12,715	17,354	911,306
> 80 to 90	124,074	28,944	2,034	482	208	818	156,560
> 90 to 100	66,851	1,083	126	45	29	309	68,443
> 100	75	2	4	8	18	328	435
<b>Total 20- and 30-year or more, amortizing fixed-rate</b>	<b>918,437</b>	<b>762,269</b>	<b>140,546</b>	<b>58,592</b>	<b>74,404</b>	<b>424,276</b>	<b>2,378,524</b>
15-year or less, amortizing fixed-rate							
≤ 60	93,732	111,899	17,335	7,161	13,602	78,001	321,730
> 60 to 80	52,521	18,834	1,136	137	54	36	72,718
> 80 to 90	3,785	168	6	2	2	3	3,966
> 90 to 100	598	2	1	1	1	2	605
> 100	4	—	—	1	1	3	9
<b>Total 15-year or less, amortizing fixed-rate</b>	<b>150,640</b>	<b>130,903</b>	<b>18,478</b>	<b>7,302</b>	<b>13,660</b>	<b>78,045</b>	<b>399,028</b>
Adjustable-rate and other							
≤ 60	2,054	1,554	727	543	1,657	17,517	24,052
> 60 to 80	2,435	535	209	90	190	795	4,254
> 80 to 90	417	16	6	3	4	66	512
> 90 to 100	116	—	—	—	—	30	146
> 100	1	—	—	—	—	18	19
<b>Total adjustable-rate and other</b>	<b>5,023</b>	<b>2,105</b>	<b>942</b>	<b>636</b>	<b>1,851</b>	<b>18,426</b>	<b>28,983</b>
<b>Total Single-Family loans</b>	<b>\$1,074,100</b>	<b>\$895,277</b>	<b>\$159,966</b>	<b>\$66,530</b>	<b>\$89,915</b>	<b>\$520,747</b>	<b>\$2,806,535</b>
Total for all loan product types by current LTV ratio:							
≤ 60	\$356,030	\$511,133	\$95,874	\$46,847	\$76,693	\$500,985	\$1,587,562
> 60 to 80	522,149	353,929	61,915	19,141	12,959	18,185	988,278
> 80 to 90	128,276	29,128	2,046	487	214	887	161,038
> 90 to 100	67,565	1,085	127	46	30	341	69,194
> 100	80	2	4	9	19	349	463
<b>Total Single-Family loans</b>	<b>\$1,074,100</b>	<b>\$895,277</b>	<b>\$159,966</b>	<b>\$66,530</b>	<b>\$89,915</b>	<b>\$520,747</b>	<b>\$2,806,535</b>

### Multifamily

The table below presents the amortized cost basis of our multifamily held-for-investment loans, by credit quality indicator, based on available data through the end of each period presented. These indicators involve significant management judgment and are defined as follows:

- "Pass" is current and adequately protected by the borrower's current financial strength and debt service capacity;
- "Special mention" has administrative issues that may affect future repayment prospects but does not have current credit weaknesses. In addition, this category generally includes loans in forbearance;
- "Substandard" has a weakness that jeopardizes the timely full repayment; and
- "Doubtful" has a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions.



**Table 3.7 - Amortized Cost Basis of Multifamily Held-for-Investment Loans by Credit Quality Indicator and Vintage**

(In millions)	September 30, 2022								
	Year of Origination							Revolving Loans	Total
	2022	2021	2020	2019	2018	Prior			
Category:									
Pass	\$9,381	\$7,852	\$6,576	\$5,177	\$939	\$3,108	\$2,046	\$35,079	
Special mention	—	39	65	443	7	56	—	610	
Substandard	—	—	31	60	4	80	—	175	
Doubtful	—	—	—	—	—	—	—	—	
<b>Total</b>	<b>\$9,381</b>	<b>\$7,891</b>	<b>\$6,672</b>	<b>\$5,680</b>	<b>\$950</b>	<b>\$3,244</b>	<b>\$2,046</b>	<b>\$35,864</b>	

(In millions)	December 31, 2021								
	Year of Origination							Revolving Loans	Total
	2021	2020	2019	2018	2017	Prior			
Category:									
Pass	\$6,955	\$7,116	\$5,273	\$979	\$610	\$2,795	\$2,275	\$26,003	
Special mention	—	40	372	—	3	42	—	457	
Substandard	—	62	171	4	2	44	—	283	
Doubtful	—	—	—	—	—	—	—	—	
<b>Total</b>	<b>\$6,955</b>	<b>\$7,218</b>	<b>\$5,816</b>	<b>\$983</b>	<b>\$615</b>	<b>\$2,881</b>	<b>\$2,275</b>	<b>\$26,743</b>	

## Past Due Status

The table below presents the amortized cost basis of our single-family and multifamily held-for-investment loans, by payment status.

**Table 3.8 - Amortized Cost Basis of Held-for-Investment Loans by Payment Status**

(In millions)	September 30, 2022							
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure <sup>(1)</sup>	Total	Three Months or More Past Due, and Accruing Interest	Non-accrual With No Allowance <sup>(2)</sup>	
								Single-Family:
20- and 30-year or more, amortizing fixed-rate	\$2,523,119	\$16,055	\$3,657	\$12,151	\$2,554,982	\$3,067	\$546	
15-year or less, amortizing fixed-rate	383,084	1,233	223	613	385,153	170	10	
Adjustable-rate and other	28,080	291	79	410	28,860	32	78	
<b>Total Single-Family</b>	<b>2,934,283</b>	<b>17,579</b>	<b>3,959</b>	<b>13,174</b>	<b>2,968,995</b>	<b>3,269</b>	<b>634</b>	
<b>Total Multifamily</b>	<b>35,819</b>	<b>3</b>	<b>—</b>	<b>42</b>	<b>35,864</b>	<b>—</b>	<b>42</b>	
<b>Total Single-Family and Multifamily</b>	<b>\$2,970,102</b>	<b>\$17,582</b>	<b>\$3,959</b>	<b>\$13,216</b>	<b>\$3,004,859</b>	<b>\$3,269</b>	<b>\$676</b>	

(In millions)	December 31, 2021							
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure <sup>(1)</sup>	Total	Three Months or More Past Due, and Accruing Interest	Non-accrual with No Allowance <sup>(2)</sup>	
								Single-Family:
20- and 30-year or more, amortizing fixed-rate	\$2,338,076	\$14,833	\$3,214	\$22,401	\$2,378,524	\$5,784	\$857	
15-year or less, amortizing fixed-rate	396,030	1,550	230	1,218	399,028	392	13	
Adjustable-rate and other	27,752	280	89	862	28,983	95	102	
<b>Total Single-Family</b>	<b>2,761,858</b>	<b>16,663</b>	<b>3,533</b>	<b>24,481</b>	<b>2,806,535</b>	<b>6,271</b>	<b>972</b>	
<b>Total Multifamily</b>	<b>26,743</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>26,743</b>	<b>—</b>	<b>—</b>	
<b>Total Single-Family and Multifamily</b>	<b>\$2,788,601</b>	<b>\$16,663</b>	<b>\$3,533</b>	<b>\$24,481</b>	<b>\$2,833,278</b>	<b>\$6,271</b>	<b>\$972</b>	

Referenced footnotes are on the next page.

- (1) Includes \$1.5 billion and \$0.7 billion of single-family loans that were in the process of foreclosure as of September 30, 2022 and December 31, 2021, respectively.
- (2) Loans with no allowance for loan losses primarily represent those loans that were previously charged off and therefore the collateral value is sufficiently in excess of the amortized cost to result in recovery of the entire amortized cost basis if the property were foreclosed upon or otherwise subject to disposition. We exclude the amounts of allowance for credit losses on accrued interest receivable and advances of pre-foreclosure costs when determining whether a loan has an allowance for credit losses.

## Loan Restructurings

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In 1Q 2022, we adopted accounting guidance in ASU 2022-02 that eliminates the recognition and measurement of TDRs. Upon adoption of this guidance, we no longer measure an allowance for credit losses for TDRs we reasonably expect will occur, and we evaluate all loan restructurings according to the accounting guidance for loan refinancing and restructuring to determine whether the restructuring should be accounted for as a new loan or a continuation of the existing loan. We derecognize the existing loan and account for the restructured loan as a new loan if the effective yield on the restructured loan is at least equal to the effective yield for comparable loans with similar collection risks and the modifications to the original loan are more than minor. If a loan restructuring does not meet these conditions, we carryforward the existing loan's amortized cost basis and account for the restructured loan as a continuation of the existing loan. Substantially all of our loan restructurings involving borrowers experiencing financial difficulty are accounted for as a continuation of the existing loan.

The discounted cash flow model we use in measuring our Single-Family allowance for credit losses forecasts cash flows we expect to collect using our historical experience, including the effects of our loss mitigation activities involving borrowers experiencing financial difficulty. When we account for a loan restructuring as a continuation of the existing loan, we update the loan's effective interest rate based on the restructured terms and recognize interest income prospectively using the new effective rate. We also update the prepayment-adjusted effective interest rate used to discount cash flows in measuring our allowance for credit losses to reflect the loan's restructured terms. As a result, subsequent to our adoption of the accounting guidance that eliminates the recognition and measurement of TDRs, we no longer recognize an allowance for credit losses for the economic concession granted to a borrower for changes in the timing and amount of contractual cash flows when a loan is restructured. However, because we adopted such guidance prospectively, we continue to use the loan's prepayment-adjusted effective interest rate just prior to the restructuring for loans that were restructured and accounted for as TDRs prior to our adoption of the guidance and that have not been subsequently modified after our adoption of the guidance. As a result, we continue to measure an allowance for credit losses for the economic concession granted to a borrower for changes in the timing and amount of contractual cash flows for such loans.

### **Single-Family Loan Restructurings**

We offer several types of restructurings to single-family borrowers that may result in a payment delay, interest rate reduction, term extension, or combination thereof. We do not offer principal forgiveness.

We offer the following types of restructurings to single-family borrowers that result in only a payment delay:

- **Forbearance plans** - Arrangements that require reduced or no payments during a defined period that provides borrowers additional time to return to compliance with the original mortgage terms or to implement another type of loan workout option. Borrowers may exit forbearance by repaying all past due amounts and fully reinstating the loan, paying off the loan in full, or entering into a repayment plan, a payment deferral plan, or a trial period plan pursuant to a loan modification. We offer forbearance of up to 12 months to single-family borrowers experiencing financial difficulty (and up to 18 months to certain borrowers affected by the COVID-19 pandemic). Borrowers may receive an initial forbearance term of one to six months and, if necessary, one or more forbearance term extensions of one to six months, as long as the delinquency of the mortgage does not exceed 12 months.
- **Repayment plans** - Contractual plans that allow borrowers a specific period of time to return to current status by paying the normal monthly payment plus additional agreed upon delinquent amounts. Repayment plans must have a term greater than one month and less than or equal to 12 months and the monthly repayment plan payment amount must not exceed 150% of the contractual mortgage payment amount.
- **Payment deferral plans** - Arrangements that allow borrowers to return to current status by deferring delinquent principal and interest into a non-interest-bearing principal balance that is due at the earlier of the payoff date, maturity date, or sale of the property. The remaining mortgage term, interest rate, payment schedule, and maturity date remain unchanged, and no trial period plan is required. The number of months of payments deferred varies based upon the type of hardship the borrower is experiencing.

In addition, we also offer single-family borrowers loan modifications, which are contractual plans that may involve changing the terms of the loan such as payment delays, interest rate reductions, term extensions, or a combination of these items. Payment delays in our loan modification programs most commonly consist of adding outstanding indebtedness, such as delinquent interest, to the UPB of the loan, and may also include principal forbearance, in which a portion of the principal balance becomes non-interest-bearing and is due at the earlier of the payoff date, maturity date, or sale of the property. Our modification programs generally require completion of a trial period of at least three months prior to receiving the modification. During the loan modification trial period, borrowers make payments that are an estimate of the anticipated modified payment

amount, which is generally lower than the amount required by the loan's original contractual terms. As a result, loans in these modifications are granted a delay in the payment due under the original contractual terms during the trial period. We continue to report single-family loans in loan modification trial period plans as delinquent to the extent that payments are past due based on the loan's original contractual terms. The amortized cost basis of loans in trial period modification plans was \$1.6 billion as of September 30, 2022. Most of these loans are 20- and 30-year or more, amortizing fixed-rate loans.

Most of our modifications involve a combination of: (1) a payment delay in the form of adding outstanding indebtedness to the UPB of the loan, and (2) an interest rate reduction, a term extension, or both.

The table below presents the amortized cost basis of single-family held-for-investment loan restructurings involving borrowers experiencing financial difficulty that we entered into during the periods presented.

**Table 3.9 - Single-Family Loan Restructurings Involving Borrowers Experiencing Financial Difficulty<sup>(1)</sup>**

(Dollars in millions)	3Q 2022				Total as % of Class of Financing Receivable <sup>(3)</sup>
	Payment Delay <sup>(2)</sup>	Payment Delay and Term Extension	Payment Delay, Term Extension, and Interest Rate Reduction	Total	
Single-Family:					
20- and 30-year or more, amortizing fixed-rate	\$6,435	\$750	\$1,254	\$8,439	0.3 %
15-year or less, amortizing fixed-rate	381	24	6	411	0.1
Adjustable-rate and other	98	12	22	132	0.5
<b>Total Single-Family loan restructurings</b>	<b>\$6,914</b>	<b>\$786</b>	<b>\$1,282</b>	<b>\$8,982</b>	<b>0.3</b>
(Dollars in millions)	YTD 2022				Total as % of Class of Financing Receivable <sup>(3)</sup>
	Payment Delay <sup>(2)</sup>	Payment Delay and Term Extension	Payment Delay, Term Extension, and Interest Rate Reduction	Total	
Single-Family:					
20- and 30-year or more, amortizing fixed-rate	\$18,207	\$1,868	\$6,554	\$26,629	1.0 %
15-year or less, amortizing fixed-rate	1,130	24	6	1,160	0.3
Adjustable-rate and other	357	32	105	494	1.7
<b>Total Single-Family loan restructurings</b>	<b>\$19,694</b>	<b>\$1,924</b>	<b>\$6,665</b>	<b>\$28,283</b>	<b>1.0</b>

(1) Type of loan restructurings reflects the cumulative effects of the loan restructurings received during the period. Includes loan modifications in the period in which the borrower completes the trial period and the loan is permanently modified.

(2) Includes \$2.8 billion and \$10.8 billion related to payment deferral plans for 3Q 2022 and YTD 2022, respectively. Also includes forbearance plans, repayment plans, and loan modifications that only involve payment delays.

(3) Based on the amortized cost basis as of period end, divided by the total period-end amortized cost basis of the corresponding financing receivable class of single-family held-for-investment loans.

The table below shows the financial effect of single-family held-for-investment loan restructurings involving borrowers experiencing financial difficulty that we entered into during the periods presented.

**Table 3.10 – Financial Effects of Single-Family Loan Restructurings Involving Borrowers Experiencing Financial Difficulty<sup>(1)</sup>**

(Dollars in thousands)	3Q 2022		
	Weighted-Average Interest Rate Reduction	Weighted-Average Months of Term Extension	Weighted-Average Payment Deferral or Principal Forbearance <sup>(2)</sup>
Single-Family:			
20- and 30-year or more, amortizing fixed-rate	1.1 %	183	\$19
15-year or less, amortizing fixed-rate	0.6	366	21
Adjustable-rate and other	1.9	221	20

Referenced footnotes are included after the year-to-date table.

(Dollars in thousands)	YTD 2022		
	Weighted-Average Interest Rate Reduction	Weighted-Average Months of Term Extension	Weighted-Average Payment Deferral or Principal Forbearance <sup>(2)</sup>
Single-Family:			
20- and 30-year or more, amortizing fixed-rate	1.4 %	187	\$22
15-year or less, amortizing fixed-rate	0.6	366	24
Adjustable-rate and other	2.3	225	26

(1) Averages are based on payment deferral plans and loan modifications completed during the periods presented. The financial effects of forbearance plans and repayment plans consist of a payment delay of between one and twelve months. In addition, the financial effect of a forbearance plan is included at the time the forbearance plan is completed if the borrower exits forbearance by entering into a payment deferral plan or loan modification.

(2) Primarily related to payment deferral plans. Amounts are based on non-interest-bearing principal balances on the restructured loans.

The following table provides the amortized cost basis of single-family held-for-investment loans restructured during YTD 2022 involving borrowers experiencing financial difficulty that subsequently defaulted (i.e., loans that became two months delinquent) during the periods presented.

**Table 3.11 - Subsequent Defaults of Single-Family Restructured Loans Involving Borrowers Experiencing Financial Difficulty<sup>(1)</sup>**

(In millions)	3Q 2022			
	Payment Delay	Payment Delay and Term Extension	Payment Delay, Term Extension, and Interest Rate Reduction	Total
Single-Family:				
20- and 30-year or more, amortizing fixed-rate	\$483	\$53	\$140	\$676
15-year or less, amortizing fixed-rate	28	—	—	28
Adjustable-rate and other	9	1	1	11
<b>Total Single-Family</b>	<b>\$520</b>	<b>\$54</b>	<b>\$141</b>	<b>\$715</b>

(In millions)	YTD 2022			
	Payment Delay	Payment Delay and Term Extension	Payment Delay, Term Extension, and Interest Rate Reduction	Total
Single-Family:				
20- and 30-year or more, amortizing fixed-rate	\$1,194	\$94	\$216	\$1,504
15-year or less, amortizing fixed-rate	67	—	—	67
Adjustable-rate and other	31	3	3	37
<b>Total Single-Family</b>	<b>\$1,292</b>	<b>\$97</b>	<b>\$219</b>	<b>\$1,608</b>

(1) Excludes forbearance plans and repayment plans as borrowers are typically past due based on the loan's original contractual terms at the time the borrowers enter into these plans.

The table below presents the amortized cost basis of single-family held-for-investment loans restructured during YTD 2022 by payment status. While a single-family loan is in a forbearance plan or repayment plan, payments continue to be due based on the loan's original contractual terms because the loan has not been permanently modified. As a result, we report single-family loans in forbearance plans and repayment plans as delinquent to the extent that payments are past due based on the loan's original contractual terms. Loans that have been restructured by entering into a payment deferral plan or loan modification are reported as delinquent to the extent that payments are past due based on the loan's restructured terms.

**Table 3.12 - Payment Status of Single-Family Restructured Loans Involving Borrowers Experiencing Financial Difficulty**

(In millions)	September 30, 2022				
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due	Total
Single-Family:					
20- and 30-year or more, amortizing fixed-rate	\$17,282	\$2,289	\$1,535	\$5,523	\$26,629
15-year or less, amortizing fixed-rate	696	107	81	276	1,160
Adjustable-rate and other	303	30	23	138	494
<b>Total Single-Family</b>	<b>\$18,281</b>	<b>\$2,426</b>	<b>\$1,639</b>	<b>\$5,937</b>	<b>\$28,283</b>

**Multifamily Loan Restructurings**

We offer several types of restructurings to multifamily borrowers that may result in a payment delay, interest rate reduction, term extension, principal forgiveness, or combination thereof. In certain cases, we offer multifamily borrowers forbearance plans that allow borrowers to defer monthly payments during a defined period. After the forbearance period ends, the borrowers are required to repay forbore loan amounts in monthly installments. In addition, in certain cases, for maturing loans we may provide term extensions with no changes to the effective borrowing rate. In other cases, we may make more significant modifications of terms for borrowers experiencing financial difficulty, such as interest rate reductions, term extensions, principal forbearance and/or forgiveness, or some combination of these items. There were no restructuring activities related to multifamily held-for-investment loans involving borrowers experiencing financial difficulty for the nine months ended September 30, 2022.

**Prior Period Troubled Debt Restructuring Information**

The table below provides details of our single-family loan modifications that were classified as TDRs during the periods presented.

**Table 3.13 - Single-Family TDR Modification Metrics**

	3Q 2021	YTD 2021
Percentage of single-family loan modifications that were classified as TDRs with:		
Interest rate reductions and related term extensions	12%	13%
Principal forbearance and related interest rate reductions and term extensions	34	35
Average coupon interest rate reduction	0.4 %	0.4 %
Average months of term extension	154	151

The table below presents the volume of single-family and multifamily loans that were newly classified as TDRs during the periods presented. Loans classified as a TDR in one period may be subject to further action (such as a modification or remodification) in a subsequent period. In such cases, the subsequent action would not be reflected in the table below since the loan would already have been classified as a TDR.

**Table 3.14 - TDR Activity**

(Dollars in millions)	3Q 2021		YTD 2021	
	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis
Single-Family: <sup>(1)(2)</sup>				
20- and 30-year or more, amortizing fixed-rate	3,136	\$562	10,647	\$1,889
15-year or less, amortizing fixed-rate	365	37	1,262	131
Adjustable-rate and other	146	24	553	82
<b>Total Single-Family</b>	<b>3,647</b>	<b>623</b>	<b>12,462</b>	<b>2,102</b>
<b>Multifamily</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

(1) The pre-TDR amortized cost basis for single-family loans initially classified as TDRs during 3Q 2021 and YTD 2021 was \$0.6 billion and \$2.1 billion, respectively.

(2) Includes certain bankruptcy events and forbearance plans, repayment plans, payment deferral plans, and modification activities that do not qualify for the temporary relief related to TDRs provided by the CARES Act based on servicer reporting at the time of the TDR event.

The table below presents the volume of our TDR modifications that experienced payment defaults (i.e., loans that became two months delinquent or completed a loss event) during the periods presented and had completed a modification during the year preceding the payment default.

**Table 3.15 - Payment Defaults of Completed TDR Modifications**

(Dollars in millions)	3Q 2021		YTD 2021	
	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis
Single-Family:				
20- and 30-year or more, amortizing fixed-rate	595	\$103	2,408	\$425
15-year or less, amortizing fixed-rate	15	2	101	11
Adjustable-rate and other	70	10	307	48
<b>Total Single-Family</b>	<b>680</b>	<b>115</b>	<b>2,816</b>	<b>484</b>
<b>Multifamily</b>	—	—	—	—

## Non-Cash Investing and Financing Activities

During YTD 2022 and YTD 2021, we acquired \$339.6 billion and \$507.4 billion, respectively, of loans held-for-investment in exchange for the issuance of debt of consolidated trusts in guarantor swap transactions. We received approximately \$146.6 billion and \$189.3 billion of loans held-for-investment from sellers during YTD 2022 and YTD 2021, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets.

**NOTE 4****Guarantees and Other Off-Balance Sheet Credit Exposures**

The table below shows our maximum exposure, recognized liability, and maximum remaining term of our guarantees to nonconsolidated VIEs and other third parties. This table does not include certain of our unrecognized guarantees, such as guarantees to consolidated VIEs or to securitization trusts that do not expose us to incremental credit risk. The maximum exposure disclosed in the table is not representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from collateral liquidation, including possible credit enhancement recoveries.

**Table 4.1 - Financial Guarantees**

(Dollars in millions, terms in years)	September 30, 2022			December 31, 2021		
	Maximum Exposure <sup>(1)</sup>	Recognized Liability <sup>(2)</sup>	Maximum Remaining Term	Maximum Exposure <sup>(1)</sup>	Recognized Liability <sup>(2)</sup>	Maximum Remaining Term
<i>Single-Family:</i>						
Securitization activity guarantees	\$26,504	\$395	40	\$27,975	\$398	39
Other mortgage-related guarantees	9,692	214	30	10,588	251	30
Guarantees of Fannie Mae securities	122,576	—	39	111,150	—	40
<b>Total Single-Family</b>	<b>\$158,772</b>	<b>\$609</b>		<b>\$149,713</b>	<b>\$649</b>	
<i>Multifamily:</i>						
Securitization activity guarantees	\$318,924	\$4,826	38	\$317,006	\$4,663	38
Other mortgage-related guarantees	10,263	378	32	10,456	404	32
<b>Total Multifamily</b>	<b>\$329,187</b>	<b>\$5,204</b>		<b>\$327,462</b>	<b>\$5,067</b>	
<i>Other guarantees:</i>						
Written options	\$45,410	\$2,005	9	\$34,861	\$1,596	10
CRT-related derivatives	39,434	130	30	33,188	35	30
Other	5,727	445	30	1,750	21	29
<b>Total other guarantees</b>	<b>\$90,571</b>	<b>\$2,580</b>		<b>\$69,799</b>	<b>\$1,652</b>	

(1) The maximum exposure represents the contractual amounts that could be lost if counterparties or borrowers defaulted, without consideration of proceeds from collateral liquidation, including possible credit enhancement recoveries. For other guarantees, this amount primarily represents the notional amount or UPB of our interest rate and market value guarantees and guarantees of third-party derivatives. For certain of our other guarantees, our exposure may be unlimited; however, we generally reduce our exposure through separate derivative contracts with third parties.

(2) For securitization activity guarantees and other mortgage-related guarantees, this amount represents the guarantee obligation on our condensed consolidated balance sheets and excludes our allowance for credit losses on off-balance sheet credit exposures. For other guarantees, this amount represents the fair value of the contract.

The table below shows the payment status of the mortgage loans underlying our guarantees that are not measured at fair value.

**Table 4.2 – UPB of Loans Underlying Our Guarantees by Payment Status**

(In millions)	September 30, 2022				
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure	Total <sup>(1)</sup>
Single-Family	\$36,983	\$1,951	\$729	\$2,023	\$41,686
Multifamily	370,636	47	67	426	371,176
<b>Total</b>	<b>\$407,619</b>	<b>\$1,998</b>	<b>\$796</b>	<b>\$2,449</b>	<b>\$412,862</b>
(In millions)	December 31, 2021				
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure	Total <sup>(1)</sup>
Single-Family	\$38,964	\$2,040	\$692	\$2,341	\$44,037
Multifamily	370,541	47	7	317	371,176
<b>Total</b>	<b>\$409,505</b>	<b>\$2,087</b>	<b>\$699</b>	<b>\$2,658</b>	<b>\$414,949</b>

(1) Loan-level payment status is not available for certain guarantees totaling \$0.2 billion and \$0.4 billion as of September 30, 2022 and December 31, 2021, respectively, and therefore is not included in the table above.

**NOTE 5**

## Allowance for Credit Losses

In 1Q 2022, we adopted accounting guidance that eliminates the recognition and measurement of TDRs. Upon adoption of this guidance, we no longer incorporate the expected credit losses for TDRs we reasonably expect will occur in our estimation of the allowance for credit losses. See **Note 3** for more information on the adoption of the new accounting guidance.

The table below summarizes changes in our allowance for credit losses.

**Table 5.1 - Details of the Allowance for Credit Losses**

(In millions)	3Q 2022			3Q 2021			YTD 2022			YTD 2021		
	Single-Family	Multi-family	Total	Single-Family	Multi-family	Total	Single-Family	Multi-family	Total	Single-Family	Multi-family	Total
Beginning balance	\$5,342	\$81	\$5,423	\$5,513	\$96	\$5,609	\$5,440	\$78	\$5,518	\$6,353	\$200	\$6,553
Provision (benefit) for credit losses	1,784	12	1,796	(244)	1	(243)	1,251	15	1,266	(1,076)	(103)	(1,179)
Charge-offs	(108)	—	(108)	(288)	—	(288)	(388)	—	(388)	(729)	—	(729)
Recoveries collected	29	—	29	43	—	43	124	—	124	150	—	150
Other <sup>(1)</sup>	168	—	168	268	—	268	788	—	788	594	—	594
<b>Ending balance</b>	<b>\$7,215</b>	<b>\$93</b>	<b>\$7,308</b>	<b>\$5,292</b>	<b>\$97</b>	<b>\$5,389</b>	<b>\$7,215</b>	<b>\$93</b>	<b>\$7,308</b>	<b>\$5,292</b>	<b>\$97</b>	<b>\$5,389</b>

**Components of the ending balance of the allowance for credit losses:**

Mortgage loans held-for-investment	\$6,802	\$49	\$6,851	\$4,490	\$41	\$4,531
Advances of pre-foreclosure costs	354	—	354	592	—	592
Accrued interest receivable on mortgage loans	6	—	6	157	—	157
Off-balance sheet credit exposures	53	44	97	53	56	109
<b>Total ending balance</b>	<b>\$7,215</b>	<b>\$93</b>	<b>\$7,308</b>	<b>\$5,292</b>	<b>\$97</b>	<b>\$5,389</b>

(1) Primarily includes capitalization of past due interest related to non-accrual loans that receive payment deferral plans and loan modifications.

- **3Q 2022 vs. 3Q 2021 and YTD 2022 vs. YTD 2021** - A provision for credit losses in the 2022 periods, primarily driven by deterioration in housing market conditions, including lower observed and forecasted house price appreciation. The benefit for credit losses in the 2021 periods was primarily driven by observed house price appreciation and reduced expected credit losses related to COVID-19.

In addition, charge-offs decreased year-over-year due to a decrease in charge-offs of accrued interest receivable during the 2022 periods.



## NOTE 6

### Investment Securities

The table below summarizes the fair values of our investments in debt securities by classification.

**Table 6.1 - Investment Securities**

(In millions)	September 30, 2022	December 31, 2021
Trading securities	\$37,221	\$49,003
Available-for-sale securities	6,049	4,012
<b>Total fair value of investment securities</b>	<b>\$43,270</b>	<b>\$53,015</b>

### Trading Securities

The table below presents the fair values of our trading securities by major security type. Our non-mortgage-related securities primarily consist of investments in U.S. Treasury securities.

**Table 6.2 - Trading Securities**

(In millions)	September 30, 2022	December 31, 2021
Mortgage-related securities	\$10,651	\$16,231
Non-mortgage-related securities	26,570	32,772
<b>Total fair value of trading securities</b>	<b>\$37,221</b>	<b>\$49,003</b>

For trading securities held at September 30, 2022, we recorded net unrealized losses of \$0.9 billion and \$2.0 billion during 3Q 2022 and YTD 2022, respectively. For trading securities held at September 30, 2021, we recorded net unrealized losses of \$0.5 billion and \$1.2 billion during 3Q 2021 and YTD 2021, respectively.

### Available-for-Sale Securities

The table below provides details of the securities classified as available-for-sale on our condensed consolidated balance sheets.

**Table 6.3 - Available-for-Sale Securities**

(In millions)	Amortized Cost Basis	Gross Unrealized Gains in Other Comprehensive Income	Gross Unrealized Losses in Other Comprehensive Income	Fair Value	Accrued Interest Receivable
September 30, 2022	\$6,150	\$192	(\$293)	\$6,049	\$14
December 31, 2021	3,638	376	(2)	4,012	10

The fair value of our available-for-sale securities held at September 30, 2022 scheduled to contractually mature after ten years was \$1.5 billion, with \$3.7 billion scheduled to contractually mature after five years through ten years.

The table below summarizes the gross realized gains and gross realized losses from sales of available-for-sale securities.

**Table 6.4 - Gross Realized Gains and Gross Realized Losses from Sales of Available-for-Sale Securities**

(In millions)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
Gross realized gains	\$33	\$14	\$34	\$534
Gross realized losses	(3)	(4)	(7)	(57)
<b>Net realized gains (losses)</b>	<b>\$30</b>	<b>\$10</b>	<b>\$27</b>	<b>\$477</b>

### Non-Cash Investing and Financing Activities

During YTD 2022 and YTD 2021, we recognized \$9.0 billion and \$32.4 billion, respectively, of investment securities in exchange for the issuance of debt of consolidated trusts through partial sales of commingled single-class securitization products that were previously consolidated.

During YTD 2022, we derecognized \$10.5 billion of mortgage-related securities and debt of consolidated trusts where we were no longer deemed the primary beneficiary.

## NOTE 7

### Debt

The table below summarizes the balances of total debt on our condensed consolidated balance sheets.

**Table 7.1 - Total Debt**

(In millions)	September 30, 2022	December 31, 2021
Debt of consolidated trusts	\$2,973,973	\$2,803,054
Debt of Freddie Mac:		
Short-term debt	11,902	—
Long-term debt	151,347	177,131
<b>Total debt of Freddie Mac</b>	<b>163,249</b>	<b>177,131</b>
<b>Total debt</b>	<b>\$3,137,222</b>	<b>\$2,980,185</b>

As of September 30, 2022, our aggregate indebtedness pursuant to the Purchase Agreement was \$175.2 billion, which was below the current \$300.0 billion debt cap limit. Our aggregate indebtedness calculation primarily includes the par value of short- and long-term debt.

### Debt of Consolidated Trusts

The table below summarizes the debt of consolidated trusts based on underlying loan product type.

**Table 7.2 - Debt of Consolidated Trusts**

(Dollars in millions)	September 30, 2022				December 31, 2021			
	Contractual Maturity	UPB	Carrying Amount <sup>(1)</sup>	Weighted Average Coupon <sup>(2)</sup>	Contractual Maturity	UPB	Carrying Amount <sup>(1)</sup>	Weighted Average Coupon <sup>(2)</sup>
Single-Family <sup>(3)</sup> :								
20- and 30-year or more, fixed-rate	2022 - 2061	\$2,489,938	\$2,535,520	2.71 %	2022 - 2061	\$2,297,650	\$2,358,397	2.62 %
15-year or less, fixed-rate	2022 - 2037	378,630	385,588	2.13	2022 - 2037	390,320	399,647	2.13
Adjustable-rate and other	2022 - 2052	23,520	24,152	2.73	2022 - 2052	24,248	24,921	2.31
<b>Total Single-Family</b>		<b>2,892,088</b>	<b>2,945,260</b>			<b>2,712,218</b>	<b>2,782,965</b>	
Multifamily	2022 - 2052	28,957	28,713	2.52	2022 - 2051	19,838	20,089	2.17
<b>Total debt of consolidated trusts</b>		<b>\$2,921,045</b>	<b>\$2,973,973</b>			<b>\$2,732,056</b>	<b>\$2,803,054</b>	

(1) Includes \$3.1 billion and \$1.1 billion as of September 30, 2022 and December 31, 2021, respectively, of debt of consolidated trusts that represents the fair value of debt for which the fair value option was elected.

(2) The effective interest rate for debt of consolidated trusts was 2.23% and 1.71% as of September 30, 2022 and December 31, 2021, respectively.

(3) Prior period was revised to conform to the current period presentation.

## Debt of Freddie Mac

The table below summarizes the balances and effective interest rates for debt of Freddie Mac.

**Table 7.3 - Total Debt of Freddie Mac**

(Dollars in millions)	September 30, 2022			December 31, 2021		
	Par Value	Carrying Amount <sup>(1)</sup>	Weighted Average Effective Rate <sup>(2)</sup>	Par Value	Carrying Amount <sup>(1)</sup>	Weighted Average Effective Rate <sup>(2)</sup>
<b>Short-term debt:</b>						
Discount notes and Reference Bills	\$11,020	\$11,012	2.51 %	\$—	\$—	— %
Medium-term notes	890	890	1.81	—	—	—
Securities sold under agreements to repurchase	7,512	7,512	2.06	7,333	7,333	(0.10)
Offsetting arrangements <sup>(3)</sup>	(7,512)	(7,512)		(7,333)	(7,333)	
<b>Total short-term debt</b>	<b>11,910</b>	<b>11,902</b>	<b>2.46</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Long-term debt:</b>						
Original maturities on or before December 31,						
2022	4,990	4,996	0.25	48,625	48,641	0.18
2023	40,937	40,914	0.59	38,688	38,644	0.47
2024	23,917	23,900	1.80	13,274	13,257	0.46
2025	49,169	48,888	1.67	35,436	35,108	0.84
2026	5,194	5,192	1.12	4,717	4,715	0.83
Thereafter	34,262	32,736	3.00	31,736	30,052	2.91
STACR and SCR debt <sup>(4)</sup>	4,845	4,720	7.33	9,139	8,981	4.23
Hedging-related basis adjustments	N/A	(9,999)		N/A	(2,267)	
<b>Total long-term debt</b>	<b>163,314</b>	<b>151,347</b>	<b>1.80</b>	<b>181,615</b>	<b>177,131</b>	<b>1.07</b>
<b>Total debt of Freddie Mac<sup>(5)</sup></b>	<b>\$175,224</b>	<b>\$163,249</b>		<b>\$181,615</b>	<b>\$177,131</b>	

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes \$1.2 billion and \$1.4 billion at September 30, 2022 and December 31, 2021, respectively, of long-term debt that represents the fair value of debt for which the fair value option was elected.

(2) Based on carrying amount.

(3) We offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell on our condensed consolidated balance sheets, when such amounts meet the conditions for offsetting in the accounting guidance.

(4) Contractual maturities of these debt securities are not presented because they are subject to prepayment risk, as their payments are based upon the performance of a reference pool of mortgage assets that may be prepaid by the related mortgage borrower at any time, generally without penalty.

(5) Carrying amount for debt of Freddie Mac includes callable debt of \$97.9 billion and \$68.5 billion at September 30, 2022 and December 31, 2021, respectively.

**NOTE 8**

## Derivatives

We use derivatives primarily to hedge interest-rate sensitivity mismatches between our financial assets and liabilities. We analyze the interest-rate sensitivity of financial assets and liabilities across a variety of interest-rate scenarios based on market prices, models, and economics. When we use derivatives to mitigate our exposures, we consider a number of factors, including cost, exposure to counterparty risk, and our overall risk management strategy.

We apply fair value hedge accounting to certain single-family mortgage loans and certain issuances of debt where we hedge the changes in fair value of these items attributable to the designated benchmark interest rate, using interest-rate swaps.

## Derivative Assets and Liabilities at Fair Value

The table below presents the notional value and fair value of derivatives reported on our condensed consolidated balance sheets.

**Table 8.1 - Derivative Assets and Liabilities at Fair Value**

(In millions)	September 30, 2022			December 31, 2021		
	Notional or Contractual Amount	Derivatives at Fair Value		Notional or Contractual Amount	Derivatives at Fair Value	
		Assets	Liabilities		Assets	Liabilities
<b>Not designated as hedges</b>						
Interest-rate risk management derivatives:						
Swaps	\$520,850	\$1,827	(\$547)	\$561,393	\$1,748	(\$3,319)
Written options	45,410	—	(2,005)	34,861	—	(1,597)
Purchased options <sup>(1)</sup>	88,005	4,356	—	137,873	3,585	—
Futures	169,676	—	—	126,528	—	—
<b>Total interest-rate management derivatives</b>	<b>823,941</b>	<b>6,183</b>	<b>(2,552)</b>	<b>860,655</b>	<b>5,333</b>	<b>(4,916)</b>
Mortgage commitment derivatives:						
Forward contracts to purchase mortgage loans	2,054	2	(31)	7,582	15	(5)
Forward contracts to purchase mortgage-related securities	16,422	—	(120)	16,605	26	(8)
Forward contracts to sell mortgage-related securities	24,088	43	(1)	59,469	38	(73)
<b>Total mortgage commitment derivatives</b>	<b>42,564</b>	<b>45</b>	<b>(152)</b>	<b>83,656</b>	<b>79</b>	<b>(86)</b>
CRT-related derivatives	39,565	1	(132)	33,351	15	(37)
Other	8,184	2	(445)	4,335	2	(21)
<b>Total derivatives not designated as hedges</b>	<b>914,254</b>	<b>6,231</b>	<b>(3,281)</b>	<b>981,997</b>	<b>5,429</b>	<b>(5,060)</b>
<b>Designated as fair value hedges</b>						
Interest-rate risk management derivatives:						
Swaps	171,180	324	(8,069)	154,819	37	(2,689)
<b>Total derivatives designated as fair value hedges</b>	<b>171,180</b>	<b>324</b>	<b>(8,069)</b>	<b>154,819</b>	<b>37</b>	<b>(2,689)</b>
Derivative interest receivable (payable) <sup>(2)</sup>		806	(725)		360	(413)
Netting adjustments <sup>(3)</sup>		(6,910)	11,265		(5,366)	7,880
<b>Total derivative portfolio, net</b>	<b>\$1,085,434</b>	<b>\$451</b>	<b>(\$810)</b>	<b>\$1,136,816</b>	<b>\$460</b>	<b>(\$282)</b>

(1) Includes swaptions on credit indices with a notional or contractual amount of \$8.8 billion and \$9.4 billion at September 30, 2022 and December 31, 2021, respectively, and a fair value of \$5.0 million and \$1.0 million at September 30, 2022 and December 31, 2021, respectively.

(2) Includes other derivative receivables and payables.

(3) Represents counterparty netting and cash collateral netting.

See **Note 9** for information related to our derivative counterparties and collateral held and posted.

## Gains and Losses on Derivatives

The table below presents the gains and losses on derivatives, including the accrual of periodic cash settlements, while not designated in qualifying hedge relationships and reported on our condensed consolidated statements of operations and comprehensive income (loss) as investment gains (losses), net.

**Table 8.2 - Gains and Losses on Derivatives**

(In millions)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
<b>Not designated as hedges</b>				
Interest-rate risk management derivatives:				
Swaps	\$954	\$649	\$1,708	\$2,303
Written options	(278)	(9)	(962)	(165)
Purchased options	579	(225)	1,685	(859)
Futures	788	30	2,212	189
<b>Total interest-rate risk management derivatives fair value gains (losses)</b>	<b>2,043</b>	<b>445</b>	<b>4,643</b>	<b>1,468</b>
Mortgage commitment derivatives	203	46	2,922	662
CRT-related derivatives	(222)	(2)	(189)	(29)
Other	(115)	14	(150)	22
<b>Total derivatives not designated as hedges fair value gains (losses)</b>	<b>1,909</b>	<b>503</b>	<b>7,226</b>	<b>2,123</b>
Accrual of periodic cash settlements on swaps <sup>(1)</sup>	(233)	(471)	(619)	(1,283)
<b>Total</b>	<b>\$1,676</b>	<b>\$32</b>	<b>\$6,607</b>	<b>\$840</b>

(1) Includes interest on variation margin on cleared interest-rate swaps.

## Fair Value Hedges

The table below presents the effects of fair value hedge accounting by condensed consolidated statements of operations and comprehensive income (loss) line item, including the gains and losses on derivatives and hedged items designated in qualifying hedge relationships and other components due to the application of hedge accounting.

**Table 8.3 - Gains and Losses on Fair Value Hedges**

(In millions)	3Q 2022		3Q 2021	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Total amounts of income and expense line items presented in our condensed consolidated statements of operations and comprehensive income in which the effects of fair value hedges are recorded:	\$21,894	(\$17,340)	\$15,791	(\$11,373)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	(1,839)	—	38	—
Derivatives designated as hedging instruments	1,731	—	(58)	—
Interest accruals on hedging instruments	(5)	—	(14)	—
Discontinued hedge-related basis adjustments amortization	12	—	(332)	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	2,558	—	211
Derivatives designated as hedging instruments	—	(2,586)	—	(256)
Interest accruals on hedging instruments	—	(353)	—	236
Discontinued hedge-related basis adjustments amortization	—	1	—	6

(In millions)	YTD 2022		YTD 2021	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Total amounts of income and expense line items presented in our condensed consolidated statements of operations and comprehensive income in which the effects of fair value hedges are recorded:	\$59,642	(\$46,225)	\$44,923	(\$32,099)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	(5,989)	—	(399)	—
Derivatives designated as hedging instruments	5,194	—	379	—
Interest accruals on hedging instruments	(421)	—	(267)	—
Discontinued hedge-related basis adjustments amortization	(116)	—	(1,624)	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	7,719	—	1,725
Derivatives designated as hedging instruments	—	(7,810)	—	(1,876)
Interest accruals on hedging instruments	—	(253)	—	739
Discontinued hedge-related basis adjustments amortization	—	13	—	14

The table below presents the cumulative basis adjustments and the carrying amounts of the hedged item by its respective balance sheet line item.

**Table 8.4 - Cumulative Basis Adjustments Due to Fair Value Hedging**

(In millions)	September 30, 2022					
	Carrying Amount Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount			Closed Portfolio Under the Last-of-Layer Method	
		Total	Under the Last-of-Layer Method	Discontinued - Hedge Related	Total Amount by Amortized Cost Basis	Designated Amount by UPB
Mortgage loans held-for-investment	\$1,076,474	(\$3,331)	(\$1,026)	(\$2,305)	\$81,446	\$11,516
Mortgage loans held-for-sale	56	1	—	1	—	—
Debt	(133,271)	9,999	—	11	—	—

(In millions)	December 31, 2021					
	Carrying Amount Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount			Closed Portfolio Under the Last-of-Layer Method	
		Total	Under the Last-of-Layer Method	Discontinued - Hedge Related	Total Amount by Amortized Cost Basis	Designated Amount by UPB
Mortgage loans held-for-investment	\$855,173	\$2,774	\$—	\$2,774	\$—	\$—
Debt	(124,235)	2,267	—	(30)	—	—

**NOTE 9**

## Collateralized Agreements and Offsetting Arrangements

## Offsetting of Financial Assets and Liabilities

The table below presents offsetting and collateral information related to derivatives, securities purchased under agreements to resell, and securities sold under agreements to repurchase which are subject to enforceable master netting agreements or similar arrangements.

In June 2022, the FICC amended the MBS clearing rules to provide that variation margin payments constitute daily settlement of exposure and not a component of the required fund deposit. As a result, for our forward purchase and sale commitments of mortgage-related securities transacted with MBS/FICC, we changed the characterization of variation margin payments from posting of margin collateral to settlements. This change did not materially affect our financial condition or result of operations.

**Table 9.1 - Offsetting and Collateral Information of Financial Assets and Liabilities**

(In millions)	September 30, 2022					
	Gross Amount Recognized	Amount Offset in the Condensed Consolidated Balance Sheets		Net Amount Presented in the Condensed Consolidated Balance Sheets	Gross Amount Not Offset in the Condensed Consolidated Balance Sheets <sup>(2)</sup>	Net Amount
		Counterparty Netting	Cash Collateral Netting <sup>(1)</sup>			
<b>Assets:</b>						
Derivatives:						
OTC derivatives	\$7,168	(\$5,337)	(\$1,604)	\$227	(\$125)	\$102
Cleared and exchange-traded derivatives	120	(20)	46	146	—	146
Mortgage commitment derivatives	70	—	5	75	(1)	74
Other	3	—	—	3	—	3
<b>Total derivatives</b>	<b>7,361</b>	<b>(5,357)</b>	<b>(1,553)</b>	<b>451</b>	<b>(126)</b>	<b>325</b>
Securities purchased under agreements to resell	105,155	(7,512)	—	97,643	(97,643)	—
<b>Total</b>	<b>\$112,516</b>	<b>(\$12,869)</b>	<b>(\$1,553)</b>	<b>\$98,094</b>	<b>(\$97,769)</b>	<b>\$325</b>
<b>Liabilities:</b>						
Derivatives:						
OTC derivatives	(\$11,304)	\$5,336	\$5,903	(\$65)	\$15	(\$50)
Cleared and exchange-traded derivatives	(42)	20	6	(16)	16	—
Mortgage commitment derivatives	(152)	—	—	(152)	17	(135)
Other	(577)	—	—	(577)	—	(577)
<b>Total derivatives</b>	<b>(12,075)</b>	<b>5,356</b>	<b>5,909</b>	<b>(810)</b>	<b>48</b>	<b>(762)</b>
Securities sold under agreements to repurchase	(7,512)	7,512	—	—	—	—
<b>Total</b>	<b>(\$19,587)</b>	<b>\$12,868</b>	<b>\$5,909</b>	<b>(\$810)</b>	<b>\$48</b>	<b>(\$762)</b>

Referenced footnotes are included after the next table.



(In millions)	December 31, 2021					
	Gross Amount Recognized	Amount Offset in the Condensed Consolidated Balance Sheets		Net Amount Presented in the Condensed Consolidated Balance Sheets	Gross Amount Not Offset in the Condensed Consolidated Balance Sheets <sup>(2)</sup>	Net Amount
		Counterparty Netting	Cash Collateral Netting <sup>(1)</sup>			
<b>Assets:</b>						
Derivatives:						
OTC derivatives	\$5,670	(\$4,437)	(\$963)	\$270	(\$250)	\$20
Cleared and exchange-traded derivatives	60	(4)	38	94	—	94
Mortgage commitment derivatives	79	—	—	79	—	79
Other	17	—	—	17	—	17
<b>Total derivatives</b>	<b>5,826</b>	<b>(4,441)</b>	<b>(925)</b>	<b>460</b>	<b>(250)</b>	<b>210</b>
Securities purchased under agreements to resell	78,536	(7,333)	—	71,203	(71,203)	—
<b>Total</b>	<b>\$84,362</b>	<b>(\$11,774)</b>	<b>(\$925)</b>	<b>\$71,663</b>	<b>(\$71,453)</b>	<b>\$210</b>
<b>Liabilities:</b>						
Derivatives:						
OTC derivatives	(\$7,979)	\$4,437	\$3,417	(\$125)	\$—	(\$125)
Cleared and exchange-traded derivatives	(39)	4	22	(13)	13	—
Mortgage commitment derivatives	(86)	—	—	(86)	—	(86)
Other	(58)	—	—	(58)	—	(58)
<b>Total derivatives</b>	<b>(8,162)</b>	<b>4,441</b>	<b>3,439</b>	<b>(282)</b>	<b>13</b>	<b>(269)</b>
Securities sold under agreements to repurchase	(7,333)	7,333	—	—	—	—
<b>Total</b>	<b>(\$15,495)</b>	<b>\$11,774</b>	<b>\$3,439</b>	<b>(\$282)</b>	<b>\$13</b>	<b>(\$269)</b>

(1) Excess cash collateral held is presented as a derivative liability, while excess cash collateral posted is presented as a derivative asset.

(2) Does not include the fair value amount of non-cash collateral posted or held that exceeds the associated net asset or liability, netted by counterparty, presented on the condensed consolidated balance sheets. Mortgage commitment derivatives exclude collateral posted totaling \$0.8 billion as of December 31, 2021. There was no variation margin collateral for mortgage commitment derivatives as of September 30, 2022, as a result of the MBS/D/FCC clearing rules change.

## Collateral Pledged

### Collateral Pledged to Freddie Mac

We have cash pledged to us as collateral primarily related to OTC derivative transactions. We had \$2.4 billion and \$1.2 billion pledged to us as collateral that was invested as part of our other investments portfolio as of September 30, 2022 and December 31, 2021, respectively.

We execute securities purchased under agreements to resell transactions with central clearing organizations where we have the right to repledge the collateral that has been pledged to us. At September 30, 2022 and December 31, 2021, we had \$27.6 billion and \$32.7 billion, respectively, of securities pledged to us in these transactions. In addition, as of September 30, 2022 and December 31, 2021, we had \$1.2 billion and \$0.8 billion, respectively, of securities pledged to us for transactions involving securities purchased under agreements to resell not executed with central clearing organizations that we had the right to repledge. At September 30, 2022, we repledged collateral with fair value of \$0.1 billion.

### Collateral Pledged by Freddie Mac

For cash collateral related to commitments and securities purchased under agreements to resell transactions primarily with central clearing organizations, we posted less than \$0.1 billion as of September 30, 2022 and December 31, 2021.

The table below summarizes the fair value of the securities pledged as collateral by us for derivatives and collateralized borrowing transactions, including securities that the secured party may repledge.

**Table 9.2 - Collateral in the Form of Securities Pledged**

(In millions)	September 30, 2022			
	Derivatives	Securities Sold Under Agreements to Repurchase	Other <sup>(1)</sup>	Total
Trading securities	\$1,363	\$7,403	\$697	\$9,463
<b>Total securities pledged</b>	<b>\$1,363</b>	<b>\$7,403</b>	<b>\$697</b>	<b>\$9,463</b>

(In millions)	December 31, 2021			
	Derivatives	Securities Sold Under Agreements to Repurchase	Other <sup>(1)</sup>	Total
Debt of consolidated trusts <sup>(2)</sup>	\$—	\$—	\$161	\$161
Trading securities	1,542	7,333	1,115	9,990
<b>Total securities pledged</b>	<b>\$1,542</b>	<b>\$7,333</b>	<b>\$1,276</b>	<b>\$10,151</b>

(1) Includes other collateralized borrowings and collateral related to transactions with certain clearinghouses.

(2) Represents debt of consolidated trusts held by us in our mortgage-related investments portfolio which are recorded as a reduction to debt of consolidated trusts on our condensed consolidated balance sheets.

The table below summarizes the underlying collateral pledged and the remaining contractual maturity of our gross obligations under securities sold under agreements to repurchase.

**Table 9.3 - Underlying Collateral Pledged**

(In millions)	September 30, 2022				
	Overnight and Continuous	30 Days or Less	After 30 Days Through 90 Days	Greater Than 90 Days	Total
U.S. Treasury securities and other	\$—	\$4,054	\$3,349	\$—	\$7,403

**NOTE 10**

## Net Interest Income

The table below presents the components of net interest income per our condensed consolidated statements of operations and comprehensive income (loss).

**Table 10.1 - Components of Net Interest Income**

(In millions)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
Interest income				
Mortgage loans	\$20,843	\$15,124	\$57,477	\$42,969
Investment securities	416	627	1,264	1,854
Other	635	40	901	100
<b>Total interest income</b>	<b>21,894</b>	<b>15,791</b>	<b>59,642</b>	<b>44,923</b>
Interest expense				
Debt of consolidated trusts	(16,166)	(10,954)	(44,010)	(30,742)
Debt of Freddie Mac:				
Short-term debt	(82)	—	(102)	(2)
Long-term debt	(1,092)	(419)	(2,113)	(1,355)
<b>Total interest expense</b>	<b>(17,340)</b>	<b>(11,373)</b>	<b>(46,225)</b>	<b>(32,099)</b>
<b>Net interest income</b>	<b>4,554</b>	<b>4,418</b>	<b>13,417</b>	<b>12,824</b>
Benefit (provision) for credit losses	(1,796)	243	(1,266)	1,179
<b>Net interest income after benefit (provision) for credit losses</b>	<b>\$2,758</b>	<b>\$4,661</b>	<b>\$12,151</b>	<b>\$14,003</b>

## NOTE 11

### Segment Reporting

As shown in the table below, we have two reportable segments, Single-Family and Multifamily.

Segment	Description
<b>Single-Family</b>	Reflects results from our purchase, securitization, and guarantee of single-family loans, our investments in single-family loans and mortgage-related securities, the management of Single-Family mortgage credit risk and market risk, and any results of our treasury function that are not allocated to each segment.
<b>Multifamily</b>	Reflects results from our purchase, securitization, and guarantee of multifamily loans, our investments in multifamily loans and mortgage-related securities, and the management of Multifamily mortgage credit risk and market risk.

### Segment Allocations and Results

The results of each reportable segment include directly attributable revenues and expenses. We allocate interest expense and other funding and hedging-related costs and returns on certain investments to each reportable segment using a funds transfer pricing process. On June 22, 2022, we updated our funds transfer pricing methodologies to allocate gains and losses on derivative instruments to Multifamily to offset interest rate-related changes in fair value on guarantee assets. We fully allocate to each reportable segment administrative expenses and other centrally-incurred costs that are not directly attributable to a particular segment using various methodologies depending on the nature of the expense. As a result, the sum of each income statement line item for the two reportable segments is equal to that same income statement line item for the consolidated entity.

The table below presents the financial results for our Single-Family and Multifamily segments.

**Table 11.1 - Segment Financial Results**

(In millions)	3Q 2022			3Q 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
<b>Net interest income</b>	<b>\$4,363</b>	<b>\$191</b>	<b>\$4,554</b>	<b>\$4,080</b>	<b>\$338</b>	<b>\$4,418</b>
<b>Non-interest income (loss)</b>						
Guarantee income	16	109	125	(20)	266	246
Investment gains (losses), net	(13)	428	415	(247)	630	383
Other income (loss)	55	32	87	148	52	200
<b>Non-interest income (loss)</b>	<b>58</b>	<b>569</b>	<b>627</b>	<b>(119)</b>	<b>948</b>	<b>829</b>
<b>Net revenues</b>	<b>4,421</b>	<b>760</b>	<b>5,181</b>	<b>3,961</b>	<b>1,286</b>	<b>5,247</b>
Benefit (provision) for credit losses	(1,784)	(12)	(1,796)	244	(1)	243
Non-interest expense	(1,653)	(172)	(1,825)	(1,672)	(172)	(1,844)
<b>Income (loss) before income tax (expense) benefit</b>	<b>984</b>	<b>576</b>	<b>1,560</b>	<b>2,533</b>	<b>1,113</b>	<b>3,646</b>
Income tax (expense) benefit	(141)	(106)	(247)	(505)	(222)	(727)
<b>Net income (loss)</b>	<b>843</b>	<b>470</b>	<b>1,313</b>	<b>2,028</b>	<b>891</b>	<b>2,919</b>
Other comprehensive income (loss), net of taxes and reclassification adjustments	(39)	(142)	(181)	18	(28)	(10)
<b>Comprehensive income (loss)</b>	<b>\$804</b>	<b>\$328</b>	<b>\$1,132</b>	<b>\$2,046</b>	<b>\$863</b>	<b>\$2,909</b>

(In millions)	YTD 2022			YTD 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
<b>Net interest income</b>	<b>\$12,704</b>	<b>\$713</b>	<b>\$13,417</b>	<b>\$11,848</b>	<b>\$976</b>	<b>\$12,824</b>
<b>Non-interest income (loss)</b>						
Guarantee income	81	319	400	79	771	850
Investment gains (losses), net	1,471	778	2,249	190	2,037	2,227
Other income (loss)	250	115	365	408	77	485
<b>Non-interest income (loss)</b>	<b>1,802</b>	<b>1,212</b>	<b>3,014</b>	<b>677</b>	<b>2,885</b>	<b>3,562</b>
<b>Net revenues</b>	<b>14,506</b>	<b>1,925</b>	<b>16,431</b>	<b>12,525</b>	<b>3,861</b>	<b>16,386</b>
Benefit (provision) for credit losses	(1,251)	(15)	(1,266)	1,076	103	1,179
Non-interest expense	(5,285)	(492)	(5,777)	(5,284)	(517)	(5,801)
<b>Income (loss) before income tax (expense) benefit</b>	<b>7,970</b>	<b>1,418</b>	<b>9,388</b>	<b>8,317</b>	<b>3,447</b>	<b>11,764</b>
Income tax (expense) benefit	(1,548)	(276)	(1,824)	(1,696)	(703)	(2,399)
<b>Net income (loss)</b>	<b>6,422</b>	<b>1,142</b>	<b>7,564</b>	<b>6,621</b>	<b>2,744</b>	<b>9,365</b>
Other comprehensive income (loss), net of taxes and reclassification adjustments	(46)	(321)	(367)	(384)	(83)	(467)
<b>Comprehensive income (loss)</b>	<b>\$6,376</b>	<b>\$821</b>	<b>\$7,197</b>	<b>\$6,237</b>	<b>\$2,661</b>	<b>\$8,898</b>

We measure total assets for our reportable segments based on the mortgage portfolio for each segment. We operate our business in the U.S. and its territories, and accordingly, we generate no revenue from and have no long-lived assets, other than financial instruments, in geographic locations other than the U.S. and its territories.

The table below presents total assets for our Single-Family and Multifamily segments.

**Table 11.2 - Segment Assets**

(In millions)	September 30, 2022	December 31, 2021
Single-Family	\$2,971,542	\$2,792,224
Multifamily	415,946	414,663
<b>Total segment assets</b>	<b>3,387,488</b>	<b>3,206,887</b>
Reconciling items <sup>(1)</sup>	(196,832)	(181,301)
<b>Total assets per condensed consolidated balance sheets</b>	<b>\$3,190,656</b>	<b>\$3,025,586</b>

(1) Reconciling items include assets in our mortgage portfolio that are not recognized on our condensed consolidated balance sheets and assets recognized on our condensed consolidated balance sheets that are not allocated to the reportable segments.

**NOTE 12**

## Concentration of Credit and Other Risks

## Single-Family Mortgage Portfolio

The table below summarizes the concentration by geographic area of our Single-Family mortgage portfolio. See **Note 3**, **Note 4**, and **Note 5** for more information about credit risk associated with single-family loans that we hold or guarantee.

**Table 12.1 - Concentration of Credit Risk of Our Single-Family Mortgage Portfolio<sup>(1)</sup>**

(Dollars in millions)	September 30, 2022			December 31, 2021		
	Portfolio UPB <sup>(2)</sup>	% of Portfolio	SDQ Rate	Portfolio UPB <sup>(2)</sup>	% of Portfolio	SDQ Rate
<b>Region:<sup>(3)</sup></b>						
West	\$905,490	30 %	0.49 %	\$858,535	31 %	0.92 %
Northeast	693,755	23	0.86	660,103	24	1.37
North Central	434,486	15	0.67	416,214	15	0.98
Southeast	507,228	17	0.70	461,084	16	1.21
Southwest	430,300	15	0.65	395,953	14	1.14
<b>Total</b>	<b>\$2,971,259</b>	<b>100 %</b>	<b>0.67</b>	<b>\$2,791,889</b>	<b>100 %</b>	<b>1.12</b>
<b>State:</b>						
California	\$518,053	17 %	0.52	\$497,521	18 %	0.99
Texas	197,278	7	0.66	176,501	6	1.23
Florida	188,785	6	0.72	168,572	6	1.36
New York	129,042	4	1.26	120,655	4	2.07
Illinois	112,624	4	0.94	109,171	4	1.44
All other	1,825,477	62	0.64	1,719,469	62	1.03
<b>Total</b>	<b>\$2,971,259</b>	<b>100 %</b>	<b>0.67</b>	<b>\$2,791,889</b>	<b>100 %</b>	<b>1.12</b>

(1) Credit loss amounts related to our Single-Family mortgage portfolio were insignificant during both the 2022 periods and the 2021 periods.

(2) Excludes UPB of loans underlying certain securitization products for which data was not available.

(3) Region designation: West (AK, AZ, CA, GU, HI, ID, MT, NV, OR, UT, WA); Northeast (CT, DE, DC, MA, ME, MD, NH, NJ, NY, PA, RI, VT, VA, WV); North Central (IL, IN, IA, MI, MN, ND, OH, SD, WI); Southeast (AL, FL, GA, KY, MS, NC, PR, SC, TN, VI); Southwest (AR, CO, KS, LA, MO, NE, NM, OK, TX, WY).

**NOTE 13**

## Fair Value Disclosures

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or non-recurring basis.

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents our assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis subsequent to initial recognition, including instruments where we have elected the fair value option.

**Table 13.1 - Assets and Liabilities Measured at Fair Value on a Recurring Basis**

(In millions)	September 30, 2022				
	Level 1	Level 2	Level 3	Netting Adjustments <sup>(1)</sup>	Total
<b>Assets:</b>					
<i>Investment securities:</i>					
Available-for-sale	\$—	\$4,947	\$1,102	\$—	\$6,049
<i>Trading:</i>					
Mortgage-related securities	—	7,793	2,858	—	10,651
Non-mortgage-related securities	25,982	588	—	—	26,570
<b>Total trading securities</b>	<b>25,982</b>	<b>8,381</b>	<b>2,858</b>	<b>—</b>	<b>37,221</b>
<b>Total investment securities</b>	<b>25,982</b>	<b>13,328</b>	<b>3,960</b>	<b>—</b>	<b>43,270</b>
Mortgage loans held-for-sale	—	3,230	312	—	3,542
<i>Other assets:</i>					
Guarantee assets	—	—	5,432	—	5,432
Derivative assets, net	—	6,552	3	—	6,555
Netting adjustments <sup>(1)</sup>	—	—	—	(6,104)	(6,104)
<b>Total derivative assets, net</b>	<b>—</b>	<b>6,552</b>	<b>3</b>	<b>(6,104)</b>	<b>451</b>
Other assets	—	1	124	—	125
<b>Total other assets</b>	<b>—</b>	<b>6,553</b>	<b>5,559</b>	<b>(6,104)</b>	<b>6,008</b>
<b>Total assets carried at fair value on a recurring basis</b>	<b>\$25,982</b>	<b>\$23,111</b>	<b>\$9,831</b>	<b>(\$6,104)</b>	<b>\$52,820</b>
<b>Liabilities:</b>					
<i>Debt:</i>					
Debt of consolidated trusts	\$—	\$2,785	\$277	\$—	\$3,062
Debt of Freddie Mac	—	1,086	104	—	1,190
<b>Total debt</b>	<b>—</b>	<b>3,871</b>	<b>381</b>	<b>—</b>	<b>4,252</b>
<i>Other liabilities:</i>					
Derivative liabilities, net	35	11,211	104	—	11,350
Netting adjustments <sup>(1)</sup>	—	—	—	(10,540)	(10,540)
<b>Total derivative liabilities, net</b>	<b>35</b>	<b>11,211</b>	<b>104</b>	<b>(10,540)</b>	<b>810</b>
Other liabilities	—	151	—	—	151
<b>Total other liabilities</b>	<b>35</b>	<b>11,362</b>	<b>104</b>	<b>(10,540)</b>	<b>961</b>
<b>Total liabilities carried at fair value on a recurring basis</b>	<b>\$35</b>	<b>\$15,233</b>	<b>\$485</b>	<b>(\$10,540)</b>	<b>\$5,213</b>

Referenced footnote is included after the prior period table.

(In millions)	December 31, 2021				
	Level 1	Level 2	Level 3	Netting Adjustments <sup>(1)</sup>	Total
<b>Assets:</b>					
<i>Investment securities:</i>					
Available-for-sale	\$—	\$2,726	\$1,286	\$—	\$4,012
<i>Trading:</i>					
Mortgage-related securities:	—	12,845	3,386	—	16,231
Non-mortgage-related securities	31,780	992	—	—	32,772
<b>Total trading securities</b>	<b>31,780</b>	<b>13,837</b>	<b>3,386</b>	<b>—</b>	<b>49,003</b>
<b>Total investment securities</b>	<b>31,780</b>	<b>16,563</b>	<b>4,672</b>	<b>—</b>	<b>53,015</b>
Mortgage loans held-for-sale	—	10,498	—	—	10,498
<i>Other assets:</i>					
Guarantee assets	—	—	5,919	—	5,919
Derivative assets, net	33	5,416	17	—	5,466
Netting adjustments <sup>(1)</sup>	—	—	—	(5,006)	(5,006)
<b>Total derivative assets, net</b>	<b>33</b>	<b>5,416</b>	<b>17</b>	<b>(5,006)</b>	<b>460</b>
Other assets	—	131	84	—	215
<b>Total other assets</b>	<b>33</b>	<b>5,547</b>	<b>6,020</b>	<b>(5,006)</b>	<b>6,594</b>
<b>Total assets carried at fair value on a recurring basis</b>	<b>\$31,813</b>	<b>\$32,608</b>	<b>\$10,692</b>	<b>(\$5,006)</b>	<b>\$70,107</b>
<b>Liabilities:</b>					
<i>Debt:</i>					
Debt of consolidated trusts	\$—	\$910	\$184	\$—	\$1,094
Debt of Freddie Mac	—	1,274	110	—	1,384
<b>Total debt</b>	<b>—</b>	<b>2,184</b>	<b>294</b>	<b>—</b>	<b>2,478</b>
<i>Other liabilities:</i>					
Derivative liabilities, net	—	7,726	23	—	7,749
Netting adjustments <sup>(1)</sup>	—	—	—	(7,467)	(7,467)
<b>Total derivative liabilities, net</b>	<b>—</b>	<b>7,726</b>	<b>23</b>	<b>(7,467)</b>	<b>282</b>
Other liabilities	—	4	1	—	5
<b>Total other liabilities</b>	<b>—</b>	<b>7,730</b>	<b>24</b>	<b>(7,467)</b>	<b>287</b>
<b>Total liabilities carried at fair value on a recurring basis</b>	<b>\$—</b>	<b>\$9,914</b>	<b>\$318</b>	<b>(\$7,467)</b>	<b>\$2,765</b>

(1) Represents counterparty netting, cash collateral netting, and net derivative interest receivable or payable.



## Level 3 Fair Value Measurements

The table below presents a reconciliation of all assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis using significant unobservable inputs (Level 3), including transfers into and out of Level 3. The table also presents gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized on our condensed consolidated statements of operations and comprehensive income (loss) for Level 3 assets and liabilities.

**Table 13.2 - Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs**

(In millions)	3Q 2022											
	Balance, July 1, 2022	Total Realized/Unrealized Gains (Losses)		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3	Transfers out of Level 3 <sup>(1)</sup>	Balance, September 30, 2022	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2022 <sup>(2)</sup>	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2022
		Included in Earnings	Included in Other Comprehensive Income									
<b>Assets</b>												
Investment securities:												
Available-for-sale	\$1,124	\$30	(\$55)	\$169	\$—	(\$120)	(\$46)	\$—	\$—	\$1,102	\$—	(\$11)
Trading	3,319	(334)	—	260	—	—	(122)	—	(265)	2,858	(154)	—
<b>Total investment securities</b>	<b>4,443</b>	<b>(304)</b>	<b>(55)</b>	<b>429</b>	<b>—</b>	<b>(120)</b>	<b>(168)</b>	<b>—</b>	<b>(265)</b>	<b>3,960</b>	<b>(154)</b>	<b>(11)</b>
Mortgage loans held-for-sale	339	(42)	—	—	—	(36)	(1)	52	—	312	(42)	—
Other assets:												
Guarantee assets	5,649	(264)	—	—	272	—	(225)	—	—	5,432	(264)	—
Other assets	132	9	—	(6)	3	(3)	(8)	—	—	127	9	—
Total other assets	5,781	(255)	—	(6)	275	(3)	(233)	—	—	5,559	(255)	—
<b>Total assets</b>	<b>\$10,563</b>	<b>(\$601)</b>	<b>(\$55)</b>	<b>\$423</b>	<b>\$275</b>	<b>(\$159)</b>	<b>(\$402)</b>	<b>\$52</b>	<b>(\$265)</b>	<b>\$9,831</b>	<b>(\$451)</b>	<b>(\$11)</b>
<b>Liabilities</b>												
Debt	\$457	(\$18)	\$—	(\$14)	\$6	\$—	(\$50)	\$—	\$—	\$381	(\$7)	\$—
Other liabilities	58	47	—	—	—	—	(1)	—	—	104	46	—
<b>Total liabilities</b>	<b>\$515</b>	<b>\$29</b>	<b>\$—</b>	<b>(\$14)</b>	<b>\$6</b>	<b>\$—</b>	<b>(\$51)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$485</b>	<b>\$39</b>	<b>\$—</b>

Referenced footnotes are included after the prior period table.

(In millions)	YTD 2022											
	Balance, January 1, 2022	Total Realized/Unrealized Gains (Losses)		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3	Transfers out of Level 3 <sup>(1)</sup>	Balance, September 30, 2022	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2022 <sup>(2)</sup>	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2022
		Included in Earnings	Included in Other Comprehensive Income									
<b>Assets</b>												
Investment securities:												
Available-for-sale	\$1,286	\$30	(\$98)	\$168	\$—	(\$78)	(\$236)	\$30	\$—	\$1,102	(\$1)	(\$38)
Trading	3,386	(993)	—	641	—	—	(156)	—	(20)	2,858	(468)	—
<b>Total investment securities</b>	<b>4,672</b>	<b>(963)</b>	<b>(98)</b>	<b>809</b>	<b>—</b>	<b>(78)</b>	<b>(392)</b>	<b>30</b>	<b>(20)</b>	<b>3,960</b>	<b>(469)</b>	<b>(38)</b>
Mortgage loans held-for-sale	—	(56)	—	—	—	(41)	(25)	434	—	312	(56)	—
Other assets:												
Guarantee assets	5,919	(774)	—	—	980	—	(693)	—	—	5,432	(774)	—
Other assets	101	58	—	(15)	11	(8)	(20)	—	—	127	58	—
Total other assets	6,020	(716)	—	(15)	991	(8)	(713)	—	—	5,559	(716)	—
<b>Total assets</b>	<b>\$10,692</b>	<b>(\$1,735)</b>	<b>(\$98)</b>	<b>\$794</b>	<b>\$991</b>	<b>(\$127)</b>	<b>(\$1,130)</b>	<b>\$464</b>	<b>(\$20)</b>	<b>\$9,831</b>	<b>(\$1,241)</b>	<b>(\$38)</b>
<b>Liabilities</b>												
Debt	\$294	\$18	\$—	(\$21)	\$148	\$—	(\$58)	\$—	\$—	\$381	\$48	\$—
Other liabilities	24	85	—	1	—	—	(6)	—	—	104	81	—
<b>Total liabilities</b>	<b>\$318</b>	<b>\$103</b>	<b>\$—</b>	<b>(\$20)</b>	<b>\$148</b>	<b>\$—</b>	<b>(\$64)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$485</b>	<b>\$129</b>	<b>\$—</b>

Referenced footnotes are included after the prior period table.

(In millions)	3Q 2021											
	Balance, July 1, 2021	Total Realized/Unrealized Gains (Losses)		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3	Transfers out of Level 3 <sup>(1)</sup>	Balance, September 30, 2021	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2021 <sup>(2)</sup>	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2021
		Included in Earnings	Included in Other Comprehensive Income									
<b>Assets</b>												
Investment securities:												
Available-for-sale	\$1,474	\$6	\$12	\$—	\$—	\$—	(\$103)	\$—	\$—	\$1,389	\$6	\$10
Trading	3,523	(210)	—	344	—	(96)	(23)	—	(75)	3,463	(207)	—
Total investment securities	4,997	(204)	12	344	—	(96)	(126)	—	(75)	4,852	(201)	10
Other assets:												
Guarantee assets	5,869	(113)	—	—	333	—	(246)	—	—	5,843	(113)	—
Other assets	95	9	—	(4)	4	—	(4)	—	—	100	9	—
Total other assets	5,964	(104)	—	(4)	337	—	(250)	—	—	5,943	(104)	—
<b>Total assets</b>	<b>\$10,961</b>	<b>(\$308)</b>	<b>\$12</b>	<b>\$340</b>	<b>\$337</b>	<b>(\$96)</b>	<b>(\$376)</b>	<b>\$—</b>	<b>(\$75)</b>	<b>\$10,795</b>	<b>(\$305)</b>	<b>\$10</b>
	Balance, July 1, 2021	Total Realized/Unrealized (Gains) Losses		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3	Transfers out of Level 3 <sup>(1)</sup>	Balance, September 30, 2021	Change in Unrealized (Gains) Losses Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2021 <sup>(2)</sup>	Change in Unrealized (Gains) Losses, Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2021
		Included in Earnings	Included in Other Comprehensive Income									
<b>Liabilities</b>												
Debt	\$368	(\$11)	\$—	(\$8)	\$61	\$—	(\$19)	\$—	\$—	\$391	(\$7)	\$—
Other liabilities	23	2	—	2	—	—	(2)	—	—	25	(1)	—
<b>Total liabilities</b>	<b>\$391</b>	<b>(\$9)</b>	<b>\$—</b>	<b>(\$6)</b>	<b>\$61</b>	<b>\$—</b>	<b>(\$21)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$416</b>	<b>(\$8)</b>	<b>\$—</b>

Referenced footnotes are included after the prior period table.

(In millions)	YTD 2021											Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2021 <sup>(2)</sup>	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2021	
	Balance, January 1, 2021	Total Realized/Unrealized Gains (Losses)		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3	Transfers out of Level 3 <sup>(1)</sup>	Balance, September 30, 2021				
		Included in Earnings	Included in Other Comprehensive Income											
<b>Assets</b>														
<b>Investment securities:</b>														
Available-for-sale	\$1,588	\$18	\$16	\$—	\$—	\$—	(\$233)	\$—	\$—	\$1,389	\$18	\$12		
Trading	3,259	(563)	—	1,284	—	(276)	(61)	—	(180)	3,463	(565)	—		
<b>Total investment securities</b>	<b>4,847</b>	<b>(545)</b>	<b>16</b>	<b>1,284</b>	<b>—</b>	<b>(276)</b>	<b>(294)</b>	<b>—</b>	<b>(180)</b>	<b>4,852</b>	<b>(547)</b>	<b>12</b>		
<b>Other assets:</b>														
Guarantee assets	5,509	(196)	—	—	1,238	—	(708)	—	—	5,843	(196)	—		
Other assets	171	(59)	—	(3)	14	(9)	(14)	—	—	100	(59)	—		
<b>Total other assets</b>	<b>5,680</b>	<b>(255)</b>	<b>—</b>	<b>(3)</b>	<b>1,252</b>	<b>(9)</b>	<b>(722)</b>	<b>—</b>	<b>—</b>	<b>5,943</b>	<b>(255)</b>	<b>—</b>		
<b>Total assets</b>	<b>\$10,527</b>	<b>(\$800)</b>	<b>\$16</b>	<b>\$1,281</b>	<b>\$1,252</b>	<b>(\$285)</b>	<b>(\$1,016)</b>	<b>\$—</b>	<b>(\$180)</b>	<b>\$10,795</b>	<b>(\$802)</b>	<b>\$12</b>		
(In millions)	Balance, January 1, 2021	Total Realized/Unrealized (Gains) Losses		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3	Transfers out of Level 3 <sup>(1)</sup>	Balance, September 30, 2021	Change in Unrealized (Gains) Losses Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2021 <sup>(2)</sup>	Change in Unrealized (Gains) Losses, Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2021		
		Included in Earnings	Included in Other Comprehensive Income											
	Liabilities													
Debt	\$323	(\$21)	\$—	(\$8)	\$151	\$—	(\$54)	\$—	\$—	\$391	(\$15)	\$—		
Other liabilities	19	9	—	3	2	1	(9)	—	—	25	1	—		
<b>Total liabilities</b>	<b>\$342</b>	<b>(\$12)</b>	<b>\$—</b>	<b>(\$5)</b>	<b>\$153</b>	<b>\$1</b>	<b>(\$63)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$416</b>	<b>(\$14)</b>	<b>\$—</b>		

- (1) Transfers out of Level 3 consisted primarily of certain mortgage-related securities due to an increased volume and level of activity in the market and availability of price quotes from dealers and third-party pricing services. Certain agency securities are classified as Level 3 at issuance and generally are classified as Level 2 when they begin trading.
- (2) Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains and losses related to assets and liabilities classified as Level 3 that were still held at September 30, 2022 and September 30, 2021.

The table below provides valuation techniques, the range, and the weighted average of significant unobservable inputs for Level 3 assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis.

**Table 13.3 - Quantitative Information about Recurring Level 3 Fair Value Measurements**

(Dollars in millions, except for certain unobservable inputs as shown)	September 30, 2022				
	Level 3 Fair Value	Predominant Valuation Technique(s)	Unobservable Inputs		Weighted Average <sup>(1)</sup>
			Type	Range	
<b>Assets</b>					
Investment securities:					
Available-for-sale	\$587	Median of external sources	External pricing sources	\$66.4 - \$76.5	\$71.2
	515	Other			
Trading	2,460	Single external source	External pricing source	\$0.0 - \$6,031.4	\$238.2
	398	Other			
Mortgage loans held-for-sale	312	Single external source	External pricing source	\$39.6 - \$98.3	\$77.0
Guarantee assets	5,067	Discounted cash flows	OAS	17 - 186 bps	45 bps
	365	Other			
Insignificant Level 3 assets <sup>(2)</sup>	127				
<b>Total level 3 assets</b>	<b>\$9,831</b>				
<b>Liabilities</b>					
Insignificant Level 3 liabilities <sup>(2)</sup>	485				
<b>Total level 3 liabilities</b>	<b>\$485</b>				

(Dollars in millions, except for certain unobservable inputs as shown)	December 31, 2021				
	Level 3 Fair Value	Predominant Valuation Technique(s)	Unobservable Inputs		Weighted Average <sup>(1)</sup>
			Type	Range	
<b>Assets</b>					
Investment securities:					
Available-for-sale	\$839	Median of external sources	External pricing sources	\$72.8 - \$83.7	\$77.0
	446	Other			
Trading	2,846	Single external source	External pricing source	\$0.0 - \$7,343.1	\$396.7
	541	Other			
Guarantee assets	5,531	Discounted cash flows	OAS	17 - 186 bps	45 bps
	388	Other			
Insignificant Level 3 assets <sup>(2)</sup>	101				
<b>Total level 3 assets</b>	<b>\$10,692</b>				
<b>Liabilities</b>					
Insignificant Level 3 liabilities <sup>(2)</sup>	318				
<b>Total level 3 liabilities</b>	<b>\$318</b>				

(1) Unobservable inputs were weighted primarily by the relative fair value of the financial instruments.

(2) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant.

## Assets Measured at Fair Value on a Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These adjustments usually result from the application of lower-of-cost-or-fair-value accounting or measurement of impairment based on the fair value of the underlying collateral. Certain of the fair values in the tables below were not obtained as of period end, but were obtained during the period.

The table below presents assets measured on our condensed consolidated balance sheets at fair value on a non-recurring basis.

**Table 13.4 - Assets Measured at Fair Value on a Non-Recurring Basis**

(In millions)	September 30, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value on a non-recurring basis:</b>								
Mortgage loans <sup>(1)</sup>	\$—	\$146	\$1,620	\$1,766	\$—	\$12	\$797	\$809

(1) Includes loans that are classified as held-for-investment and have an allowance for credit losses based on the fair value of the underlying collateral and held-for-sale loans where the fair value is below cost.

The table below provides valuation techniques, the range, and the weighted average of significant unobservable inputs for Level 3 assets measured on our condensed consolidated balance sheets at fair value on a non-recurring basis.

**Table 13.5 - Quantitative Information About Non-Recurring Level 3 Fair Value Measurements**

(Dollars in millions, except for unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	September 30, 2022		
			Unobservable Inputs		
			Type	Range	Weighted Average <sup>(1)</sup>
<b>Non-recurring fair value measurements</b>					
Mortgage loans	\$1,466	Median of external sources	External pricing sources	\$75.1 - \$100.6	\$88.1
	154	Other			
<b>Total</b>	<b>\$1,620</b>				

(Dollars in millions, except for unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	December 31, 2021		
			Unobservable Inputs		
			Type	Range	Weighted Average <sup>(1)</sup>
<b>Non-recurring fair value measurements</b>					
Mortgage loans	\$625	Median of external sources	External pricing sources	\$61.9 - \$107.1	\$97.3
	172	Other			
<b>Total</b>	<b>\$797</b>				

(1) Unobservable inputs were weighted primarily by the relative fair value of the financial instruments.

## Fair Value of Financial Instruments

The table below presents the carrying value and estimated fair value of our financial instruments. For certain types of financial instruments, such as cash and cash equivalents, securities purchased under agreements to resell, secured lending, and certain debt, the carrying value on our condensed consolidated balance sheets approximates fair value, as these assets and liabilities are short-term in nature and have limited fair value volatility.

**Table 13.6 - Fair Value of Financial Instruments**

(In millions)	GAAP Measurement Category <sup>(1)</sup>	Carrying Amount	September 30, 2022					
			Fair Value				Netting Adjustments <sup>(2)</sup>	Total
			Level 1	Level 2	Level 3			
<b>Financial Assets</b>								
Cash and cash equivalents	Amortized cost	\$5,691	\$5,691	\$—	\$—	\$—	\$5,691	
Securities purchased under agreements to resell	Amortized cost	97,643	—	105,155	—	(7,512)	97,643	
<i>Investment securities:</i>								
Available-for-sale	FV - OCI	6,049	—	4,947	1,102	—	6,049	
Trading	FV - NI	37,221	25,982	8,381	2,858	—	37,221	
<b>Total investment securities</b>		<b>43,270</b>	<b>25,982</b>	<b>13,328</b>	<b>3,960</b>	<b>—</b>	<b>43,270</b>	
<i>Mortgage loans:</i>								
Loans held by consolidated trusts		2,956,534	—	2,303,717	219,637	—	2,523,354	
Loans held by Freddie Mac		50,839	—	15,579	30,964	—	46,543	
<b>Total mortgage loans</b>	<b>Various<sup>(3)</sup></b>	<b>3,007,373</b>	<b>—</b>	<b>2,319,296</b>	<b>250,601</b>	<b>—</b>	<b>2,569,897</b>	
Guarantee assets	FV - NI	5,432	—	—	5,434	—	5,434	
Derivative assets, net	FV - NI	451	—	6,552	3	(6,104)	451	
Non-derivative purchase and other commitments	FV - NI	1	—	27	—	—	27	
Advances to lenders	Amortized cost	2,520	—	—	2,520	—	2,520	
Secured lending	Amortized cost	894	—	894	—	—	894	
<b>Total financial assets</b>		<b>\$3,163,275</b>	<b>\$31,673</b>	<b>\$2,445,252</b>	<b>\$262,518</b>	<b>(\$13,616)</b>	<b>\$2,725,827</b>	
<b>Financial Liabilities</b>								
<i>Debt:</i>								
Debt of consolidated trusts		\$2,973,973	\$—	\$2,520,957	\$703	\$—	\$2,521,660	
Debt of Freddie Mac		163,249	—	167,801	3,175	(7,512)	163,464	
<b>Total debt</b>	<b>Various<sup>(4)</sup></b>	<b>3,137,222</b>	<b>—</b>	<b>2,688,758</b>	<b>3,878</b>	<b>(7,512)</b>	<b>2,685,124</b>	
Guarantee obligations	Amortized cost	5,813	—	—	5,998	—	5,998	
Derivative liabilities, net	FV - NI	810	35	11,211	104	(10,540)	810	
Non-derivative purchase and other commitments	FV - NI	162	—	171	2,104	—	2,275	
<b>Total financial liabilities</b>		<b>\$3,144,007</b>	<b>\$35</b>	<b>\$2,700,140</b>	<b>\$12,084</b>	<b>(\$18,052)</b>	<b>\$2,694,207</b>	

(1) FV - NI denotes fair value through net income. FV - OCI denotes fair value through other comprehensive income.

(2) Represents counterparty netting, cash collateral netting, and net derivative interest receivable or payable.

(3) As of September 30, 2022, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were \$3.0 trillion, \$5.8 billion, and \$3.5 billion, respectively.

(4) As of September 30, 2022, the GAAP carrying amounts measured at amortized cost and FV - NI were \$3.1 trillion and \$4.3 billion, respectively.

(In millions)	GAAP Measurement Category <sup>(1)</sup>	Carrying Amount	December 31, 2021				
			Fair Value			Netting Adjustments <sup>(2)</sup>	Total
			Level 1	Level 2	Level 3		
<b>Financial Assets</b>							
Cash and cash equivalents	Amortized cost	\$10,150	\$10,150	\$—	\$—	\$—	\$10,150
Securities purchased under agreements to resell	Amortized cost	71,203	—	78,536	—	(7,333)	71,203
<i>Investment securities:</i>							
Available-for-sale	FV - OCI	4,012	—	2,726	1,286	—	4,012
Trading	FV - NI	49,003	31,780	13,837	3,386	—	49,003
<b>Total investment securities</b>		<b>53,015</b>	<b>31,780</b>	<b>16,563</b>	<b>4,672</b>	<b>—</b>	<b>53,015</b>
<i>Mortgage loans:</i>							
Loans held by consolidated trusts		2,784,626	—	2,563,588	238,133	—	2,801,721
Loans held by Freddie Mac		63,483	—	35,856	29,803	—	65,659
<b>Total mortgage loans</b>	<b>Various<sup>(3)</sup></b>	<b>2,848,109</b>	<b>—</b>	<b>2,599,444</b>	<b>267,936</b>	<b>—</b>	<b>2,867,380</b>
Guarantee assets	FV - NI	5,919	—	—	5,923	—	5,923
Derivative assets, net	FV - NI	460	33	5,416	17	(5,006)	460
Non-derivative purchase and other commitments	FV - NI	131	—	217	—	—	217
Advances to lenders	Amortized cost	4,932	—	—	4,932	—	4,932
Secured lending	Amortized cost	1,263	—	1,187	76	—	1,263
<b>Total financial assets</b>		<b>\$2,995,182</b>	<b>\$41,963</b>	<b>\$2,701,363</b>	<b>\$283,556</b>	<b>(\$12,339)</b>	<b>\$3,014,543</b>
<b>Financial Liabilities</b>							
<i>Debt:</i>							
Debt of consolidated trusts		\$2,803,054	\$—	\$2,803,030	\$656	\$—	\$2,803,686
Debt of Freddie Mac		177,131	—	185,793	3,957	(7,333)	182,417
<b>Total debt</b>	<b>Various<sup>(4)</sup></b>	<b>2,980,185</b>	<b>—</b>	<b>2,988,823</b>	<b>4,613</b>	<b>(7,333)</b>	<b>2,986,103</b>
Guarantee obligations	Amortized cost	5,716	—	—	6,240	—	6,240
Derivative liabilities, net	FV - NI	282	—	7,726	23	(7,467)	282
Non-derivative purchase and other commitments	FV - NI	13	—	4	101	—	105
<b>Total financial liabilities</b>		<b>\$2,986,196</b>	<b>\$—</b>	<b>\$2,996,553</b>	<b>\$10,977</b>	<b>(\$14,800)</b>	<b>\$2,992,730</b>

(1) FV - NI denotes fair value through net income. FV - OCI denotes fair value through other comprehensive income.

(2) Represents counterparty netting, cash collateral netting, and net derivative interest receivable or payable.

(3) As of December 31, 2021, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were \$2.8 trillion, \$9.3 billion, and \$10.5 billion, respectively.

(4) As of December 31, 2021, the GAAP carrying amounts measured at amortized cost and FV - NI were \$3.0 trillion and \$2.5 billion, respectively.

## Fair Value Option

We elected the fair value option for certain multifamily held-for-sale loans, multifamily held-for-sale loan purchase commitments, and debt.

The table below presents the fair value and UPB related to certain loans and debt for which we have elected the fair value option. This table does not include interest-only securities related to debt of consolidated trusts and debt of Freddie Mac with a fair value of \$0.5 billion and \$0.3 billion as of September 30, 2022 and December 31, 2021, respectively.



**Table 13.7 - Difference between Fair Value and UPB for Certain Financial Instruments with Fair Value Option Elected**

(In millions)	September 30, 2022				December 31, 2021			
	Multifamily Held-For-Sale Loan Purchase Commitments	Multifamily Held-For-Sale Loans	Debt of Freddie Mac	Debt of Consolidated Trusts	Multifamily Held-For-Sale Loan Purchase Commitments	Multifamily Held-For-Sale Loans	Debt of Freddie Mac	Debt of Consolidated Trusts
Fair value	(\$150)	\$3,542	\$968	\$2,783	\$127	\$10,498	\$1,252	\$958
UPB	N/A	3,961	956	2,993	N/A	10,224	1,220	958
<b>Difference</b>	<b>N/A</b>	<b>(\$419)</b>	<b>\$12</b>	<b>(\$210)</b>	<b>N/A</b>	<b>\$274</b>	<b>\$32</b>	<b>\$—</b>

## Changes in Fair Value Under the Fair Value Option Election

The table below presents the changes in fair value included in investment gains (losses), net, on our condensed consolidated statements of operations and comprehensive income (loss), related to items for which we have elected the fair value option.

**Table 13.8 - Changes in Fair Value Under the Fair Value Option Election**

(In millions)	3Q 2022	3Q 2021	YTD 2022	YTD 2021
	Gains (Losses)		Gains (Losses)	
Multifamily held-for-sale loans	(\$333)	(\$100)	(\$1,282)	(\$330)
Multifamily held-for-sale loan purchase commitments	(86)	423	(292)	960
Debt of Freddie Mac	(18)	6	(44)	36
Debt of consolidated trusts	182	7	425	16

Changes in fair value attributable to instrument-specific credit risk were not material for the periods presented for assets or liabilities for which we elected the fair value option.

## NOTE 14

### Legal Contingencies

We are involved as a party in a variety of legal and regulatory proceedings arising from time to time in the ordinary course of business including, among other things, contractual disputes, personal injury claims, employment-related litigation, and other legal proceedings incidental to our business. We are frequently involved, directly or indirectly, in litigation involving mortgage foreclosures. From time to time, we are also involved in proceedings arising from our termination of a seller's or servicer's eligibility to sell loans to, and/or service loans for, us. In these cases, the former seller or servicer sometimes seeks damages against us for wrongful termination under a variety of legal theories. In addition, we are sometimes sued in connection with the origination or servicing of loans. These suits typically involve claims alleging wrongful actions of sellers and servicers. Our contracts with our sellers and servicers generally provide for indemnification of Freddie Mac against liability arising from sellers' and servicers' wrongful actions with respect to loans sold to or serviced for Freddie Mac.

Litigation and claims resolution are subject to many uncertainties and are not susceptible to accurate prediction. In accordance with the accounting guidance for contingencies, we reserve for litigation claims and assessments asserted or threatened against us when a loss is probable (as defined in such guidance) and the amount of the loss can be reasonably estimated.

### Putative Securities Class Action Lawsuit: Ohio Public Employees Retirement System vs. Freddie Mac, Syron, Et Al.

This putative securities class action lawsuit was filed against Freddie Mac and certain former officers on January 18, 2008 in the U.S. District Court for the Northern District of Ohio purportedly on behalf of a class of purchasers of Freddie Mac stock from August 1, 2006 through November 20, 2007. FHFA later intervened as Conservator, and the plaintiff amended its complaint on several occasions. The plaintiff alleged, among other things, that the defendants violated federal securities laws by making false and misleading statements concerning our business, risk management, and the procedures we put into place to protect the company from problems in the mortgage industry. The plaintiff seeks unspecified damages and interest, and reasonable costs and expenses, including attorney and expert fees.

In October 2013, defendants filed motions to dismiss the complaint. In October 2014, the District Court granted defendants' motions and dismissed the case in its entirety against all defendants, with prejudice. In November 2014, plaintiff filed a notice of appeal in the U.S. Court of Appeals for the Sixth Circuit. In July 2016, the Sixth Circuit reversed the District Court's dismissal and remanded the case to the District Court for further proceedings. In August 2018, the District Court denied the plaintiff's motion for class certification, and in January 2019, the Sixth Circuit denied plaintiff's petition for leave to appeal that decision. On September 17, 2020, the District Court granted a request from the plaintiff for summary judgment and entered final judgment in favor of Freddie Mac and the other defendants. On October 9, 2020, the plaintiff filed a notice of appeal in the Sixth Circuit. On January 27, 2021, Freddie Mac filed a motion to dismiss the appeal, which the Sixth Circuit denied on January 6, 2022.

At present, it is not possible for us to predict the probable outcome of this lawsuit or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matter due to the following factors, among others: the inherent uncertainty of the appellate process, and the inherent uncertainty of pre-trial litigation in the event the case is ultimately remanded to the District Court in whole or in part. In particular, while the District Court denied plaintiff's motion for class certification, this decision and the entry of final judgment in defendants' favor have been appealed. Absent a final resolution of whether a class will be certified, the identification of a class if one is certified, and the identification of the alleged statement or statements that survive dispositive motions, we cannot reasonably estimate any possible loss or range of possible loss.

### LIBOR Lawsuit

On March 14, 2013, Freddie Mac filed a lawsuit in the U.S. District Court for the Eastern District of Virginia against the British Bankers Association and the 16 U.S. Dollar LIBOR panel banks and a number of their affiliates. The case was subsequently transferred to the U.S. District Court for the Southern District of New York. The complaint alleges, among other things, that the defendants fraudulently and collusively depressed LIBOR, a benchmark interest rate indexed to trillions of dollars of financial products, and asserts claims for antitrust violations, breach of contract, tortious interference with contract, and fraud. Freddie Mac filed an amended complaint in July 2013, and a second amended complaint in October 2014. In August 2015, the District Court dismissed the portion of our claim related to antitrust violations and fraud and we filed a motion for reconsideration. In March 2016, the District Court granted a portion of our motion, finding personal jurisdiction over certain defendants, and denied the portion of our motion with respect to statutes of limitation for our fraud claims.

In May 2016, in a related case, the U.S. Court of Appeals for the Second Circuit reversed the District Court's dismissal of certain plaintiffs' antitrust claims and remanded the case to the District Court for consideration of whether, among other things, the plaintiffs are "efficient enforcers" of the antitrust laws. In December 2016, the District Court denied in part and granted in part defendants' renewed motions to dismiss on personal jurisdiction and efficient enforcer grounds. The District Court held that Freddie Mac is an efficient enforcer of the antitrust laws, but dismissed on personal jurisdiction grounds Freddie Mac's antitrust claims against all defendants except HSBC USA, N.A. (HSBC). In February 2017, the District Court effectively dismissed Freddie Mac's remaining antitrust claim against HSBC.

In February 2018, in a related case, the Second Circuit reversed the District Court's dismissal of certain plaintiffs' state law fraud and unjust enrichment claims on statutes of limitations grounds. The Second Circuit also reversed certain aspects of the District Court's personal jurisdiction rulings and remanded with instructions to allow the named appellant to amend its complaint. The District Court subsequently granted in part Freddie Mac's motion for leave to amend its complaint, and Freddie Mac filed its third amended complaint in April 2019. Subsequently, the District Court held that Freddie Mac's fraud claims were not reinstated by the Second Circuit's February 2018 decision.

In December 2021, in a related case, the Second Circuit reversed the District Court's December 2016 ruling with respect to certain personal jurisdiction issues. While Freddie Mac was not a party to that appeal, this ruling may apply to Freddie Mac's claims.

In January 2022, in a related case, the Second Circuit reversed the District Court's dismissal of certain class plaintiffs' state law fraud claims on personal jurisdiction and statutes of limitations grounds. While Freddie Mac was not a party to that appeal, this ruling may apply to Freddie Mac's claims.

At present, Freddie Mac's only remaining causes of action are certain contract-based claims against Bank of America, N.A., Barclays Bank, Citibank, N.A., Credit Suisse, Deutsche Bank, Royal Bank of Scotland, and UBS AG. The court has established a process to determine the impact of the appellate decisions on the previously dismissed claims.

## Litigation Concerning the Purchase Agreement

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Since July 2013, a number of lawsuits have been filed against us concerning the August 2012 amendment to the Purchase Agreement, which created the net worth sweep dividend provisions of the senior preferred stock. The plaintiffs in the lawsuits allege that they are holders of common stock and/or junior preferred stock issued by Freddie Mac and Fannie Mae. (For purposes of this discussion, junior preferred stock refers to the various series of preferred stock of Freddie Mac and Fannie Mae other than the senior preferred stock issued to Treasury.) It is possible that similar lawsuits will be filed in the future. The lawsuits against us are described below.

### Litigation in the U.S. District Court for the District of Columbia

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***In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations.*** This is a consolidated class action lawsuit filed by private individual and institutional investors (collectively, "Class Plaintiffs") against FHFA, Fannie Mae, and Freddie Mac.

***Fairholme Funds, Inc., et al. v. FHFA, et al.*** This is an individual plaintiffs' lawsuit filed by certain institutional investors ("Individual Plaintiffs") against FHFA and its Director, Treasury, Fannie Mae, and Freddie Mac.

Plaintiffs in each of the District of Columbia lawsuits filed an amended complaint on November 1, 2017 alleging claims for breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duties, and violation of Delaware and Virginia corporate law. Additionally, the Class Plaintiffs brought derivative claims against FHFA for breach of fiduciary duties and the Individual Plaintiffs brought claims under the Administrative Procedure Act. Both sets of claims are generally based on allegations that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments nullified certain of the shareholders' rights, including the rights to receive dividends and a liquidation preference. Class Plaintiffs and Individual Plaintiffs seek unspecified damages, equitable and injunctive relief, and costs and expenses, including attorneys' fees.

On January 10, 2018, FHFA and its Director, Fannie Mae, and Freddie Mac moved to dismiss the amended complaints. On September 28, 2018, the District Court dismissed all of the claims except those for breach of the implied covenant of good faith and fair dealing. On December 7, 2021, the District Court certified three classes in the *In Re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* based on share type, including a "Freddie Preferred Class" for holders of Freddie Mac junior preferred stock and a "Freddie Common Class" for holders of Freddie Mac common stock. To be included in one of these classes, shareholders must have held their shares as of December 7, 2021 or acquired their shares after December 7, 2021 and before any final judgment is entered or settlement is reached in the lawsuit. The parties filed motions for summary judgment on March 21, 2022 in both the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* and the *Fairholme Funds* lawsuit. On September 23 and October 11, 2022, the District Court ruled on the motions for summary judgment and related matters. The rulings limited the Plaintiffs' remaining damages theories

to those based on the decline in Freddie Mac's and Fannie Mae's share value after the Third Amendment. The Plaintiffs have asserted losses based on the decline in value of Freddie Mac's common and junior preferred stock from August 16 to August 17, 2012. During the trial, the Plaintiffs requested that the jury award \$832 million plus pre-judgment interest as damages against Freddie Mac. The trial ran from October 17, 2022 through November 1, 2022, after which the jury began deliberations. The jury was not able to reach a unanimous verdict and on November 7, 2022 the judge declared a mistrial. We expect the court to set a new trial date. At this time, we do not believe the likelihood of loss is probable; therefore, we have not established an accrual in connection with these lawsuits. However, it is reasonably possible that the Plaintiffs could prevail in this matter and, if so, we may incur a loss up to \$832 million plus pre-judgment interest as discussed above.

## Litigation in the U.S. Court of Federal Claims

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**Reid and Fisher vs. the United States of America and Federal Home Loan Mortgage Corporation.** This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on February 26, 2014. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation. The plaintiffs ask that Freddie Mac be awarded just compensation for the U.S. government's alleged taking of its property, attorneys' fees, costs, and other expenses. On March 8, 2018, the plaintiffs filed an amended complaint under seal, with a redacted copy filed on November 14, 2018. The United States filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018. The Court denied the United States' motion to dismiss on May 8, 2020 and granted plaintiffs' motion to certify the decisions for interlocutory appeal on June 11, 2020. The Federal Circuit denied the petition for interlocutory appeal on August 21, 2020. These proceedings are stayed pending final resolution of the *Fairholme Funds* appeals discussed below.

**Fairholme Funds, Inc., et al. vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.** This case was originally filed on July 9, 2013 against the United States of America. On March 8, 2018, plaintiffs filed an amended complaint under seal. A redacted public version was filed on May 11, 2018 and adds Freddie Mac and Fannie Mae as nominal defendants. The amended complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking or exaction of private property for public use without just compensation, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiffs ask that plaintiffs, Freddie Mac, and Fannie Mae be awarded (1) just compensation for the government's alleged taking or exaction of their property, (2) damages for the government's breach of fiduciary duties, and (3) damages for the government's breach of the alleged implied-in-fact contracts. In addition, plaintiffs seek pre- and post-judgment interest, attorneys' fees, costs, and other expenses. The United States filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018. On December 6, 2019, the Court dismissed the claims plaintiffs labeled as direct claims and denied defendant's motion to dismiss with respect to the claims plaintiffs labeled as derivative. Accordingly, derivative takings, exaction, breach of fiduciary duty, and breach of implied-in-fact contract claims remained. By order dated March 9, 2020, the Court granted unopposed motions by plaintiffs and defendant to certify the December 6 opinion for interlocutory review, modified its December 6 opinion to include the language necessary for an interlocutory appeal to the U.S. Court of Appeals for the Federal Circuit, and stayed further proceedings in the case pending the completion of the interlocutory appeal process. The Federal Circuit granted the petition for interlocutory appeal and, on February 22, 2022, held that all of the plaintiffs' claims should be dismissed. On July 22, 2022, plaintiffs filed a petition for writ of certiorari with the U.S. Supreme Court seeking review of the Federal Circuit's decision.

**Perry Capital LLC vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.** This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac and Fannie Mae as "nominal" defendants, on August 15, 2018. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation or an illegal exaction in violation of the Fifth Amendment, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiff asks that it, Freddie Mac, and Fannie Mae be awarded just compensation for the government's alleged taking of their property or damages for the illegal exaction; damages for the government's breach of fiduciary duties; and damages for the government's breach of the alleged implied-in-fact contracts. These proceedings are stayed pending final resolution of the *Fairholme Funds* appeals discussed in the paragraph immediately above.

At present, it is not possible for us to predict the probable outcome of the lawsuits discussed above in the U.S. District Courts and the U.S. Court of Federal Claims (including the resolution of any appeals) or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the matters pending in the U.S. Court of Federal Claims due to a number of factors, including the inherent uncertainty of litigation.

## NOTE 15

### Regulatory Capital

#### ERCF

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The GSE Act specifies certain capital requirements for us and authorizes FHFA to establish other capital requirements as well as to increase our minimum capital levels or to establish additional capital and reserve requirements for particular purposes. In October 2008, FHFA suspended capital classification of us during conservatorship, in light of the Purchase Agreement.

FHFA has established the ERCF as a new enterprise regulatory capital framework for Freddie Mac and Fannie Mae. Our current capital levels are significantly below the levels that would be required under the ERCF. The ERCF has a transition period for compliance, and we are not required to comply with the regulatory capital requirements or the buffer requirements while in conservatorship. In general, the compliance date for the regulatory capital requirements will be the later of the date of termination of our conservatorship and any later compliance date provided in a transition order, and the compliance date for buffer requirements in the ERCF will be the date of termination of our conservatorship. Pursuant to the final rule, we are required to comply with the regulatory capital reporting requirements under the ERCF in 2022, and we filed with FHFA our initial quarterly capital report on May 27, 2022.

The ERCF establishes risk-based and leverage capital requirements and includes supplemental capital requirements relating to the amount and form of the capital we hold, based largely on definitions of capital used in U.S. banking regulators' regulatory capital framework. The ERCF capital requirements contain both statutory capital elements (total capital and core capital) and regulatory capital elements (CET1 capital, Tier 1 capital, and adjusted total capital). The ERCF also includes a requirement that we hold prescribed capital buffers that can be drawn down in periods of financial stress and then rebuilt over time as economic conditions improve. If we fall below the prescribed buffer amounts, we must restrict capital distributions such as stock repurchases and dividends, as well as discretionary bonus payments to executives, until the buffer amounts are restored.

#### ***Risk-Based Capital Requirements***

Under the ERCF risk-based capital requirements, we must maintain our CET1 capital, Tier 1 capital, and adjusted total capital ratios equal to at least 4.5%, 6%, and 8%, respectively, of risk-weighted assets. We must also maintain statutory total capital equal to at least 8% of risk-weighted assets. To avoid limits on capital distributions and discretionary bonus payments, we also must maintain CET1 capital that exceeds the risk-based capital requirements by at least the amount of the prescribed capital conservation buffer amount (PCCBA).

#### ***Leverage Capital Requirements***

Under the ERCF leverage capital requirements, we must maintain our Tier 1 capital ratio equal to at least 2.5% of adjusted total assets. We must also maintain our statutory core capital ratio equal to at least 2.5% of adjusted total assets. To avoid limits on capital distributions and discretionary bonus payments, we also must maintain our Tier 1 capital that exceeds the leverage capital requirements by at least the amount of the prescribed leverage buffer amount (PLBA).

**Capital Metrics**

The table below presents our capital metrics under the ERCF.

**Table 15.1 - ERCF Available Capital and Capital Requirements**

(In billions)	September 30, 2022		
Adjusted total assets			\$3,695
Risk-weighted assets (standardized approach)			855

(Dollars in billions)	September 30, 2022		
	Minimum Capital Requirement	Capital Requirement (Including Buffer <sup>(1)</sup> )	Available Capital (Deficit)
<b>Risk-based capital amounts:</b>			
Total capital (statutory) <sup>(2)</sup>	\$68	\$68	(\$30)
CET1 capital <sup>(3)</sup>	38	88	(57)
Tier 1 capital <sup>(3)</sup>	51	101	(43)
Adjusted total capital <sup>(3)</sup>	68	118	(43)
<b>Risk-based capital ratios<sup>(4)</sup>:</b>			
Total capital (statutory)	8.0 %	8.0 %	(3.5)%
CET1 capital	4.5	10.3	(6.7)
Tier 1 capital	6.0	11.8	(5.0)
Adjusted total capital	8.0	13.8	(5.0)
<b>Leverage capital amounts:</b>			
Core capital (statutory) <sup>(5)</sup>	\$92	\$92	(\$37)
Tier 1 capital <sup>(3)</sup>	92	103	(43)
<b>Leverage capital ratios<sup>(6)</sup>:</b>			
Core capital (statutory)	2.5 %	2.5 %	(1.0)%
Tier 1 capital	2.5	2.8	(1.2)

(1) PCCBA for risk-based capital and PLBA for leverage capital.

(2) Total capital is equal to core capital plus certain allowances for credit losses.

(3) Regulatory capital amounts exclude senior preferred stock, deferred tax assets arising from temporary differences that exceed 10% of CET1 capital, and certain other items.

(4) As a percentage of risk-weighted assets.

(5) Core capital excludes certain components of GAAP total equity (i.e., AOCI and senior preferred stock) as these items do not meet the statutory definition of core capital.

(6) As a percentage of adjusted total assets.

END OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

# Other Information

## LEGAL PROCEEDINGS

We are involved as a party to a variety of legal proceedings. For more information, see **Note 14**.

In addition, a number of lawsuits have been filed against the U.S. government related to the conservatorship and the Purchase Agreement. Some of these cases also have challenged the constitutionality of the structure of FHFA. For information on these lawsuits, see the **Legal Proceedings** section in our 2021 Annual Report. One such case, originally filed in the U.S. District Court for the Western District of Michigan, was appealed to the U.S. Court of Appeals for the Sixth Circuit. On October 4, 2022, the Sixth Circuit remanded the case to the District Court to determine what remedy, if any, the shareholders are entitled to for their claim that the “for cause” removal provision for the director of FHFA in HERA is unconstitutional.

## RISK FACTORS

This Form 10-Q should be read together with the **Risk Factors** section in our 2021 Annual Report, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies, and/or prospects.

## UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Recent Sales of Unregistered Securities

The securities we issue are “exempted securities” under the Securities Act of 1933, as amended. As a result, we do not file registration statements with the SEC with respect to offerings of our securities.

Following our entry into conservatorship, we suspended the operation of, and ceased making grants under, equity compensation plans. Previously, we had provided equity compensation under those plans to employees and members of the Board of Directors. Under the Purchase Agreement, we cannot issue any new options, rights to purchase, participations, or other equity interests without Treasury's prior approval.

### Information About Certain Securities Issuances by Freddie Mac

We make available, free of charge through our website at [www.freddie.mac.com](http://www.freddie.mac.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with the SEC. The SEC also maintains an internet site ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

We provide disclosure about our debt securities on our website at [www.freddie.mac.com/debt](http://www.freddie.mac.com/debt). From this address, investors can access the offering circular and related supplements for debt securities offerings under Freddie Mac's global debt facility, including pricing supplements for individual issuances of debt securities. Similar information about our STACR transactions and SCR debt notes is available at [crt.freddie.mac.com](http://crt.freddie.mac.com) and [mf.freddie.mac.com/investors](http://mf.freddie.mac.com/investors), respectively.

We provide disclosure about our mortgage-related securities, some of which are off-balance sheet obligations (e.g., K Certificates and SB Certificates), on our website at [www.freddie.mac.com/mbs](http://www.freddie.mac.com/mbs) and [mf.freddie.mac.com/investors](http://mf.freddie.mac.com/investors). From these addresses, investors can access information and documents, including offering circulars and offering circular supplements, for mortgage-related securities offerings.

We provide additional information, including product descriptions, investor presentations, securities issuance calendars, transactions volumes and details, redemption notices, Freddie Mac research, and material developments or other events that may be important to investors, in each case as applicable, on the websites for our business activities, which can be found at [sf.freddie.mac.com](http://sf.freddie.mac.com), [mf.freddie.mac.com](http://mf.freddie.mac.com), and [capitalmarkets.freddie.mac.com/capital-markets](http://capitalmarkets.freddie.mac.com/capital-markets).

We provide information on our ESG efforts on our website at [freddie.mac.com/about/esg](http://freddie.mac.com/about/esg).

## EXHIBITS

The exhibits are listed in the **Exhibit Index** of this Form 10-Q.



# Controls and Procedures

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to management of the company, including the company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in implementing possible controls and procedures.

Management, including the company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2022. As a result of management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2022, at a reasonable level of assurance, because we have not been able to update our disclosure controls and procedures to provide reasonable assurance that information known by FHFA on an ongoing basis is communicated from FHFA to Freddie Mac's management in a manner that allows for timely decisions regarding our required disclosure under the federal securities laws. We consider this situation to be a material weakness in our internal control over financial reporting.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING DURING 3Q 2022

We evaluated the changes in our internal control over financial reporting that occurred during 3Q 2022 and concluded that there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## MITIGATING ACTIONS RELATED TO THE MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As described above under ***Evaluation of Disclosure Controls and Procedures***, we have one material weakness in internal control over financial reporting as of September 30, 2022 that we have not remediated.

Given the structural nature of this material weakness, we believe it is likely that we will not remediate it while we are under conservatorship. However, both we and FHFA have continued to engage in activities and employ procedures and practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws. These include the following:

- FHFA has established the Division of Conservatorship Oversight and Readiness, which is intended to facilitate operation of the company with the oversight of the Conservator.
- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of certain external press releases and statements to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-Q, and engage in discussions with us regarding issues associated with the information contained in those filings. Prior to filing this Form 10-Q, FHFA provided us with a written acknowledgment that it had reviewed the Form 10-Q, was not aware of any material misstatements or omissions in the Form 10-Q, and had no objection to our filing the Form 10-Q.
- The Director of FHFA is in frequent communication with our Chief Executive Officer, typically meeting (in person or by phone) on at least a bi-weekly basis.
- FHFA representatives attend meetings frequently with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and capital markets management, external communications, and legal matters.
- Senior officials within FHFA's accounting group meet frequently with our senior financial executives regarding our accounting policies, practices, and procedures.

In view of our mitigating actions related to this material weakness, we believe that our condensed consolidated financial statements for 3Q 2022 have been prepared in conformity with GAAP.

# Exhibit Index

Exhibit	Description*
3.1	<a href="#">Bylaws of the Federal Home Loan Mortgage Corporation, as amended and restated July 28, 2022</a>
10.1	<a href="#">PC Master Trust Agreement, dated July 30, 2022</a>
10.2	<a href="#">UMBS and MBS Master Trust Agreement, dated July 30, 2022</a>
10.3	<a href="#">2022 Executive Management Compensation Program†</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)</a>
31.2	<a href="#">Certification of Executive Vice President and Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350</a>
32.2	<a href="#">Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Label
101.PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

\* The SEC file numbers for the Registrant's Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are 000-53330 and 001-34139.

† This exhibit is a management contract or compensatory plan, contract, or arrangement.

# Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal Home Loan Mortgage Corporation

By:           /s/ Michael J. DeVito          

Michael J. DeVito  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 8, 2022

By:           /s/ Christian M. Lown          

Christian M. Lown  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: November 8, 2022

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**BYLAWS OF THE FEDERAL HOME LOAN MORTGAGE CORPORATION**

**As amended and restated July 28, 2022**

**FREDDIE MAC BYLAWS  
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## ARTICLE 1 – OFFICES

**Section 1.1 Offices.** The principal office of the Corporation shall be in Fairfax County, Virginia or at any other place determined by the Board of Directors. The Corporation may have such other offices as the Board of Directors or the Chief Executive Officer shall determine appropriate.

## ARTICLE 2 – CAPITAL STOCK

**Section 2.1 Issuance.** The Board of Directors shall have the power to authorize the issuance of one or more classes or series of stock of the Corporation, including, without limitation, voting common and preferred stock. All stock shall be issued on such terms and conditions as the Board of Directors shall prescribe from time to time.

**Section 2.2 Common Stock.** The voting common stock of the Corporation (the “Common Stock”) shall consist of such number of shares as may be issued or authorized for issuance from time to time by the Board of Directors (without limitation upon the authority of the Board of Directors to authorize the issuance of additional shares from time to time). The Common Stock shall have the designation, powers, rights, privileges, qualifications, limitations, restrictions, terms and conditions set forth in the Eighth Amended and Restated Certificate of Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Voting Common Stock adopted on September 10, 2008, as further amended or restated from time to time (the “Common Stock Certificate of Designation”). No holder of Common Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options, or other securities of any class of the Corporation which at any time may be sold or offered for sale by the Corporation.

**Section 2.3 Preferred Stock.** The preferred stock of the Corporation shall consist of such number of shares as may be issued or authorized for issuance from time to time by the Board of Directors (without limitation upon the authority of the Board of Directors to authorize the issuance of additional shares from time to time). Each class of preferred stock shall have the designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions set forth in the certificate of designation approved by the Board of Directors for such class.

**Section 2.4 Consideration.** Shares of stock may be issued to the Corporation’s stockholders pro rata and without consideration. Shares of stock may also be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation as the Board of Directors deems appropriate. Upon the Board of Directors making a good faith determination that the consideration received for the shares to be issued is adequate, the shares issued therefor shall be fully paid and nonassessable.

**Section 2.5 Shares Owned by the Corporation.** Any shares of capital stock owned by the Corporation shall retain the status of issued shares, unless and until the Corporation shall retire and cancel the same, but such shares shall not be regarded as outstanding while so owned.

**Section 2.6 Fractional Shares.** No fractional interests in shares of common stock will be created or recognized by the Corporation except as otherwise provided in the Corporation's Employee Stock Purchase Plan or any other executive compensation or employee benefit plan or any direct stock purchase plan currently in effect or hereafter adopted by the Corporation. The holder of a fractional share is entitled to exercise the rights of a shareholder, including the right to vote, to receive dividends, and to participate in the assets of the Corporation upon dissolution.

**Section 2.7 Certificates.**

(a) The Board of Directors may authorize the issuance of shares of stock of the Corporation with or without certificates. The rights and obligations of stockholders shall be identical whether or not their shares are represented by certificates. Stock certificates shall be in the form approved by the Corporate Secretary. Each stock certificate shall contain the name of the Corporation, the name of the stockholder, the number and kind of shares of stock owned by such stockholder, and reference to any other material terms of the stock represented thereby, including, without limitation, the information required to be set forth on such certificates by the Common Stock Certificate of Designation, shall be signed by the Chief Executive Officer or President and countersigned by the Corporate Secretary or an Assistant Secretary, and shall be sealed with the Corporation's seal or a facsimile of such seal. Within a reasonable time after the issuance or transfer of shares without certificates, the Corporation shall send to the registered stockholder a written statement containing the information required to be set forth on the certificates, including, without limitation, the information required to be set forth on such certificates by the Common Stock Certificate of Designation, or a statement that the Corporation will furnish such information upon request and without charge.

(b) When any stock certificate is countersigned by a transfer agent or a registrar, other than the Corporation or its employee, any other signature on such certificate may be a facsimile. If any corporate officer who has signed any certificate ceases to be a corporate officer before such certificate is issued, whether because of death, resignation or otherwise, the certificate may nevertheless be issued and delivered by the Corporation as if such officer had not ceased to be such as of the certificate's issue date.

**Section 2.8 Transfer of Shares.** Except as otherwise provided in the Corporation's Employee Stock Purchase Plan or any other executive compensation or employee benefit plan or any direct stock purchase plan currently in effect or hereafter adopted by the Corporation, the Common Stock shall be transferable only in whole shares. Subject to the foregoing, the stock of the Corporation shall be transferable or assignable only on the transfer books of the Corporation or by transfer agents designated to transfer shares of stock of the Corporation by the registered holder thereof, in person or by a duly authorized attorney, and, in the case of certificated shares, upon the surrender and cancellation of such certificates representing the shares to be transferred, properly endorsed and, if sought to be transferred by such attorney,

accompanied by a written power of attorney to have the same transferred on the books of the Corporation. The Board of Directors shall have power and authority to make such other rules and regulations concerning the issuance, transfer and registration of certificates of stock as it may deem appropriate.

**Section 2.9 Lost, Destroyed and Mutilated Certificates.** If any holder of the shares of the Corporation in certificated form shall notify the Corporation of any loss, theft, destruction or mutilation of such certificate(s), the Chief Executive Officer may, in his or her discretion, cause one or more new certificate(s) for the same number of shares in the aggregate to be issued to such stockholder upon the surrender of the mutilated certificate, or upon delivery by the stockholder or such stockholder's legal representative of a bond, with or without surety, or such other agreement, undertaking or security as the Corporate Secretary shall determine is appropriate, to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate(s) or the issuance of any new certificate(s).

**Section 2.10 Fixing a Record Date.** Except as otherwise provided in the Common Stock Certificate of Designation, or any other certificate of designation relating to any class of the Corporation's preferred stock, for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders, such date in any case to be not more than 70 days before the meeting or action requiring a determination of stockholders and, in the case of record dates for dividends on the preferred stock, subject to any additional limitations set forth in the related certificate of designation. If no record date is fixed for the determination of (i) stockholders entitled to notice of, or to vote at, a meeting of stockholders or (ii) stockholders entitled to receive payment of a dividend, the date on which notices of the meeting are first mailed or otherwise given or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section, such determination shall apply to any adjournment thereof unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

**Section 2.11 Record of Stockholders.** A record shall be kept of the names of the persons and entities owning the stock represented by each share of stock of the Corporation, the number of shares represented by each certificate or information statement issued in respect of noncertificated shares and the dates of issuance thereof in a form that permits the preparation of a list of the names and addresses of all stockholders in alphabetical order showing the number of shares held by each.

**Section 2.12 Ownership of Shares.** The Corporation and any agent thereof may deem and treat the holder of a share or shares of stock, as shown in the Corporation's books and records, as the absolute owner of such share or shares of stock for the purpose of receiving payment of dividends in respect of such share or shares of stock and for all other purposes whatsoever, and neither the Corporation nor any agent thereof shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by the Corporation on or with respect to any such share or shares of stock.

**Section 2.13 Share Options and Other Instruments.** The Corporation may issue rights, options or warrants for the purchase of shares or other securities of the Corporation, subject to stockholder approval to the extent required by applicable laws, regulations or listing standards. The Board of Directors may authorize the issuance of rights, options or warrants and determine the terms upon which the rights, options or warrants are issued, including, without limitation, the consideration for which the shares or other securities are to be issued. The authorization for the Corporation to issue such rights, options or warrants constitutes authorization of the issuance of the shares or other securities for which the rights, options or warrants are exercisable.

### **ARTICLE 3 – MEETINGS OF THE STOCKHOLDERS**

#### **Section 3.1 Annual Meetings.**

(a) An annual meeting of the stockholders, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held on such date, at such time and at such place as the Board of Directors shall each year fix, which date shall be within 15 months after the immediately preceding meeting of stockholders. The failure to hold an annual meeting at the time stated in, or fixed in accordance with, these Bylaws shall not affect the validity of any corporate action.

(b) Upon notice to the Corporation, any stockholder of the Corporation entitled to participate in an annual meeting may petition the United States District Court for the district within which the Corporation's principal office is located to order an annual meeting of stockholders if an annual meeting has not been held within 15 months after the Corporation's immediately preceding annual meeting. The court may fix the time and place of the meeting, determine the shares entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice and enter other orders necessary to accomplish the purpose or purposes of the meeting.

### **Section 3.2 Special Meetings.**

(a) Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by a majority of the directors then in office or the Chair of the Board (“Chair”), and shall be held on such date, at such time and at such place as they or he or she shall fix.

(b) Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may also be called by the Corporate Secretary upon the written request of the holders of at least a majority of all shares of voting stock entitled to vote; provided, however, a special meeting of the stockholders for the purposes of Section 4.16 of these Bylaws must be requested by the holders of at least one-third of all shares of voting stock entitled to vote. A special meeting of the stockholders called pursuant to the preceding sentence shall be referred to in these Bylaws as a “Stockholder Requested Special Meeting”. A Stockholder Requested Special Meeting shall be held on such date, at such time and at such place as determined by the Corporate Secretary as soon as is reasonably practicable following the Corporation’s receipt of a written request that is in compliance with this Section 3.2 (the “Delivery Date”) and, unless the penultimate paragraph of this Section applies, within 75 calendar days of the Delivery Date. The record date for determining stockholders entitled to request for a Stockholder Requested Special Meeting shall be the later of (i) the date the first stockholder signs the request, or (ii) the earliest record date permitted by Section 2.10 of these Bylaws.

Upon notice to the Corporation, any stockholder of the Corporation who signed the request for a Stockholder Requested Special Meeting, may petition the United States District Court for the district within which the Corporation’s principal office is located to order a special meeting of stockholders if a special meeting notice has not been held as provided herein. The court may fix the time and place of the meeting, determine the shares entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, and enter other orders necessary to accomplish the purpose or purposes of the meeting.

A written request of the holders of the voting stock made pursuant to this Section 3.2 must (i) be signed, dated and delivered to the Corporate Secretary at the principal executive offices of the Corporation by each stockholder making the request for a Stockholder Requested Special Meeting, (ii) identify the name and record address of each stockholder making the request for a Stockholder Requested Special Meeting, (iii) include a brief description of the business desired to be brought before such Stockholder Requested Special Meeting, the reasons for conducting such business, a statement of specific purpose(s) of the meeting and the matter proposed to be acted on at it, which matter must be a proper subject for stockholder action, (iv) shall be accompanied by documentation to verify the class and number of shares of the Corporation that are beneficially owned by each stockholder making such request in accordance with the Securities Exchange Act of 1934, as amended (the “Exchange Act”), specifically Rule 14a-8(b)(2) of Regulation 14A (Solicitation of Proxies) (the “Proxy Rules Requirement”),

(v) contain a representation that each stockholder submitting the request intends to appear in person or by proxy at the Stockholder Requested Special Meeting to transact the business specified, and (vi) contain a representation that each stockholder submitting the request intends to continue ownership of shares of the voting stock through the date of the Stockholder Requested Special Meeting. The Corporation may require any stockholder making such request to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of stockholders to make a written request pursuant to this Section 3.2. Failure of the stockholders who sign the request for a Stockholder Requested Special Meeting to comply with the representations identified in (v) and (vi) above, shall be deemed to constitute a revocation of such request. Any stockholder who submitted a request for a Stockholder Requested Special Meeting may revoke such request at any time by written revocation delivered to the Corporate Secretary at the principal executive offices of the Corporation.

The Corporate Secretary shall not be required to call a Stockholder Requested Special Meeting if (i) the Board of Directors calls an annual or special meeting of stockholders to be held not later than 75 days after the Delivery Date and the purpose(s) of such meeting includes the purpose(s) specified by the requisite number of stockholders in the special meeting request(s), or (ii) an annual or special meeting was held not more than 12 months before the Delivery Date, which included the purpose(s) specified by the requisite number of stockholders in the special meeting request(s), with such determination being made in good faith by the Board of Directors. In determining whether a request for a Stockholder Requested Special Meeting has been submitted by stockholders holding the requisite number of shares of voting stock, there may be excluded from the computation, the shares of the voting stock owned by any stockholder who has signed the request for a Stockholder Requested Special Meeting at any time during the 2 calendar years preceding the Delivery Date and has failed to comply with the representations identified in (v) and (vi) above.

(c) At a special meeting, no business shall be transacted and no action shall be taken other than as stated in the notice of the meeting; provided that nothing herein shall prohibit the Board of Directors from submitting other matters to the stockholders at a Stockholder Requested Special Meeting.

### **Section 3.3 Notice of Meetings.**

(a) Written or printed notice of the date, time and place of all meetings of the stockholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given no fewer than 10 nor more than 60 days before the date on which the meeting is to be held, to each holder of voting stock entitled to vote at such meeting, except as otherwise provided in these Bylaws.

When a meeting is adjourned to another date, time or place, written notice need not be given of the adjourned meeting if the date, time or place thereof are announced at the meeting at which the adjournment is taken; provided, however, that, if

the date of any adjourned meeting is more than 120 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the date, time or place of the adjourned meeting shall be given in conformity herewith.

(b) A stockholder's attendance at a meeting, whether in person or by proxy, (i) waives objection to lack of notice or defective notice of the meeting, unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice unless the stockholder objects to considering the matter when it is presented.

Notwithstanding the foregoing, no notice of a stockholders' meeting need be given to a stockholder if (i) notices to such stockholder of two consecutive annual meetings, and all notices of meetings during the period between two consecutive annual meetings, have been sent, other than by electronic transmission, to such stockholder at such stockholder's address as shown on the records of the Corporation and have been returned undeliverable or could not be delivered or (ii) all, but not less than two, distributions to stockholders during a period of more than 12 months, have been sent to such stockholder at such stockholder's address as shown on the records of the Corporation and have been returned undeliverable or could not be delivered. If any stockholder, for which notice is not required, delivers to the Corporation a written notice setting forth such stockholder's then-current address, the requirement that notice be given shall be reinstated.

(c) For purposes of these Bylaws, "electronic transmission" means any form or process of communication, not directly involving the physical transfer of paper or other tangible medium, that (i) is suitable for the retention, retrieval, and reproduction of information by the recipient and (ii) is retrievable in paper form by the recipient through an automated process used in conventional commercial practice; provided, however, a notice or other communication may be in the form of an electronic transmission that cannot be directly reproduced in paper form by the recipient through an automated process used in conventional commercial practice if (x) the electronic transmission is otherwise retrievable in perceivable form and (y) the sender and the recipient have consented in writing to the use of such form of electronic transmission.

#### **Section 3.4 Quorum.**

(a) At any meeting of the stockholders, the holders of a majority of all shares of voting stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum, except as otherwise provided in this Section. If a quorum shall fail to attend a meeting, the chair of the meeting or the holders of a majority of all shares of voting stock entitled to vote at the meeting who are present, in person or by proxy, may adjourn the meeting to another date, time or place.

(b) Once a share of stock is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or shall be set for that adjourned meeting.

**Section 3.5 Organization.** The Chair or, in the absence of the Chair, another director designee of the Board of Directors or, in the absence of the Chair and such a designation, the Chief Executive Officer or in his or her absence, the President or, in the absence of both such officers, such person as may be chosen by the holders of a majority of all shares of voting stock entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and shall act as chair of the meeting. In the absence of the Corporate Secretary, the secretary of the meeting shall be such person as the chair of the meeting appoints.

**Section 3.6 Conduct of Business.**

(a) The chair of any meeting of stockholders shall determine the order of business and shall have the authority to establish rules for the conduct of the meeting, including such regulation of the manner of voting and the conduct of discussion, restrictions on attendance at a meeting so long as stockholders or their proxies are not excluded, and adjournment of the meeting to be reconvened at a later date, as seem to him or her in order and not inconsistent with these Bylaws.

(b) No business shall be brought before any meeting except in accordance with the procedures set forth in these Bylaws, and the rules, if any, established by the chair of the meeting for the conduct of the meeting; provided, however, that nothing in this Section shall be deemed to preclude discussion by any stockholder of any business properly brought before such meeting.

(c) At any meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. The chair of any meeting shall, if the facts warrant, determine that business was not properly brought before the meeting, and, if the chair should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be conducted. At any adjourned meeting, any business may be transacted and any action taken which might have been transacted or taken at the original meeting.

(d) To be properly brought before an annual meeting, business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, or otherwise brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, including, without limitation, Rule 14a-8 under the Exchange Act, if applicable, for business other than a director nomination to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Corporate Secretary at the principal executive office of the Corporation. (The exclusive procedures for stockholders to make nominations



for the election of directors at any annual meeting are set forth in Section 4.3.) The content of the stockholders' notice must comply with the requirements of this Section 3.6. The requirements of this Section 3.6 shall apply to any business a stockholder wishes to bring before an annual meeting, whether under Rule 14a-8 under the Exchange Act or otherwise. To be timely, a stockholder's notice must be received at the principal office of the Corporation no fewer than 75 days prior to such annual meeting. In the event that fewer than 90 days' notice or prior public disclosure of the date of such annual meeting is given or made to stockholders, notice by the stockholder, to be timely, must be so received not later than the close of business on the 15th day following the day on which such notice of the date of such annual meeting was mailed or such public disclosure was made, whichever first occurs. A written notice must (i) be signed, dated and delivered to the Corporate Secretary at the principal executive offices of the Corporation by the stockholder, (ii) identify the name and record address of the stockholder submitting the notice, (iii) include a brief description of the business, which must be a proper subject for stockholder action, desired to be brought before such annual meeting and the reasons for conducting such business, (iv) shall be accompanied by documentation to verify the class and number of shares of the Corporation that are beneficially owned by the stockholder submitting such notice in accordance with the Exchange Act, specifically the Proxy Rules Requirement, (v) contain a representation that the stockholder submitting the notice intends to appear in person or by proxy at the annual meeting to transact the business specified, (vi) contain a representation that the stockholder submitting the notice intends to continue ownership of shares of the voting stock through the date of the annual meeting, and (vii) set forth any material interest of the stockholder in the matter identified in (iii) above. The Corporation may require any stockholder submitting such notice to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of stockholders to give a written notice pursuant to this Section 3.6.

(e) At a special meeting, no business shall be transacted and no action shall be taken other than as stated in the notice of the meeting; provided that nothing herein shall prohibit the Board of Directors from submitting other matters to the stockholders at a Stockholder Requested Special Meeting.

(f) To the extent authorized by the Board of Directors with respect to any meeting, which may be held at a physical location or in a fully virtual environment, stockholders may participate in such a meeting by use of any means of communication by which all stockholders participating may simultaneously hear each other during the meeting including, without limitation, by use of internet accessible electronic meeting facilities. A stockholder participating in a stockholders' meeting by such means is deemed to be present in person at the meeting.

**Section 3.7 Voting.**

(a) Except as otherwise provided in Section 8.1(c) of these Bylaws, each stockholder shall have one vote for every share of stock entitled to vote which is registered in his or her name on the record date for the meeting.

(b) Subject to the determination of the Board of Directors of the Corporation to authorize action by written consent under Section 3(b) of the Common Stock Certificate of Designation, votes shall be cast in person or by proxy at annual or special meetings of the holders of the shares of voting stock entitled to vote. All voting, including the election of directors, may be by a voice vote; provided, however, that upon demand by a holder of voting stock entitled to vote or his or her proxy or in the discretion of the chair of the meeting, a vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the rules of conduct established for the meeting.

(c) The Corporation shall appoint one or more inspectors to oversee, determine and certify attendance and results of any voting at the meeting and make a written report of the inspector's determinations. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties.

(d) All elections for a seat on the Board of Directors shall be determined as provided by Section 4.5 of these Bylaws, and on all other matters, action shall be approved if the votes cast favoring the action exceed the votes cast opposing the action, unless a greater vote is prescribed by the Board of Directors or other person proposing the matter or otherwise required by these Bylaws.

(e) An abstention or an election by a stockholder not to vote on an action because of failure to receive voting instructions from the beneficial owner of the shares shall not be considered a vote cast.

(f) Stockholders shall not vote their shares cumulatively.

**Section 3.8 Voting Entitlement of Shares.**

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

(b) Shares standing in the name of a partnership may be voted by any partner. Shares standing in the name of a limited liability company may be voted as the articles of organization or an operating agreement may prescribe, or in the absence of any such provision as the managers, or if there are no managers, the members of the limited liability company may determine.

(c) Shares held by two or more persons as joint tenants or tenants in common or tenants by the entirety may be voted by any of such persons. If more than one of such tenants vote such shares, the vote shall be divided among them in proportion to the number of such tenants voting.

(d) Shares held by an administrator, executor, guardian, committee or curator representing the holder of voting stock may be voted by such person without a transfer of such shares into such person's name. Shares standing in the name of a trustee may be voted by the trustee, but no trustee shall be entitled to vote shares held by him or her without a transfer of such shares into the trustee's name.

(e) Shares standing in the name of a receiver or a trustee in proceedings under the applicable bankruptcy laws may be voted by such person. Shares held by or under the control of a receiver or a trustee in proceedings under the applicable bankruptcy laws may be voted by such person without the transfer thereof into his or her name if authority to do so is contained in an order of the court by which such person was appointed.

(f) Nothing herein contained shall prevent trustees or other fiduciaries holding shares registered in the name of a nominee from causing such shares to be voted by such nominee as the trustee or other fiduciary may direct. Such nominee may vote shares as directed by a trustee or other fiduciary without the necessity of transferring the shares to the name of the trustee or other fiduciary.

(g) When shares are held by more than one fiduciary, the shares shall be voted as determined by a majority of such fiduciaries, except that: (i) if they are equally divided as to a vote, the vote of shares shall be divided equally and (ii) if only one of such fiduciaries is present in person or by proxy at a meeting, such fiduciary shall be entitled to vote all the shares.

(h) A holder of voting stock whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

### **Section 3.9 Proxies.**

(a) At any meeting of the stockholders, every holder of voting stock entitled to vote may vote in person or by proxy. A stockholder or the stockholder's agent or attorney-in-fact may appoint a proxy to vote or otherwise act for the stockholder by signing an appointment form or by an electronic transmission. An electronic transmission shall contain or be accompanied by information from which one can determine that the stockholder, the stockholder's agent or the stockholder's attorney-in-fact authorized the transmission. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Subsection may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile

telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. No proxy shall be voted after eleven months from its date, unless a longer period is expressly provided in the appointment form or electronic transmission.

(b) An appointment of a proxy is revocable unless the appointment form or electronic transmission states that it is irrevocable and the appointment is coupled with an interest. An appointment made irrevocable in accordance with the immediately preceding sentence is revoked when the interest with which it is coupled is extinguished.

(c) The death or incapacity of the stockholder appointing a proxy does not affect the right of the Corporation to accept the proxy's authority unless notice of the death or incapacity is received by the Corporate Secretary or other officer or agent authorized to tabulate votes before the proxy exercises his or her authority under the appointment.

(d) Subject to Section 3.8 of these Bylaws and to any express limitation on the proxy's authority stated in the appointment form or electronic transmission, the Corporation is entitled to accept the proxy's vote or other action as that of the stockholder making the appointment.

(e). Any fiduciary who is entitled to vote any shares may vote such shares by proxy.

### **Section 3.10 Stockholders' List.**

(a) A complete list of stockholders entitled to vote at any meeting of stockholders, showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least 10 days prior to the meeting, either at the principal office of the Corporation or at the office of its transfer agent.

(b) The stockholders' list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

(c) If the requirements of this Section have not been substantially complied with, the meeting shall, on the demand of any stockholder in person or by proxy, be adjourned until such requirements are complied with. Refusal or failure to prepare or make available the stockholders' list shall not affect the validity of action taken at the meeting prior to the making of any such demand, but any action taken by the stockholders after the making of any such demand shall be invalid and of no effect.

## ARTICLE 4 – BOARD OF DIRECTORS

**Section 4.1 General Powers.** Subject to the limitations of law and regulation, the Board of Directors shall determine the general policies that govern the operations of the Corporation, and the Corporation shall be under the direction of the Board of Directors.

### **Section 4.2 Number, Qualification and Term of Office.**

(a) The Board of Directors of the Corporation shall consist of 13 persons, or such other number as the Director of the Federal Housing Finance Agency determines appropriate who shall be elected annually by the stockholders. The Board of Directors shall at all times have as members at least one person from the homebuilding industry, at least one person from the mortgage lending industry, at least one person from the real estate industry, and at least one person from an organization that has represented consumer or community interests for not less than two years or one person who has demonstrated a career commitment to the provision of housing for low-income households.

(b) Each member of the Board of Directors shall be elected for a term ending on the date of the next annual meeting of the stockholders.

(c) The Board of Directors shall establish standards and qualifications relating to independence from management and may establish other qualifications for service on the Board of Directors, including limitations on length of service and age, as required under, or consistent with, applicable laws, regulations and stock exchange listing standards.

### **Section 4.3 Nominations.**

(a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any annual meeting of stockholders. Nominations of persons for election to the Board of Directors of the Corporation at any annual meeting of stockholders may be made only by (i) the Board of Directors, or (ii) by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section; this clause (ii) shall be the exclusive means for a stockholder to make nominations for election of directors at any annual meeting of stockholders. (The exclusive procedures for stockholders to bring business other than nominations before a stockholders' meeting are set forth in Section 3.6.) Such nominations made by a stockholder entitled to vote in the election of directors shall be made pursuant to timely notice in writing to the Corporate Secretary at the principal executive office of the Corporation. To be timely, a stockholder's notice shall be received no fewer than 75 days prior to the meeting. In the event that fewer than 90 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be so received not later than

the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Corporate Secretary shall set forth (a) as to each person who the stockholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residential address of the person, (ii) the principal occupation or employment of the person, (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person(s) (naming such person(s)) pursuant to which arrangements or understandings the nominations(s) are to be made by the stockholder and (iv) such other information regarding each nominee proposed by such stockholder as is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14(a) of the Exchange Act; and (b) as to the stockholder submitting the notice, the notice must (i) be signed and dated by the stockholder, (ii) identify the name and record address of the stockholder submitting the notice, (iii) be accompanied by documentation to verify the class and number of shares of the Corporation that are beneficially owned by the stockholder submitting such notice in accordance with the Exchange Act, specifically the Proxy Rules Requirement, (iv) contain a representation that the stockholder submitting the notice intends to appear in person or by proxy at the annual meeting to make the nomination(s) the stockholder has proposed, and (v) contain a representation that the stockholder submitting the notice intends to continue ownership of shares of the voting stock through the date of the annual meeting. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation and such nominee's independence. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section.

(b) The chair of the meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedures, and, if the chair should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

**Section 4.4 Vacancies.** Any seat on the Board of Directors that becomes vacant after the annual election of the directors may be filled only by the Board of Directors, but only for the unexpired portion of the term. If the directors remaining in office constitute fewer than six directors, the remaining directors may fill such vacant seats on the Board of Directors as may exist by the affirmative vote of a majority of such remaining directors.

**Section 4.5 Elections.**

(a) Each director nominated for a seat on the Board of Directors of the Corporation shall be elected only if he or she receives a majority of the votes cast with respect to his or her election at the annual meeting of stockholders, provided that if it is determined that the number of persons properly nominated to serve as directors of the Corporation exceeds the number of directors to be elected (a "contested election"), the

directors shall be elected by a plurality of the votes of the shares represented at the meeting and entitled to vote on the election of directors. A “majority of the votes cast” means that the number of votes cast “for” a director must exceed the number of votes cast “against” that director.

(b) Following any uncontested election, any incumbent director who was a nominee for a seat and who did not receive a majority of the votes cast by the stockholders shall promptly tender to the committee responsible for nominating and governance matters his or her offer of resignation for consideration by the Board of Directors. Within 60 days following certification of the election results, the committee of the Board of Directors responsible for nominating and governance matters shall recommend to the Board of Directors the action to be taken with respect to such offer of resignation. Within 90 days following certification of the election results, the Board of Directors shall act on the offered resignation. In determining whether or not to accept the offered resignation, the Board of Directors shall consider any recommendation of the committee responsible for nominating and governance matters, the factors considered by that committee and any additional information and factors that the Board of Directors believes to be relevant. No director who submits his or her resignation pursuant to this Section 4.5 shall participate in the deliberations or decisions of the committee responsible for nominating and governance matters or the Board of Directors regarding such director’s resignation.

(c) If the submitted resignation is not accepted by the Board of Directors, the director shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her death, resignation, retirement or removal in accordance with these Bylaws, applicable law or regulation, whichever event shall first occur. If a director’s resignation is accepted by the Board of Directors, or if a nominee for director who is not an incumbent director is not elected by the majority of the votes cast by the stockholders, then the Board of Directors, in its sole discretion, may fill any resulting vacancy in accordance with Section 4.4 of these Bylaws.

**Section 4.6 Chair.** Each year at the first meeting of the Board of Directors following the annual stockholders’ meeting, the Board of Directors shall elect from among its members a person to serve as Chair of the Board. The Chair shall be a member of the Board of Directors and shall preside at all meetings of the Board of Directors at which he or she is present.

**Section 4.7 Lead Director.** If the Chair is not independent from management under standards established by the Board of Directors pursuant to Section 4.2 of these Bylaws, those directors who are not employed by the Corporation shall elect from among themselves a person who is independent from management to serve as Lead Director. That election, if necessary, shall take place each year at the first meeting of the Board of Directors following the annual stockholders’ meeting and at any other time that the Board of Directors lacks a Lead Director who is independent from management. If the Chair is independent from management, the Chair shall serve as Lead Director unless the directors who are not employed by the Corporation elect from among themselves another

director who is independent from management to serve as Lead Director. The Lead Director shall preside at all meetings of the directors who are not employees of the Corporation and of the directors who are independent from management at which he or she is present and shall perform such other duties as may be assigned by those directors.

**Section 4.8 Regular Meetings.** A regular meeting of the Board of Directors shall be held as soon as practicable after adjournment of the annual meeting of stockholders at such place as the Board of Directors may designate by resolution and without other notice than such resolution. The Board of Directors may provide, by resolution, for the date, time and place of additional regular meetings without other notice than such resolution.

**Section 4.9 Special Meetings.**

(a) Special meetings of the Board of Directors may be called by a majority of the directors then in office or by the Chair and shall be held on such date, at such time and at such place as they or he or she shall fix. Notice of the date, time and place of each such special meeting shall be given in accordance with Section 7.1 of these Bylaws to each director by (i) written notice given by mail, private courier or in person not less than 48 hours before the meeting, (ii) oral notice given in person or by telephone not less than 24 hours before the meeting or (iii) electronic transmission sent not less than 24 hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

(b) A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

**Section 4.10 Quorum.** At any meeting of the Board of Directors, a quorum shall consist of the greater of (i) one-third of the fixed number of directors or the prescribed number within a variable range of directors, as applicable, or (ii) a majority of the directors then in office. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another date, time or place, without further notice or waiver thereof. Members may not be represented by proxy at any meeting of the Board of Directors.

**Section 4.11 Participation in Meetings.** Members of the Board of Directors, or of any committee thereof, may participate in a meeting of the Board of Directors or of such committee by any means of communication by which all members participating in the meeting can simultaneously hear each other during the meeting and such participation shall constitute presence in person at such meeting.



**Section 4.12 Conduct of Business.**

(a) At each meeting of the Board of Directors, the Chair shall preside or, in the absence of the Chair, a director selected by the Board of Directors. The Corporate Secretary or an Assistant Secretary designated by the Corporate Secretary shall act as secretary for the meeting, unless the Chair or director presiding at the meeting appoints another individual present at the meeting to act as secretary for the meeting.

(b) At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board of Directors may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present at a meeting at which a quorum is present, except as otherwise provided in these Bylaws or in the Virginia Stock Corporation Act. A director shall not vote by proxy. A director present at a meeting is presumed to assent to actions unless the director objects at the beginning of the meeting, or promptly upon his or her arrival, to holding the meeting or transacting specified business at the meeting or the director votes against or abstains from the action and such objection, dissent or abstention is entered into the minutes of the meeting.

(c) Action may be taken by the Board of Directors without a meeting if each director signs a consent describing the action to be taken and delivers it to the Corporation. A director's consent may be withdrawn by a revocation signed by the director and delivered to the Corporation prior to delivery to the Corporation of unrevoked written consents signed by all the directors. Such written consent and the signing thereof may be accomplished by one or more electronic transmissions.

(d) Action taken under the preceding paragraph shall be effective when the last director signs the consent unless the consent specifies a different effective date, in which event such action shall be effective as of the date specified therein, provided that the consent contains the date of execution of each director.

(e) Any director may provide that a consent to action shall be effective at a future time, including the time when an event occurs, but such future time shall not be more than 60 days after such provision is made. Any such consent shall be deemed to have been made for purposes of this subsection at the specified future time, provided that the director did not revoke the consent prior to such future time. Any such consent may be revoked, in the manner provided in subsection (c), prior to its becoming effective.

(f) A consent signed under this Section shall have the effect of action taken at a meeting of the Board of Directors and may be described as such in any document.

**Section 4.13 Reimbursement and Compensation of Directors.** Pursuant to resolution of the Board of Directors, directors, as such, may receive fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors and may receive reimbursement of expenses incurred in respect of rendering such services; except that any member of the Board of Directors who is a full-time officer or employee of the federal government or full-time officer or employee of the Corporation shall not receive compensation for services as a member of the Board of Directors or as a member of any committee of the Board of Directors.

**Section 4.14 Committees of the Board of Directors.**

(a) The Board of Directors may, from time to time, designate committees of the Board of Directors (and subcommittees of those committees), with such delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect at least two directors to serve as the members. Any committee or subcommittee so designated may exercise the power and authority of the Board of Directors to the extent any resolution of the Board of Directors shall so provide, except that a committee or subcommittee may not: (i) approve or recommend to stockholders action that these Bylaws require be approved by stockholders; (ii) fill vacancies on the Board of Directors or on any of its committees; (iii) adopt, amend or repeal these Bylaws; (iv) approve a plan of merger not requiring stockholder approval; (v) authorize or approve a distribution, except according to a general formula or method prescribed by the Board of Directors; or (vi) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee or the Chair to do so subject to such limits, if any, as may be prescribed by the Board of Directors.

(b) Unless otherwise provided by Board of Directors or committee or subcommittee resolution, the provisions of these Bylaws on date, time and place of, and notice required for, meetings of the Board of Directors shall govern committees of the Board of Directors (and their subcommittees). A majority of directors then appointed as members of a committee or a subcommittee shall constitute a quorum and all matters shall be determined by a majority vote of the members present at a meeting at which a quorum is present. Action may be taken by a committee (or a subcommittee) without a meeting if each member signs a consent describing the action to be taken and delivers it to the Corporation. A member's consent may be withdrawn by a revocation signed by the member and delivered to the Corporation prior to delivery to the Corporation of unrevoked written consents signed by all the members. Such written consent and the signing thereof may be accomplished by one or more electronic transmissions. All minutes of committee or subcommittee meetings and unanimous consents of action taken by a committee or a subcommittee without a meeting shall also be submitted to the Board of Directors.

(c) The Board of Directors shall designate committees responsible for overseeing the Corporation's financial statements and relationship with its independent auditor, executive compensation matters and governance and nominating matters. The membership of each of those committees shall consist solely of directors who are independent from management under the standards established pursuant to Section 4.2 of these Bylaws and shall comply with applicable laws, regulations and listing standards.

**Section 4.15 Resignation.** Any director may resign at any time by delivering a written resignation to the Board of Directors, the Chair or the Corporate Secretary. A resignation shall be effective upon delivery unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the successor does not take office until the effective date.

**Section 4.16 Removal of Directors.** At a Stockholder Requested Special Meeting called expressly for that purpose, any director may be removed, but only with cause, by a vote of the holders of a majority of the voting stock then entitled to vote at an election of directors.

**Section 4.17 Termination of Voluntary Registration of Common Stock.**  
The Corporation shall take no action to terminate the registration of the Corporation's common stock under Section 12(g) of the Exchange Act, unless such action has been approved by unanimous action of all members of the Board of Directors then in office.

## ARTICLE 5 – OFFICERS

**Section 5.1 Officers of the Corporation.** There shall be a Chief Executive Officer of the Corporation and a General Auditor. In the event of a vacancy in either office, such vacancy shall be addressed by resolution by the Board of Directors or an appropriate committee thereof. Other officers of the Corporation may include a President, a Chief Operating Officer, a Chief Compliance Officer, a Chief Risk Officer, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President and may be given other descriptive titles), a Corporate Secretary and all other officers or assistant officers deemed necessary and desirable for the conduct of the Corporation's business. Any of the above offices may be held by the same person, except that the office of the Corporate Secretary may not be held by the same person that holds the office of Chief Executive Officer, President, Chief Operating Officer or General Auditor.

**Section 5.2 Appointment and Term.**

- (a) The Board of Directors shall elect the Chief Executive Officer.
- (b) The Audit Committee of the Board of Directors shall elect the General Auditor.

(c) Except as otherwise determined by the Board of Directors or provided herein, the Chief Executive Officer shall appoint all additional officers at the Executive Vice President and Senior Vice President level or above.

(d) Except as otherwise determined by the Board of Directors or provided herein, the Chief Executive Officer or his or her designee(s) (each individually an "Appointing Officer" and collectively the "Appointing Officers") shall appoint all officers at the Vice President level and below, other than those identified in Sections 5.2 (a), (b) and (c).

(e) Except as provided herein, the appointment of a President and/or Chief Operating Officer, if one or both of such positions are to be filled, shall be subject to prior review by the Board of Directors.

(f) Any appointment by an Appointing Officer under this section is subject to the legal, regulatory or supervisory limitations, requirements and approvals that apply to appointments by the Board of Directors. Each officer elected by the Board of Directors or appointed by an Appointing Officer shall hold office until his or her successor is elected or appointed and qualified or until his or her death, resignation or removal as provided in this Article 5. Election or appointment of an officer shall not, in and of itself, create any contract rights in the officer against the Corporation.

### **Section 5.3 Removal, Resignation, Vacancy.**

(a) Any officer may be removed, with or without cause, by a vote of the Board of Directors. The General Auditor may be removed, with or without cause, by a vote of the Audit Committee. Except as otherwise determined by these Bylaws or the Board of Directors, an Appointing Officer may remove, with or without cause, any officer he or she may appoint.

(b) Any officer may resign at any time by delivering a notice of resignation to the Corporation. A resignation shall be effective upon delivery unless the notice specifies a later effective time. If a resignation is made effective at a later time, the Board of Directors or the appropriate Appointing Officer may fill the pending vacancy before the effective time if the successor does not take office until the effective time. A vacancy in any office shall be filled in the manner prescribed in these Bylaws for election or appointment to such office.

**Section 5.4 Compensation.** The compensation of all officers of the Corporation shall be fixed by or under the authority of the Board of Directors. No officer shall be prevented from receiving such compensation by reason of the fact that such officer is also a director of the Corporation.

**Section 5.5 Duties.** The officers of the Corporation shall have such powers and duties as are provided for in these Bylaws as well as such other authority as provided by the Board of Directors or, in the case of the officers other than the Chief Executive Officer, by the appropriate Appointing Officer.

**Section 5.6 Chief Executive Officer.** The Chief Executive Officer of the Corporation shall be primarily responsible for the implementation of the policies, orders and resolutions of the Board of Directors. Subject to the direction of the Board of Directors, he or she shall have general charge of and responsibility for supervision of the business and affairs of the Corporation. The Chief Executive Officer may sign and execute in the name of the Corporation all certificates, contracts and instruments. The Chief Executive Officer may vote stock in other corporations, in person or by proxy, and shall perform such other duties of management as may be commonly incident to the office of chief executive or as may be prescribed by resolution or as otherwise may be assigned to the Chief Executive Officer by the Board of Directors.

**Section 5.7 President.** The President shall perform such duties as from time to time may be assigned by the Board of Directors or the Chief Executive Officer.

**Section 5.8 Chief Operating Officer.** The Chief Operating Officer shall perform such duties as from time to time may be assigned by the Board of Directors or the Chief Executive Officer.

**Section 5.9 General Auditor.** The General Auditor shall report to, and be hired, supervised and terminated, if deemed appropriate, by the Audit Committee of the Board of Directors. The General Auditor shall be responsible for examining and evaluating the adequacy and effectiveness of the Corporation's system of internal controls. The General Auditor shall perform such other duties as from time to time may be assigned by the Audit Committee of the Board of Directors.

**Section 5.10 Vice Presidents.** The Corporation shall have one or more Vice Presidents, which may include Executive Vice Presidents or Senior Vice Presidents, elected or appointed as herein provided. Each such Vice President shall have such duties as from time to time may be assigned to him or her by the Board of Directors, the appropriate Appointing Officer or the supervising officer to whom a Vice President reports directly or that are commonly incident to such Vice President's office.

**Section 5.11 Corporate Secretary.** The Corporate Secretary shall keep the minutes of the meetings of the stockholders and of the Board of Directors and of committees of the Board of Directors and their subcommittees in books provided for that purpose; shall see that all notices of such meetings are duly given in accordance with the provisions of these Bylaws; may sign certificates of stock of the Corporation with the Chief Executive Officer; shall be custodian of the corporate seal; shall see that the corporate seal is affixed to all documents as appropriate; shall certify all documents pertaining to actions of the stockholders and the Board of Directors and any of its committees (and their subcommittees) and all other corporate documents and, in general, shall perform all duties

and have all powers as may be commonly incident to the office of a secretary of a corporation, and such other duties as from time to time may be assigned to the Corporate Secretary by the Board of Directors or the Chief Executive Officer. The Corporate Secretary may appoint such Assistant Secretaries as he or she deems appropriate. The duties of the Corporate Secretary may be performed by one or more Assistant Secretaries.

**Section 5.12 Delegation of Authority.** Subject to the control of the Board of Directors, the functions delegated to the holder of a particular office pursuant to these Bylaws (the "Officer") shall be performed by such holder, or under his or her direction, by such individuals as may from time to time be delegated authority to perform such functions by the Officer. A person to whom a function is delegated by the Board of Directors may further delegate that function to another person under his or her direction to the extent that such person is permitted to do so by the original delegation to him or her by the Board of Directors.

## **ARTICLE 6 – INSPECTION OF RECORDS**

### **Section 6.1 Inspection of Records by Stockholders.**

(a) The Corporation's Bylaws and all amendments thereto, all Board of Directors resolutions creating one or more classes or series of shares and minutes of all stockholders' meetings for the then most recent three years, all written communications to stockholders generally within the past three years (including all financial statements furnished for the past three years) and the names and business addresses of its current directors and officers shall be open to inspection at the Corporation's principal office during its regular business hours upon written request therefor, received by the Corporation at least 10 business days prior to the date such inspection is requested, from any person who is a stockholder.

(b) Excerpts from the minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors (or a subcommittee of a committee) while acting in place of the Board of Directors on behalf of the Corporation, minutes of any meeting of the stockholders, and records of action taken by the Board of Directors without a meeting, to the extent not subject to inspection under Subsection (a), accounting records of the Corporation and the record of stockholders shall be open to inspection at a reasonable location specified by the Corporation during its regular business hours upon written request therefor, received by the Corporation at least 10 business days prior to the date such inspection is requested, provided that the request is made by a stockholder who has been a stockholder of record for at least six months immediately preceding such request or is the holder of record of at least five percent of all of the Corporation's outstanding shares, and provided further that (i) such request is made in good faith and for a proper purpose, (ii) such request describes with reasonable particularity the purpose of such request and the records to be inspected, and (iii) the records requested are directly connected with his or her purpose. The stockholder's written request shall be accompanied by (i) documentation to verify the class and number of shares of the

Corporation that are beneficially owned by the stockholder in accordance with the Proxy Rules Requirements and (ii) proof of the stockholder's ownership when making a request under this Subsection (b).

(c) Any inspection made pursuant to this Section may be made in person or by an agent or attorney and shall include the right to make copies, including copies through an electronic transmission if available and so requested by the stockholder. A request for any such inspection shall be served upon the Chief Executive Officer or the Corporate Secretary. This right of inspection is in addition to the stockholders' right to inspect the stockholders' list as provided in Section 3.10 of these Bylaws.

(d) For purposes of this Section, stockholder includes a beneficial owner whose shares are held in a voting trust or by a nominee on the stockholder's behalf.

**Section 6.2 Inspection of Records by Directors.** A director of the Corporation is entitled to inspect and copy the books, records and documents of the Corporation at any reasonable time to the extent reasonably related to the performance of the director's duties as a director, including duties as a member of a committee or a subcommittee, but not for any other purpose or in any manner that would violate any duty to the Corporation.

## ARTICLE 7 – NOTICES

### **Section 7.1 Notices.**

(a) Except as otherwise specifically provided in these Bylaws, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing, in the English language (unless otherwise agreed by the sender and the recipient) and may in every instance be effectively given by hand delivery; by mail or commercial courier; or by electronic transmission. Where these Bylaws expressly permit oral notice, such notice may be communicated in person, by telephone, voice mail or by other electronic means. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where the notice is intended to be given or by radio, television or other form of public communication in the area where notice is intended to be given. In addition to the manner in which notices may be given under these Bylaws, notices may also be given as set forth in the Common Stock Certificate of Designation.

(b) Without limiting the manner by which notice otherwise may be given effectively to stockholders or directors, any notice to stockholders or directors given by the Corporation under these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder or the director to whom notice is given, provided that it shall not be necessary to obtain consent to send notices of meetings of directors to directors by electronic transmission except to the extent required under Section 3.3(c)(y) of these Bylaws. In the case of stockholders' meeting notices given to employee stockholders where such employees have regular access to electronic mail

delivery in the course of their employment, consent to receipt of such notices by electronic transmission to the employee's employment related e-mail address shall be implied unless and until the employee specifies a different address to which notices should be electronically transmitted or requests delivery of notice in print.

(c) Any consent to receive notices by electronic transmission shall be revocable by the stockholder or director by written notice to the Corporation. Any such consent shall be deemed revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (ii) such inability becomes known to the Corporate Secretary or an Assistant Secretary of the Corporation or to the transfer agent or other person responsible for the giving of notice; provided however, that inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(d) Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation, or in the case of a notice given by electronic transmission, shall be sent to the address at which the stockholder or director has consented to receive notice or, in the case of notices of directors' meetings delivered by electronic transmission, sent to an information processing system that the director has designated or uses for the purpose of receiving electronic transmissions.

(e) Notice to a stockholder, if given by mail or physical delivery, is effective (i) upon deposit in the United States mail or (ii) when the physical delivery is actually received or left at the stockholder's address of record. Notice to persons other than stockholders, if given by physical delivery or mail, is effective at the earliest of the following (i) when it is actually received; (ii) five days after its deposit in the United States mail; (iii) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by the addressee; (iv) in the case of notice to a director, when it is left at the director's residence or usual place of business; or (v) in the case of notice to the Corporation, when it is left at the Corporation's principal place of business or at the Corporation's registered office when left with the Corporation's registered agent.

(f) Oral notice is effective when communicated.

(g) Notice given by electronic transmission to a stockholder, director or other person, who has consented to receive notices by such means, or whose consent is not required under Subsection (b) of this Section, is effective when received. An electronic transmission is received when (i) it enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic transmissions or information of the type sent, and from which the recipient is able to retrieve the electronic transmission and (ii) it is in a form capable of being processed by that system. An electronic transmission is received even if no individual is aware of its receipt.



(h) The Corporation shall be deemed to have delivered notice of an annual or special meeting of stockholders who share a common address as shown on the Corporation's current record of stockholders if (i) the Corporation delivers one meeting notice to the common address; (ii) the Corporation addresses the meeting notice (or a proxy statement, annual report, or notice of Internet availability of proxy materials containing such meeting notice)(collectively, the "Meeting Notice") to those stockholders sharing a common address either as a group (for example, "Jane Doe and Household" or "The Smith Family"), to each of them individually (for example, "Jane Doe, John Doe and Richard Doe") or to the stockholders in a form to which each of those stockholders has consented in writing; (iii) each of those stockholders consents, including any implied consent pursuant to Virginia Stock Corporation Act § 13.1-610.1(B), in accordance with procedures required by Rule 14a-3(e) of Regulation 14A (Solicitation of Proxies) under the Exchange Act of 1934, to the delivery of a single Meeting Notice to the stockholders' common address; (iv) the Corporation delivers a separate proxy card for each stockholder at the common address; and (v) the Corporation includes in the Meeting Notice an undertaking to deliver promptly, upon written or oral request, a separate copy of the Meeting Notice to a stockholder at a common address to which a single copy of the Meeting Notice was delivered. If a stockholder, orally or in writing revokes a consent to delivery of one Meeting Notice to a common address, the Corporation shall begin providing individual notices to the revoking stockholder no later than 30 days after the Corporation receives revocation of the stockholder's consent.

**Section 7.2 Written Waivers.** A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

## **ARTICLE 8 – INDEMNIFICATION AND LIMITATION OF LIABILITY**

### **Section 8.1 Indemnification.**

(a) Subject to the conditions set forth in Subsection (b) of this Section, each person who was or is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative, arbitratve or investigative and whether formal or informal, including a derivative action or action brought by the Corporation (hereinafter, a "proceeding"), by reason of the fact that he or she is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, manager, partner, trustee, fiduciary, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other entity, including service with respect to an employee benefit plan (hereinafter, an "indemnitee"), shall be indemnified and held harmless by the Corporation against all liability (including the obligation to pay a judgment, settlement, penalty or fine, including any excise tax assessed with respect to an employee benefit plan) and expense (including attorneys' fees) reasonably incurred or suffered by such indemnitee in connection therewith, except such liabilities and expenses as are incurred because of the

indemnitee's willful misconduct or knowing violation of criminal law or of any federal or state securities law, including, without limitation, any unlawful insider trading or the manipulation of the market for any security; provided, however, that the Corporation may not indemnify an indemnitee in connection with any proceeding charging improper personal benefit to the indemnitee, whether or not involving action in his or her official capacity, to the extent the indemnitee was adjudged liable on the basis that personal benefit was improperly received by the indemnitee. Such indemnification shall continue as to an indemnitee who has ceased to be a director, officer or employee and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

(b) Indemnification shall be made by the Corporation only as authorized in the specific case after a determination has been made as provided in Subsection (c) of this Section that the indemnitee met the relevant standard of conduct set forth in Subsection (a) of this Section. The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, is not, of itself, determinative that the indemnitee did not meet the standard of conduct set forth in Subsection (a) of this Section.

(c) The determination of whether the indemnitee met the standard of conduct set forth in Subsection (a) of this Section shall be made: (i) by the Board of Directors by a majority vote of a quorum consisting of directors not at the time parties to the proceeding; (ii) by a majority vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding; (iii) by special legal counsel (1) selected by the Board of Directors or its committee in a manner prescribed in Subsection (c)(i) or (c)(ii) hereof, or (2) if a quorum of the Board of Directors cannot be obtained under Subsection (c)(i) hereof and a committee cannot be designated under Subsection (c)(ii) hereof, selected by a majority vote of the full Board of Directors (in which selection directors who are parties may participate); or (iv) by the stockholders, provided, however, that shares owned by or voted under the control of directors who are at the time parties to the proceeding may not be voted on the determination.

(d) Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, as provided in Subsection (c) of this Section, provided however, that, if the determination is made by special legal counsel, authorization of indemnification and evaluation as to the reasonableness of expenses shall be made by those entitled under Subsection (c)(iii) of this Section to select such special legal counsel.

(e) Notwithstanding any other provision of this Section, the Corporation shall indemnify a director or indemnitee who entirely prevails, on the merits or otherwise, in the defense of any proceeding to which the indemnitee was a party because he or she is or was director or officer or employee of the Corporation or was serving at the request of the Corporation as a director, officer, manager, partner, trustee, fiduciary, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other

entity, including service with respect to an employee benefit plan, against reasonable expenses (including attorneys' fees) incurred by the indemnitee in connection with the proceeding.

(f) Except as provided in Section 8.2 of these Bylaws with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify an indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors.

(g) The rights to indemnification and liability limitation conferred in this Article 8 shall be deemed a contract right between an individual indemnitee and the Corporation, and any subsequent repeal or modification of these Bylaws shall not diminish the indemnitee's rights under this Article 8 with respect to any act or omission occurring before such amendment.

(h) The indemnitee shall have the right to be paid by the Corporation the expenses reasonably incurred or suffered in defending any proceeding in advance of its final disposition (hereinafter, an "advancement of expenses"); provided, however, that an advancement of expenses shall be made (i) only upon delivery to the Corporation of a written statement by the indemnitee of the indemnitee's good faith belief that he or she has met the standard of conduct set forth in Subsection (a) of this Section, and (ii) only if the indemnitee furnishes to the Corporation a written undertaking, executed by or on behalf of such indemnitee, to repay any funds advanced if the indemnitee is not entitled to mandatory indemnification under Subsection (e) of this Section and it is ultimately determined that such indemnitee is not entitled to indemnification. The undertaking required by provision (h)(ii) of this Subsection shall be an unlimited general obligation of the indemnitee but need not be secured and shall be accepted without reference to the financial ability of the indemnitee to make repayment.

(i) The Corporation may, by action of its Board of Directors, provide indemnification to agents of the Corporation with the same scope and effect as the indemnification of indemnitees as provided in this Article 8.

(j) The Chief Executive Officer is authorized to enter into contracts of indemnification with each indemnitee of the Corporation with respect to the indemnification provided in this Article 8 and renegotiate such contracts as necessary to reflect changing laws and business circumstances.

**Section 8.2 Right of Indemnitee to Bring Suit.** If a claim under Section 8.1 of these Bylaws is not paid in full by the Corporation within 90 days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter apply to either the United States District Court for the district within which the Corporation's principal office is located or to the court where the proceeding is pending, if any, for an order directing the Corporation to make an advancement of

expenses or to provide indemnification. The court shall order the Corporation to make an advancement of expenses or to provide indemnification, as the case may be, if it determines that the indemnitee is entitled under these Bylaws to such an advancement of expenses or indemnification, and in such event shall order the Corporation to pay the indemnitee's reasonable expenses (including attorneys' fees) to obtain the order. Neither the failure of the Corporation (including its Board of Directors, committee, special legal counsel or its stockholders) to have made a determination, as provided in Subsection (c) of Section 8.1 of these Bylaws, prior to the commencement of such action permitted by this Section, that the indemnitee is entitled to receive an advancement of expenses or indemnification, nor the determination by the Corporation (including its Board of Directors, committee, special legal counsel or its stockholders) that the indemnitee is not entitled to an advancement of expenses or indemnification, shall create a presumption to that effect or otherwise itself be a defense to that indemnitee's application for an advancement of expenses or indemnification.

**Section 8.3 Non-Exclusivity of Rights.** The rights to indemnification and to the advancement of expenses conferred in these Bylaws shall not be exclusive of any other right which any person may have or hereafter acquire under any statute (including the Corporation's enabling legislation), or any agreement, vote of stockholders or disinterested directors or otherwise.

**Section 8.4 Insurance.** The Corporation may purchase and maintain insurance, at its expense, on behalf of itself and also on behalf of any individual who is or was a director, officer, employee or agent of the Corporation or who, while a director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, manager, partner, trustee, employee, or agent of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other entity against any expense, liability or loss, asserted against or incurred or suffered by him or her in that capacity or arising from his or her status as a director, officer, manager, employee or agent, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article 8.

**Section 8.5 Limitation of Liability.** No monetary damages or monetary liability of any kind may be assessed against an officer or director in any proceeding brought by or in the right of the Corporation or brought by or on behalf of the stockholders of the Corporation; provided, however, that this elimination of liability shall not be applicable if the officer or director engaged in willful misconduct, a transaction from which the director or officer derived an improper personal benefit, or a knowing violation of the criminal law or of any federal or state securities law, including, without limitation, any claim of unlawful insider trading or the manipulation of the market for any security.

## ARTICLE 9 – SEAL

**Section 9.1 Corporate Seal.** The Board of Directors may adopt a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Corporate Secretary.

## ARTICLE 10 – FISCAL YEAR

**Section 10.1 Fiscal Year.** The fiscal year of the Corporation shall be the calendar year.

## ARTICLE 11 – MISCELLANEOUS

**Section 11.1 Time Periods.** In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used in making such computations, the day of the doing of the act shall be excluded and the day of the event shall be included.

**Section 11.2 Severability.** If any provision or provisions of these Bylaws shall be held invalid or unenforceable for any reason whatsoever, the validity and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and, to the fullest extent possible, the remaining provisions shall be construed so as to effectuate the intent manifested by the invalidated or unenforceable provision(s).

### **Section 11.3 Corporate Governance Practices and Procedures and Governing Law.**

(a) The corporate governance practices and procedures of the Corporation shall comply with the Corporation's enabling legislation and other Federal law, rules, and regulations, and shall be consistent with the safe and sound operation of the Corporation. To the extent not inconsistent with the foregoing, the Corporation shall follow the corporate governance practices and procedures of the law of the Commonwealth of Virginia, including without limitation the Virginia Stock Corporation Act as the same may be amended from time to time. Subject to all of the foregoing, these Bylaws and any rights and obligations created by these Bylaws shall be construed in accordance with, and governed by, the laws of the United States, using the law of the Commonwealth of Virginia as the federal rule of decision in all instances.

(b) Section 1.1, Section 2.1, Section 2.2, Section 2.3, Section 2.4, Section 2.5, Section 2.6, Section 2.7, Section 3.2, Section 3.7, Section 4.1, Section 4.2, Section 4.5, Section 4.17, Article 8, Section 11.3, Section 11.4, Section 11.6, Article 12 of these Bylaws, and any new bylaw which may be adopted from time to time and designated as a "Level 1 Provision" in accordance with Article 12 of these Bylaws shall collectively be referred to herein as "Level 1 Provisions." Level 1 Provisions shall be deemed to constitute provisions of the Corporation's "articles of incorporation" for all purposes of

the Virginia Stock Corporation Act. Any bylaw that is not a Level 1 Provision and any new bylaw that may be adopted from time to time and is not designated as a “Level 1 Provision” by the Board of Directors shall collectively be referred to herein as “Level 2 Provisions.”

**Section 11.4 Certificates of Designation.** The provisions of these Bylaws shall supplement the terms of the Common Stock Certificate of Designation and any certificate of designation approved by the Board of Directors with respect to any class of the Corporation’s preferred stock. In the event of any conflict between the terms of any such certificate of designation and these Bylaws, the terms of the certificate of designation shall govern.

**Section 11.5 Statutory References.** Each reference in these Bylaws to a particular statute or regulation, or a provision thereof, is a reference to such provision as amended or re-enacted or as modified by other statutory provisions from time to time and includes subsequent legislation and regulations made under the relevant statute.

**Section 11.6 Control Share Acquisitions.** Article 14.1 of the Virginia Stock Corporation Act shall not apply to acquisitions of shares of the Corporation. This section has been included in these Bylaws for the avoidance of doubt as to whether the election of Virginia law in Section 11.3 and other sections of these Bylaws for purposes of the Corporation’s corporate governance practices and procedures was intended to include Article 14.1 of the Virginia Stock Corporation Act.

## **ARTICLE 12 – AMENDMENTS**

**Section 12.1 General.** Subject to the provisions of this Article 12, Level 1 Provisions or Level 2 Provisions may be amended, adopted, rescinded or repealed by the Board of Directors or the stockholders at any meeting, provided that in the case of such an action by the stockholders, notice of the proposed change must be given in the notice of the meeting.

**Section 12.2 Amendment by the Board of Directors.** Any new bylaw adopted by the Board of Directors and any Level 1 Provision, may be amended only by the Board of Directors pursuant to Section 12.1 of these Bylaws. Upon adopting or amending such bylaw, as the case may be, the Board of Directors shall designate such bylaw as a “Level 1 Provision” for all purposes under these Bylaws. If the Board of Directors does not designate a bylaw as a Level 1 Provision or if the Board of Directors is otherwise silent on the designation, the bylaw shall be deemed to be a Level 2 Provision.

**Section 12.3 Amendment by the Stockholders.** Notwithstanding any other provisions of these Bylaws, or any provisions of law, which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the stockholders required by law, the Common Stock Certificate of Designation, or these Bylaws, the affirmative vote of the holders of at least a majority of all shares of voting stock then outstanding and entitled to vote shall be required to amend, adopt, rescind or repeal any Level 2 Provision of these Bylaws (the "Proposed Level 2 Provision"); provided, however, that, as determined by the Board of Directors, (i) the Proposed Level 2 Provision shall comply with the Corporation's enabling legislation and other Federal law, rules, regulations, regulatory guidance and other issuances, (ii) the Proposed Level 2 Provision shall be consistent with the safe and sound operation of the Corporation, (iii) the subject matter of the Proposed Level 2 Provision does not or would not involve the subject matter of any Level 1 Provision, the Common Stock Certificate of Designation or any other certificate of designation of the Corporation, and (iv) the Proposed Level 2 Provision does not or would not be inconsistent with any Level 1 Provision, the Common Stock Certificate of Designation or any other certificate of designation of the Corporation. The stockholders may not amend, adopt, rescind or repeal any Level 1 Provision unless such action is explicitly authorized and referred to the stockholders by the Board of Directors (for the avoidance of doubt, this Section 12.3 in no way obligates the Board of Directors to seek stockholder approval for any action pursuant to Section 12.2 of these Bylaws) in which case such amendment, adoption, rescission, or repeal shall be by the affirmative vote of the holders of at least a majority of all shares of the voting stock then outstanding and entitled to vote.

# Freddie Mac

## PC MASTER TRUST AGREEMENT

**THIS PC MASTER TRUST AGREEMENT** is entered into as of July 30, 2022, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the PCs offered from time to time pursuant to Freddie Mac's Offering Circular referred to herein.

### WHEREAS:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the Freddie Mac Act and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein; and

(b) Freddie Mac may from time to time (i) purchase Mortgages, in accordance with the applicable provisions of the Freddie Mac Act, (ii) as Depositor, transfer and deposit such Mortgages into various trust funds that are established pursuant to this Agreement and that are referred to herein as "PC Pools," (iii) as Administrator, on behalf of the Trustee, create and issue hereunder, on behalf of the related PC Pool, PCs representing undivided beneficial ownership interests in the assets of that PC Pool, (iv) as Trustee, act as trustee for each such PC Pool, (v) as Guarantor, guarantee the payment of interest and principal for the benefit of the Holders of such PCs and (vi) as Administrator, administer the affairs of each such PC Pool.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants contained in this Agreement, the parties to this Agreement, do hereby declare and establish this Agreement and do hereby undertake and otherwise agree as follows with respect to the transfer of the Mortgages to various PC Pools, the issuance of the PCs and the establishment of the rights and obligations of the parties.

### Definitions

The following terms used in this Agreement have the respective meanings set forth below.

*Accrual Period:* As to any PC and any Payment Date, (i) the calendar month preceding the month of the Payment Date for Gold PCs or (ii) the second calendar month preceding the month of the Payment Date for ARM PCs.

*Administrator:* Freddie Mac, in its corporate capacity, as administrator of the PC Pools created under this Agreement.

*Agreement:* This PC Master Trust Agreement, dated as of July 30, 2022, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the various PCs, as originally executed, or as modified, amended or supplemented in accordance with the provisions set forth herein. Unless the context requires otherwise, the term "Agreement" shall be deemed to include any applicable Pool Supplement entered into pursuant to Section 1.01 of this Agreement.

*ARM:* An adjustable rate Mortgage.

*ARM PC:* A PC with a Payment Delay of 75 days and which is backed by ARMs. ARM PCs include Deferred Interest PCs.



*Book-Entry Rules:* The provisions from time to time in effect, currently contained in Title 12, Part 1249 of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities on the book-entry system of the Federal Reserve Banks and authorizing a Federal Reserve Bank to act as its agent in connection with such securities.

*Business Day:* A day other than (i) a Saturday or Sunday and (ii) a day when the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is closed or, as to any Holder, a day when the Federal Reserve Bank that maintains the Holder's account is closed.

*Conventional Mortgage:* A Mortgage that is not guaranteed or insured by the United States or any agency or instrumentality of the United States.

*Custodial Account:* As defined in Section 3.05(e) of this Agreement.

*Deferred Interest:* The amount by which the interest due on a Mortgage exceeds the borrower's monthly payment, which amount is added to the unpaid principal balance of the Mortgage.

*Deferred Interest PC:* A PC representing an undivided beneficial ownership interest in a PC Pool that includes Mortgages providing for negative amortization.

*Depositor:* Freddie Mac, in its corporate capacity, as depositor of Mortgages into the PC Pools created under this Agreement.

*Eligible Investments:* Any one or more of the following obligations, securities or holdings maturing on or before the Payment Date applicable to the funds so invested:

(i) obligations of, or obligations guaranteed as to the full and timely payment of principal and interest by, the United States;

(ii) obligations of any agency or instrumentality of the United States (other than Freddie Mac, except as provided in subsection (viii) below) or taxable debt obligations of any state or local government (or political subdivision thereof) that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch in any case in one of its two highest rating categories for long-term securities or in its highest ratings category for short-term securities;

(iii) federal funds (which are typically overnight, unsecured cash loans to depository institutions or Federal Home Loan Banks, closely resembling bank-to-bank loans executed in the so-called federal funds market), certificates of deposit, time deposits and bankers' acceptances with a fixed maturity of no more than 365 days of any depository institution or trust company, provided that the short-term securities of the depository institution or trust company are rated by S&P, Moody's or Fitch in the highest applicable ratings category for short-term securities;

(iv) commercial paper with a fixed maturity of no more than 270 days, of any corporation that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(v) debt securities that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch, in any case in one of its two highest ratings categories for long-term securities or in its highest ratings category for short-term securities;

(vi) money market funds that are registered under the Investment Company Act of 1940, as amended, are entitled, pursuant to Rule 2a-7 of the Securities and Exchange Commission, or any

successor to that rule, to hold themselves out to investors as money market funds, and are rated by S&P, Moody's or Fitch in one of its two highest ratings categories for money market funds;

(vii) asset-backed commercial paper that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(viii) in the case of funds with respect to PCs issued on or after March 1, 2017, discount notes and other short-term debt obligations (in each case, with a stated final maturity, as of the related issue date, of one year or less) issued by Freddie Mac;

(ix) repurchase agreements on obligations that are either specified in any of clauses (i), (ii), (iii), (iv), (v), (vii) or (viii) above or are mortgage-backed securities insured or guaranteed by an entity that is an agency or instrumentality of the United States; provided that the counterparty to the repurchase agreement is an entity whose short-term debt securities are rated by S&P, Moody's or Fitch in its highest ratings category for short-term securities; and

(x) any other investment without options that is approved by Freddie Mac and is within the two highest ratings categories of the applicable rating agency for long-term securities or the highest ratings category of the applicable rating agency for short-term securities.

The rating requirement will be satisfied if the relevant security, issue or fund at the time of purchase receives at least the minimum stated rating from at least one of S&P, Moody's or Fitch. The rating requirement will not be satisfied by a rating that is the minimum rating followed by a minus sign or by a rating lower than Aa2 from Moody's.

*Event of Default:* As defined in Section 5.01 of this Agreement.

*FHA/VA Mortgage:* A Mortgage insured by the Federal Housing Administration or by the Department of Agriculture Rural Development (formerly the Rural Housing Service) or guaranteed by the Department of Veterans Affairs or the Department of Housing and Urban Development.

*Final Payment Date:* As to any PC, the first day of the latest month in which the related Pool Factor will be reduced to zero. The Administrator publishes the Final Payment Date upon formation of the related PC Pool.

*Fitch:* Fitch, Inc., also known as Fitch Ratings, or any successor thereto.

*Freddie Mac:* The Federal Home Loan Mortgage Corporation, a corporation created pursuant to the Freddie Mac Act for the purpose of establishing and supporting a secondary market in residential mortgages. Unless the context requires otherwise, the term "Freddie Mac" shall be deemed to refer to Freddie Mac acting in one or more of its corporate capacities, as specified or as provided in context, and not in its capacity as Trustee.

*Freddie Mac Act:* Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459.

*Gold PC:* A PC with a Payment Delay of 45 days and which is backed by fixed-rate Mortgages.

*Guarantor:* Freddie Mac, in its corporate capacity, as guarantor of the PCs issued by each PC Pool.

*Guide:* Freddie Mac's Single-Family Seller/Servicer Guide, as supplemented and amended from time to time, in which Freddie Mac sets forth its mortgage purchase standards, credit, appraisal and underwriting guidelines and servicing policies.

*Holder:* With respect to any PC Pool, any entity that appears on the records of a Federal Reserve Bank as a holder of the related PCs.

*Monthly Reporting Period:* The period, which period the Administrator has the right to change as provided in Section 3.05(d) of this Agreement, during which servicers report Mortgage payments to the Administrator, generally consisting of:

(i) prior to the May 2019 Monthly Reporting Period, in the case of all payments other than full prepayments on the Mortgages, the one-month period (A) ending on the 15<sup>th</sup> of the month preceding the related Payment Date for Gold PCs and (B) ending on the 15<sup>th</sup> of the second month preceding the related Payment Date for ARM PCs;

(ii) commencing with the May 2019 Monthly Reporting Period and thereafter, in the case of all payments other than full prepayments on the Mortgages, the one-month period (A) ending on the last day of the month preceding the related Payment Date for Gold PCs and (B) ending on the last day of the second month preceding the related Payment Date for ARM PCs; and

(iii) in the case of full prepayments on the Mortgages (including repurchases of the Mortgages pursuant to Section 1.02(c) of this Agreement), the calendar month preceding the related Payment Date for Gold PCs and the second calendar month preceding the related Payment Date for ARM PCs.

*Moody's:* Moody's Investors Service, Inc., or any successor thereto.

*Mortgage:* A mortgage loan or a participation interest in a mortgage loan that is secured by a first or second lien on a one-to-four family dwelling and that has been purchased by the Depositor and transferred by the Depositor to the Trustee for inclusion in the related PC Pool. With respect to each PC Pool, the Mortgages to be included therein shall be identified on the books and records of the Depositor and the Administrator.

*Mortgage Coupon:* The per annum fixed or adjustable interest rate of a Mortgage.

*MultiLender Swap Program:* A program under which Freddie Mac purchases Mortgages from one or more sellers in exchange for PCs representing undivided beneficial ownership interests in a PC Pool consisting of Mortgages that may or may not be those delivered by the seller(s).

*Negative Amortization Factor:* With respect to PCs backed by Mortgages providing for negative amortization, a rounded (or, prior to the Negative Amortization Factors for the month of August 2016, truncated rather than rounded) eight-digit decimal number that reflects the amount of Deferred Interest added to the principal balances of the related Mortgages in the preceding month.

*Offering Circular:* Freddie Mac's Mortgage Participation Certificates Offering Circular dated June 1, 2021, as amended and supplemented by any Supplements issued from time to time, or any successor thereto, as it may be amended and supplemented from time to time.

*Payment Date:* The 15th of each month or, if the 15th is not a Business Day, the next Business Day.

*Payment Delay:* The delay between the first day of the Accrual Period for a PC and the related Payment Date.

*PC:* With respect to each PC Pool, a Mortgage Participation Certificate issued pursuant to this Agreement, representing a beneficial ownership interest in such PC Pool. The term “PC” includes a Gold PC or an ARM PC unless the context requires otherwise.

*PC Coupon:* The per annum fixed or adjustable rate of a PC calculated as described in the Offering Circular or the applicable Pool Supplement, computed on the basis of a 360-day year of twelve 30-day months.

*PC Issue Date:* With respect to each PC Pool, the date specified in the related Pool Supplement or, if not specified therein, the date on which Freddie Mac issues a PC in exchange for the Mortgages delivered by a dealer or other customer.

*PC Pool:* With respect to each PC, the corpus of the related trust fund created by this Agreement, consisting of (i) the related Mortgages and all proceeds thereof, (ii) amounts on deposit in the Custodial Account, to the extent allocable to such PC Pool, (iii) the right to receive payments under the related guarantee and (iv) any other assets specified in the related Pool Supplement, excluding any investment earnings on any of the assets of that PC Pool. With respect to each PC Pool, and unless expressly stated otherwise, the provisions of this Agreement will be interpreted as referring only to the Mortgages included in that PC Pool, the PCs issued by that PC Pool and the Holders of those PCs.

*Person:* Any legal person, including any individual, corporation, partnership, limited liability company, financial institution, joint venture, association, joint stock company, trust, unincorporated organization or governmental unit or political subdivision of any governmental unit.

*Pool Factor:* With respect to each PC Pool, a rounded (or, prior to the Pool Factors for the month of August 2016, truncated rather than rounded) eight-digit decimal calculated for each month by the Administrator which, when multiplied by the original principal balance of the related PCs, will equal their remaining principal amount. The Pool Factor for any month reflects the remaining principal amount after the payment to be made on the Payment Date in the same month for Gold PCs or in the following month for ARM PCs.

*Pool Supplement:* Any physical or electronic document or record (which may be a supplement to the Offering Circular or any other supplemental document prepared by Freddie Mac for the related PCs), which, together herewith, evidences the establishment of a PC Pool and modifies, amends or supplements the provisions hereof in any respect whatsoever. The Pool Supplement for a particular PC Pool shall be binding and effective upon formation of the related PC Pool and issuance of the related PCs, whether or not such Pool Supplement is executed, delivered or published by Freddie Mac.

*Purchase Documents:* The mortgage purchase agreements between Freddie Mac and its Mortgage sellers and servicers, which are the contracts that govern the purchase and servicing of Mortgages and which include, among other things, the Guide and any negotiated modifications, amendments or supplements to the Guide.

*Record Date:* As to any Payment Date, the close of business on the last day of (i) the preceding month for Gold PCs or (ii) the second preceding month for ARM PCs.

*S&P:* S&P Global Ratings, or any successor thereto.

*Trustee:* Freddie Mac, in its capacity as trustee of each PC Pool formed under this Agreement, and its successors and assigns, which will have the trustee responsibilities specified in this Agreement, as amended or supplemented from time to time.

*Trustee Event of Default:* As defined in Section 6.06 of this Agreement.

## ARTICLE I

### Conveyance of Mortgages; Creation of PC Pools

**Section 1.01. Declaration of Trust; Transfer of Mortgages; Assignment of Principal and Interest and Acceptance of Beneficial Interests.** (a) The Depositor, by delivering any Mortgages pursuant to this Agreement, unconditionally, absolutely and irrevocably hereby transfers, assigns, sets over and otherwise conveys to the Trustee, on behalf of the related Holders, all of the Depositor's right, title and interest in and to such Mortgages, including all payments of principal and interest thereon received after the month in which the PC Issue Date occurs. Once Mortgages have been identified as being part of a related PC Pool for which at least one PC has been issued, they shall remain in that PC Pool unless removed in a manner consistent with this Agreement. Concurrently with the Depositor's transferring, assigning, setting over and otherwise conveying the Mortgages to the Trustee for a PC Pool, the Trustee hereby accepts the Mortgages so conveyed and acknowledges that it holds the entire corpus of each PC Pool in trust for the exclusive benefit of the related Holders and shall deliver to, or on the order of, the Depositor, the PCs issued by such PC Pool. The Administrator agrees to administer the related PC Pool and such PCs in accordance with the terms of this Agreement. On the related PC Issue Date and upon payment to the Depositor for any such PC by a Holder, such Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement.

The Trustee shall make an election under Section 860D of the Code as a "real estate mortgage investment conduit" ("REMIC") with respect to beneficial interests in principal and interest payments on all or a portion of the assets comprising each PC Pool issued by Freddie Mac on or after July 1, 2018, except as indicated in the Offering Circular. With respect to any such REMIC election and the assets subject to such REMIC election, the Trustee shall take any action, or cause each PC Pool with beneficial interests in principal and interest payments with respect to such PC Pool subject to such REMIC election to take any action, necessary or appropriate to establish and maintain the REMIC status of any assets with respect to which such REMIC election is made.

A Pool Supplement shall evidence the establishment of a particular PC Pool and shall relate to specific PCs representing the entire beneficial ownership interests in such PC Pool. If for any reason the creation of a Pool Supplement is delayed, Freddie Mac shall create one as soon as practicable, and such delay shall not affect the validity and existence of the PC Pool or the related PCs. With respect to each PC Pool, the collective terms hereof and of the related Pool Supplement shall govern the issuance and administration of the PCs related to such PC Pool, and all matters related thereto, and shall have no applicability to any other PC Pool or PCs. As applied to each PC Pool, the collective terms hereof and of the related Pool Supplement shall constitute an agreement as if the collective terms of those instruments were set forth in a single instrument. In the event of a conflict between the terms hereof and the terms of a Pool Supplement for a PC Pool, the terms of the Pool Supplement shall control with respect to that PC Pool. A Pool Supplement is not considered an amendment to this Agreement requiring approval pursuant to Section 7.05.

(b) The Trustee shall assign, to one or more separate trust funds established by the Depositor, beneficial interests in principal and interest payments on the Mortgages comprising all or a portion of a specified PC Pool, in exchange for beneficial interests in the principal and interest payments on such Mortgages represented by the related REMIC regular interests created pursuant to such separate trust funds.

**Section 1.02. Identity of the Mortgages; Substitution and Repurchase.**

(a) In consideration for the transfer of the related Mortgages by the Depositor to a PC Pool, the Depositor (i) shall receive the PCs issued by such PC Pool and (ii) may retain such PCs or transfer them to the related Mortgage seller or otherwise, as the Depositor deems appropriate.

(b) After the PC Issue Date but prior to the first Payment Date, the Depositor may, in accordance with its customary mortgage purchase and pooling procedures, adjust the amount and identity of the Mortgages to be transferred to a PC Pool, the PC Coupon and/or the original unpaid principal balance of the PCs and the Mortgages in the PC Pool, provided that any changes to the characteristics of the PCs shall be evidenced by an amendment or supplement to the related Pool Supplement.

(c) Except as provided in this Section 1.02 or in Section 1.03, once the Depositor has transferred a Mortgage to a particular PC Pool, such Mortgage may not be transferred out of such PC Pool, except (x) if a mortgage insurer exercises an option under an insurance contract to purchase such Mortgage or (y) in the case of repurchase by the Guarantor, the Administrator or the related Mortgage seller or servicer, under the following circumstances:

(i) The Guarantor may repurchase from the related PC Pool a Mortgage in connection with a guarantee payment under Section 3.09(a)(ii).

(ii) The Administrator may repurchase from the related PC Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if a repurchase is necessary or advisable (A) to maintain servicing of the Mortgage in accordance with the provisions of the Guide, or (B) to maintain the status of the PC Pool as a grantor trust for federal income tax purposes or, to the extent not inconsistent with this clause (B), to maintain the REMIC status of any assets with respect to which a REMIC election is made.

(iii) The Guarantor may repurchase from the related PC Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if (A) such Mortgage is 120 or more days delinquent, or (B) the Guarantor determines, on the basis of information from the related borrower or servicer, that loss of ownership of the property securing a Mortgage is likely or default is imminent due to borrower incapacity, death or hardship or other extraordinary circumstances that make future payments on such Mortgage unlikely or impossible.

(iv) The Guarantor may repurchase from the related PC Pool a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.

(v) The Administrator may repurchase from the related PC Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage or (within six months of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is (A) a material breach of warranty by the Mortgage seller or servicer, (B) a material defect in documentation as to such Mortgage or (C) a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and, if applicable, other Purchase Documents.

(vi) The Administrator shall repurchase from the related PC Pool any Mortgage or (within two years of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if (A) a court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business determines that Freddie Mac's purchase of such Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense or (B) such court or government agency requires repurchase of such Mortgage.

(vii) To the extent a PC Pool includes convertible ARMs or Balloon/Reset Mortgages (each, as defined in the Offering Circular), the Administrator shall repurchase from the related PC Pool or require or allow the Mortgage seller or servicer to repurchase such Mortgages (a) when the borrower exercises its option to convert the related interest rate from an adjustable rate to a fixed rate, in the case of a convertible ARM; and (b) shortly before such Mortgage reaches its scheduled balloon repayment date, in the case of a Balloon/Reset Mortgage.

(d) The purchase price of a Mortgage repurchased by a Mortgage seller or servicer shall be equal to the then unpaid principal balance of such Mortgage, less any principal on such Mortgage that the Mortgage seller or servicer advanced to the Depositor or the Administrator. The purchase price of a Mortgage repurchased by the Administrator or the Guarantor under this Agreement shall be equal to the then unpaid principal balance of such Mortgage, less any outstanding advances of principal on such Mortgage that the Administrator, on behalf of the Trustee, distributed to Holders. The Administrator, on behalf of the Trustee, agrees to release any Mortgage from the PC Pool upon payment of the applicable purchase price.

(e) In determining whether a Mortgage shall be repurchased from the related PC Pool as described in this Section 1.02, the Guarantor and the Administrator may consider such factors as they deem appropriate, including the reduction of administrative costs (in the case of the Administrator) or possible exposure as Guarantor under its guarantee (in the case of the Guarantor).

### **Section 1.03. Post-Settlement Purchase Adjustments**

(a) The Administrator shall make any post-settlement purchase adjustments necessary to reflect the actual aggregate unpaid principal balance of the related Mortgages or other Mortgage characteristics as of the date of their purchase by the Depositor or their delivery to the Administrator, on behalf of the Trustee, in exchange for PCs, as the case may be.

(b) Post-settlement adjustments may be made in such manner as the Administrator deems appropriate, but shall not adversely affect any Holder's rights to monthly payments of interest at the PC Coupon, any Holder's pro rata share of principal or any Holder's rights under the Guarantor's guarantees. Any reduction in the principal balance of the Mortgages held by a PC Pool shall be reflected by the Administrator as a corresponding reduction in the principal balance of the related PCs with a corresponding principal payment to the related Holders, on a pro rata basis.

**Section 1.04. Custody of Mortgage Documents.** With respect to each PC Pool, the Administrator, a custodian acting as its agent (which may be a third party or a trust or custody department of the related seller or servicer), or the originator or seller of the Mortgage may hold the related Mortgage documents, including Mortgage notes and participation certificates evidencing the Trustee's legal ownership interest in the Mortgages. The Administrator may adopt and modify its policies and procedures for the custody of Mortgage documents at any time, provided such modifications are prudent and do not materially and adversely affect the Holders' interests.

**Section 1.05. Interests Held or Acquired by Freddie Mac.** Freddie Mac shall have the right to purchase and hold for its own account any PCs. Subject to Section 7.06, PCs held or acquired by Freddie Mac from time to time and PCs held by other Holders shall have equal and proportionate benefits, without preference, priority or distinction. In the event that Freddie Mac retains any interest in a Mortgage, the remaining interest in which is part of a PC Pool, Freddie Mac's interest in such Mortgage shall rank equally with that of the related PC Pool, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

**Section 1.06. Intended Characterization.** It is intended that the conveyance, transfer, assignment and setting over of the Mortgages by the Depositor to the Trustee pursuant to this Agreement be a true,

absolute and unconditional sale of the related Mortgages by the Depositor to the Trustee, and not a pledge of the Mortgages to secure a debt or other obligation of the Depositor, and that the Holders of the related PCs shall be the beneficial owners of such Mortgages. Notwithstanding this express intention, however, if the Mortgages are determined by a court of competent jurisdiction or other competent authority to be the property of the Depositor, then it is intended that: (a) this Agreement be deemed to be a security agreement within the meaning of Articles 8 and 9 of the Uniform Commercial Code; (b) the conveyances provided for in Section 1.01 shall be deemed to be (1) a grant by the Depositor to the Trustee on behalf of the related Holders of a security interest in all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the related Mortgages, any and all general intangibles consisting of, arising from or relating to any of the foregoing, and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Custodial Account and allocable to such Mortgages, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Depositor to the Trustee on behalf of the related Holders of any security interest in any and all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clause (1); and (c) notifications to Persons holding such property, and acknowledgments, receipts or confirmations from Persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, financial intermediaries, bailees or agents (as applicable) of the Administrator, on behalf of the Trustee of the related Holders, for the purpose of perfecting such security interest under applicable law.

**Section 1.07. Encumbrances.** Except as may otherwise be provided expressly in this Agreement, neither Freddie Mac nor the Trustee, shall directly or indirectly, assign, sell, dispose of or transfer all or any portion of or interest in any PC Pool, or permit all or any portion of any PC Pool to be subject to any lien, claim, mortgage, security interest, pledge or other encumbrance of any other Person. This Section shall not be construed as a limitation on Freddie Mac's rights with respect to PCs held by it in its corporate capacity.

## ARTICLE II

### Administration and Servicing of the Mortgages

**Section 2.01. The Administrator as Primary Servicer.** With respect to each PC Pool, the Administrator shall service or supervise servicing of the related Mortgages and administer, on behalf of the Trustee, in accordance with the provisions of the Guide and this Agreement, including management of any property acquired through foreclosure or otherwise, all for the benefit of the related Holders. The Administrator shall have full power and authority to do or cause to be done any and all things in connection with such servicing and administration that the Administrator deems necessary or desirable. The Administrator shall seek from the Trustee, as representative of the related Holders any consents or approvals relating to the control, management and servicing of the Mortgages included in any PC Pool and that are required hereunder.

**Section 2.02. Servicing Responsibilities.** With respect to each PC Pool, the Administrator shall service or supervise servicing of the related Mortgages in a manner consistent with prudent servicing standards and in substantially the same manner as the Administrator services or supervises the servicing of unsold mortgages of the same type in its portfolio. In performing its servicing responsibilities hereunder, the Administrator may engage servicers, subservicers and other independent contractors or agents. The Administrator may discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. Except as provided in Articles V and VI and Sections 7.05 and 7.06 of this Agreement, Freddie Mac, as Administrator shall not be subject to the control of the Holders in the discharge of its responsibilities pursuant to this Article. Except with regard to its guarantee obligations pursuant to Section 3.09 with respect to a PC Pool, the Administrator shall have no liability to any related Holder for the Administrator's actions or omissions in discharging its responsibilities under this Article II other than for any direct damage resulting from its failure to exercise that degree of



ordinary care it exercises in the conduct and management of its own affairs. In no event shall the Administrator have any liability for consequential damages.

Any servicing or administrative practice adopted, implemented, changed or discontinued by the Administrator, the Trustee, any paying agent or any servicer, subservicer or other independent contractor or agent in order to accommodate servicing or administrative practices or processes (including systems limitations) will be considered to be consistent with this Agreement and expectations of a reasonable investor in mortgage-backed securities if such practice achieves substantial compliance in all material respects with this Agreement.

**Section 2.03. Realization Upon Defaulted Mortgages.** With respect to each PC Pool, unless the Administrator deems that another course of action (e.g., charge-off) would be in the best economic interest of the Holders, the Administrator (or its authorized designee or representative) shall, as soon as practicable, foreclose upon (or otherwise comparably convert the ownership of) any real property securing a Mortgage which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or conversion, the Administrator (or its authorized designee or representative) shall follow such practices or procedures as it deems necessary or advisable and consistent with general mortgage servicing standards.

**Section 2.04. Automatic Acceleration and Assumptions.**

(a) With respect to each PC Pool, to the extent provided in the Guide, the Administrator shall enforce the terms of each applicable Mortgage that gives the mortgagee the right to demand full payment of the unpaid principal balance of the Mortgage upon sale or transfer of the property securing the Mortgage regardless of the creditworthiness of the transferee (a right of “automatic acceleration”), subject to applicable state and federal law and the Administrator’s then-current servicing policies.

(b) With respect to each PC Pool, the Administrator shall permit the assumption by a new mortgagor of an FHA/VA Mortgage upon the sale or transfer of the underlying property, as required by applicable regulations. Any such assumption shall be in accordance with applicable regulations, policies, procedures and credit requirements and shall not result in loss or impairment of any insurance or guaranty.

**Section 2.05. Prepayment Penalties.** Unless otherwise provided in the Pool Supplement for a PC Pool, the related Holders shall not be entitled to receive any prepayment penalties, assumption fees or other fees charged on the Mortgages included in such PC Pool, and either the related servicer or the Administrator shall retain such amounts.

**Section 2.06. Mortgage Insurance and Guarantees.**

(a) With respect to each PC Pool, if a Conventional Mortgage is insured by a mortgage insurer and the mortgage insurance policy is an asset of such PC Pool, the related Holders acknowledge that the insurer shall have no obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives regarding the mortgagee’s rights, benefits and obligations under the related insurance contract.

(b) With respect to each PC Pool, each FHA/VA Mortgage shall have in full force and effect a certificate or other satisfactory evidence of insurance or guaranty, as the case may be, as may be issued by the applicable government agency from time to time. None of these agencies has any obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance or guaranty relating to each FHA/VA Mortgage included in such PC Pool.

## ARTICLE III

### Distributions to Holders; Guarantees

**Section 3.01. Monthly Reporting Period.** For purposes of this Agreement with respect to any PC Pool, any payment or any event with respect to any Mortgage included in such PC Pool that is reported to the Administrator by the related servicer as having been made or having occurred within a Monthly Reporting Period shall be deemed to have been received by the Administrator or to have in fact occurred within such Monthly Reporting Period used by the Administrator for such purposes. Payments reported by servicers include all principal and interest payments made by a borrower, insurance proceeds, liquidation proceeds and repurchase proceeds. Events reported by servicers include foreclosure sales, payments of insurance claims and payments of guarantee claims.

**Section 3.02. Holder's Undivided Beneficial Ownership Interest.** With respect to each PC Pool, the Holder of a PC on the Record Date shall be the owner of record of a pro rata undivided beneficial ownership interest in the remaining principal balance of the Mortgages in the related PC Pool as of such date and shall be entitled to interest at the PC Coupon on such pro rata undivided beneficial ownership interest, in each case on the related Payment Date. Such pro rata undivided beneficial ownership interest shall change accordingly if any Mortgage is added to or removed from such PC Pool in accordance with this Agreement. A Holder's pro rata undivided beneficial ownership interest in the Mortgages included in a PC Pool is calculated by dividing the original unpaid principal balance of the Holder's PC by the original unpaid principal balance of all the Mortgages in the related PC Pool.

**Section 3.03. Distributions of Principal.** With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of principal collections with respect to the Mortgages in such PC Pool, including, if applicable, each Holder's pro rata share of the aggregate amount of any Deferred Interest that has been added to the principal balance of the related Mortgages; *provided, however*, that with respect to guarantee payments, the Guarantor's obligations herein shall be subject to its subrogation rights pursuant to Section 3.10. The Administrator may retain from any prepayment or delinquent principal payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. For Mortgages purchased by the Depositor in exchange for PCs under its MultiLender Swap Program, the Depositor shall retain principal payments made on such Mortgages in the amount of any difference between the aggregate unpaid principal balance of the Mortgages as of delivery by the seller and the aggregate unpaid principal balance as of the PC Issue Date, and the Depositor shall purchase additional Mortgages with such principal payments; such additional Mortgages may or may not be included in the related PC Pool represented by the PCs received by the seller.

**Section 3.04. Distributions of Interest.** With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of interest collections with respect to the Mortgages included in such PC Pool, at a rate equal to the PC Coupon (excluding, if applicable, each Holder's pro rata share of any Deferred Interest that has been added to the principal balance of the related Mortgages). Interest shall accrue during the applicable Accrual Periods. The Administrator may retain from any delinquent interest payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. With respect to each PC Pool, a partial month's interest retained by Freddie Mac or remitted to the related Holders with respect to prepayments shall constitute an adjustment to the fee payable to the Administrator and the Guarantor pursuant to Section 3.08(a) for such PC Pool.

### **Section 3.05. Payments.**

(a) With respect to each PC Pool, distributions of principal and interest on the related PCs shall begin in the month after issuance for Gold PCs and in the second month after issuance for ARM PCs. The

Administrator, on behalf of the Trustee, shall calculate, or cause to be calculated, for each PC the distribution amount for the current calendar month.

(b) On or before each Payment Date, the Administrator, on behalf of the Trustee, shall instruct the Federal Reserve Banks to credit payments on PCs from the Custodial Account to the appropriate Holders' accounts. The related PC Pool's payment obligations shall be met upon transmittal of the Administrator's payment order to the Federal Reserve Banks provided sufficient funds are then on deposit in the Custodial Account. A Holder shall receive the payment of principal, if applicable, and interest on each Payment Date on each PC held by such Holder as of the related Record Date.

(c) The Administrator relies on servicers' reports of mortgage activity to prepare the Pool Factors. There may be delays or errors in processing mortgage information, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. In these situations the Administrator's calculation of scheduled principal to be made on Gold PCs may not reflect actual payments on the related Mortgages. The Administrator shall account for and reconcile any differences as soon as practicable.

(d) The Administrator reserves the right to change the period during which a servicer may hold funds prior to payment to the Administrator, as well as the period for which servicers report payments to the Administrator, including adjustments to the Monthly Reporting Period. Either change may change the time at which prepayments are distributed to Holders. Any such change, however, shall not impair Holders' rights to payments as otherwise provided in this Section.

(e) The Administrator shall maintain one or more accounts (together, the "Custodial Account"), segregated from the general funds of Freddie Mac, in its corporate capacity, for the deposit of collections of principal (including full and partial principal prepayments) and interest received from or advanced by the servicers in respect of the Mortgages. Mortgage collections in respect of the PC Pools established by Freddie Mac under this Agreement or trust funds established by Freddie Mac pursuant to any other trust agreements may be commingled in the Custodial Account, provided that the Administrator keeps, or causes to be kept, separate records of funds with respect to each such PC Pool and other trust fund. Collections due to Freddie Mac, in its corporate capacity as owner of mortgages held in its portfolio, may also be commingled in the Custodial Account, provided that the Administrator may withdraw such amounts for remittance to Freddie Mac from time to time. Funds on deposit in the Custodial Account may be invested by the Administrator in Eligible Investments. Investment earnings on deposits in the Custodial Account shall be for the benefit of the Administrator, and any losses on such investments shall be paid by the Administrator. On each Payment Date, amounts on deposit in the Custodial Account shall be withdrawn upon the order of the Administrator, on behalf of the Trustee, for the purpose of making distributions to the related Holders, in accordance with this Agreement.

### **Section 3.06. Pool Factors.**

(a) The Administrator, on behalf of the Trustee, shall calculate and make payments to Holders on each Payment Date based on the monthly Pool Factors (including Negative Amortization Factors) until such time as the Administrator determines that a more accurate and practicable method for calculating such payments is available and implements that method. Pursuant to Section 7.05(e), the Administrator may modify the Pool Factor methodology from time to time, without the consent of Holders. With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall do the following:

(i) The Administrator shall publish or cause to be published for each month a Pool Factor with respect to each PC Pool. Beginning in the month after formation of a PC Pool, Pool Factors shall be published on or about the fifth Business Day of the month, which Pool Factors may reflect prepayments reported to the Administrator after the end of the related Monthly Reporting Period and before the publication of the applicable Pool Factors. However, the Administrator may, in its own

discretion, publish Pool Factors on any other Business Day. The Pool Factor for the month in which the PC Pool is established is 1.00000000 and need not be published.

(ii) The Administrator shall distribute principal each month to a Holder of a Gold PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the Gold PC by the difference between its Pool Factors for the preceding and current months.

(iii) The Administrator shall distribute principal each month to a Holder of an ARM PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the ARM PC by the difference between its Pool Factors for the two preceding months.

(iv) The Administrator shall distribute interest each month in arrears to a Holder (assuming no Deferred Interest) in an amount equal to 1/12th of the applicable PC Coupon multiplied by such Holder's pro rata share of principal, calculated by multiplying the original principal balance of such Holder's PC by the preceding month's Pool Factor for Gold PCs or by the second preceding month's Pool Factor for ARM PCs.

(v) For any month that Deferred Interest has accrued on a Deferred Interest PC, the Administrator shall distribute principal (if any is due) to a Holder in an amount equal to such Holder's pro rata share of principal, calculated by (A) subtracting the preceding month's Pool Factor from the second preceding month's Pool Factor, (B) adding to the difference the Negative Amortization Factor for the preceding month and (C) multiplying the resulting sum by the original PC principal balance. The interest payment on the Deferred Interest PC in that month shall be (i) 1/12th of the PC Coupon multiplied by (ii) the original principal balance of the Holder's PC multiplied by (iii) the preceding month's Pool Factor minus the preceding month's Negative Amortization Factor.

(b) With respect to each PC Pool, a Pool Factor shall reflect prepayments reported for the applicable Monthly Reporting Period. The Administrator, on behalf of the Trustee, may also, in its discretion, reflect in a Pool Factor any prepayments reported after the end of the applicable Monthly Reporting Period. To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to the Guarantor's guarantee of timely payment of scheduled principal on Gold PCs) does not reflect the actual unpaid principal balance of the related Mortgages, the Administrator shall account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(c) In the case of a PC Pool that is comprised of ARMs, a Pool Factor shall be based upon the unpaid principal balance of the related Mortgages that servicers report to the Administrator for the Monthly Reporting Period that ended in the month preceding the month in which the Pool Factor is published. The Administrator, on behalf of the Trustee, may also, in its discretion, include as part of the aggregate principal payment in any month any prepayments received after the Monthly Reporting Period that ended in the month preceding the month in which the Pool Factor is published. To the extent a given Pool Factor does not reflect the actual aggregate unpaid principal balance of the Mortgages, the Administrator shall account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(d) The Pool Factor method for a PC Pool may affect the timing of receipt of payments by related Holders but shall not affect the Guarantor's guarantee with respect to such PC Pool, as set forth in Section 3.09. The Guarantor's guarantee shall not be affected by the implementation of any different method for calculating and paying principal and interest for any PC Pool, as permitted by this Section 3.06.

### **Section 3.07. Servicing Fees; Retained Interest.**

(a) To the extent provided by contractual arrangement with the Administrator, with respect to each PC Pool, the related servicer of each Mortgage included in such PC Pool shall be entitled to retain each month,

as a servicing fee, any interest payable by the borrower on a Mortgage that exceeds the servicer's required remittance with respect to such Mortgage. Each servicer is required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement for those expenses, except as provided in Section 3.08(c). If a servicer advances any principal and/or interest on a Mortgage to the Administrator prior to the receipt of such funds from the borrower, the servicer may retain (i) from prepayments or collections of delinquent principal on such Mortgage any payments of principal so advanced, or (ii) from collections of delinquent interest on such Mortgage any payments of interest so advanced. To the extent permitted by its servicing agreement, the servicer is entitled to retain as additional compensation certain incidental fees related to Mortgages it services.

(b) With respect to a PC Pool, pursuant to the related Purchase Documents, a seller may retain each month as extra compensation a fixed amount of interest on a Mortgage included in such PC Pool. In such event, the related servicer shall retain each month as a servicing fee the excess of any interest payable by the borrower on such Mortgage (less the seller's retained interest amount) over the servicer's required remittance with respect to such Mortgage.

### **Section 3.08. Administration Fee; Guarantee Fee.**

(a) Subject to any adjustments required by Section 3.04, with respect to any PC Pool, the Administrator and the Guarantor shall be entitled to receive from monthly interest payments on each related Mortgage a fee (to be allocated between the Administrator and the Guarantor as they may agree) equal to the excess of any interest received by the Administrator from the servicer over the amount of interest payable to the related Holders; *provided, however*, that the aggregate fee amount shall be automatically adjusted with respect to each PC Pool to the extent a Pool Factor does not reflect the unpaid principal balance of the Mortgages. Any such adjustment shall equal the difference between (i) interest at the applicable PC Coupon computed on the aggregate unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by the Administrator and (ii) interest at the applicable PC Coupon computed on the remaining balance of the Mortgages included in the PC Pool derived from the Pool Factor. The Administrator shall (i) withdraw the aggregate fee amount from the Custodial Account prior to distributions to the related Holders, (ii) retain its portion of the fee for the Administrator's own account and (iii) remit the remaining portion of the fee to the Guarantor as the guarantee fee. In addition, the Administrator is entitled to retain as additional compensation certain incidental fees on the Mortgages as provided in Section 2.05 and certain investment earnings as provided in Section 3.05(e).

(b) The Depositor shall pay all expenses incurred in connection with the transfer of the Mortgages, the establishment and administration of each PC Pool and the issuance of the PCs. Any amounts (including attorney's fees) expended by the Trustee or the Administrator (or the servicers on the Administrator's behalf) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages, shall be expenses to be borne pro rata by the Administrator and the Holders in accordance with their interests in each Mortgage. The Administrator, on behalf of the Trustee, may retain an amount sufficient to pay the portion of such expenses borne pro rata by the Depositor and the Holders from payments otherwise due to Holders, which may affect the timing of receipt of payments by Holders but shall not affect the Guarantor's obligations under Section 3.09.

(c) The Administrator shall reimburse a servicer for any amount (including attorney's fees) it expends (on the Administrator's behalf and with its approval) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Such expenses shall be reimbursable to the servicer from the assets of the related PC Pool, to the extent provided in the Guide.

(d) Any fees and expenses described above shall not affect the Guarantor's guarantee with respect to any PC Pool, as set forth in Section 3.09.

**Section 3.09. Guarantees.**

(a) With respect to each PC Pool, the Guarantor guarantees to the Trustee and to each Holder of a PC:

(i) the timely payment of interest at the applicable PC Coupon;

(ii) the full and final payment of principal on the underlying Mortgages on or before the Payment Date that falls (A) in the month of its Final Payment Date, for Gold PCs, or (B) in the month after its Final Payment Date, for ARM PCs; and

(iii) for Gold PCs only, the timely payment of scheduled principal on the underlying Mortgages.

In the case of Deferred Interest PCs, the Guarantor's guarantee of principal includes, and its guarantee of interest excludes, any Deferred Interest added to the principal balances of the related Mortgages. The Guarantor shall make payments of any guaranteed amounts by transfer to the Custodial Account for distribution to the related Holders, in accordance with Sections 3.03 and 3.04. The guarantees pursuant to this Section will inure to the benefit of each PC Pool and its related Holders, and shall be enforceable by the Trustee of that PC Pool and by such Holders, as provided in Article V of this Agreement.

(b) The Guarantor shall compute guaranteed scheduled monthly principal payments on any Gold PC, subject to any applicable adjustments, in accordance with procedures adopted by the Guarantor from time to time. With respect to each PC Pool, any payment the Guarantor makes to the Administrator, on behalf of the Trustee, on account of the Guarantor's guarantee of scheduled principal payments shall be considered to be a payment of principal for purposes of calculating the Pool Factor for such PC Pool and the Holder's pro rata share of the remaining unpaid principal balance of the related Mortgages.

(c) The Guarantor's guarantees shall continue to be effective or shall be reinstated (i) in the event that any principal or interest payment made to a Holder is for any reason returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this Agreement and (ii) notwithstanding any provision hereof permitting fees, expenses, indemnities or other amounts to be paid from the assets of any PC Pool.

**Section 3.10. Subrogation.** With respect to each PC Pool, the Guarantor shall be subrogated to all the rights, interests, remedies, powers and privileges of each related Holder in respect of any Mortgage included in such PC Pool on which it has made guarantee payments of principal and/or interest to the extent of such payments. Nothing in this Section shall impair the Guarantor's right to receive distributions in its capacity as Holder, if it is a Holder of any PCs.

**Section 3.11. Termination Upon Final Payment.** Each PC Pool is irrevocable and will terminate only in accordance with the terms of this Agreement. Except as provided in Sections 3.05(e), 6.06 and 7.01, with respect to each PC Pool, Freddie Mac's and the Trustee's obligations and responsibilities under this Agreement shall terminate as to a PC Pool and its Holders upon (i) the full payment to such Holders of all principal and interest due to the Holders based on the Pool Factors or by reason of the Guarantor's guarantees or (ii) the payment to the Holder of all amounts held by Freddie Mac and the Trustee, respectively, and required to be paid hereunder; *provided, however*, that in no event shall any PC Pool created hereby continue beyond the expiration of 21 years from the death of the survivor of the descendants of Joseph P. Kennedy, the late ambassador of the United States to the Court of St. James's, living on the date hereof.

**Section 3.12. Effect of Final Payment Date.** The actual final payment on a PC may occur prior to the Payment Date specified in Section 3.09(a)(ii) due to prepayments of principal, including prepayments made in connection with the repurchase of any Mortgage from the related PC Pool.

**Section 3.13. Payment Error Corrections.** In the event of a principal or interest payment error, the Administrator, in its sole discretion, may effect corrections by the adjustment of payments to be made on future Payment Dates or in such other manner as it deems appropriate.

## ARTICLE IV

### PCs

**Section 4.01. Form and Denominations.** With respect to each PC Pool, the principal balances, PC Coupons and other characteristics of the PCs to be issued shall be specified in the related Pool Supplement. Delivery of the PCs of a PC Pool shall constitute the issuance of the PCs for that PC Pool. PCs shall be issued, held and transferable only on the book-entry system of the Federal Reserve Banks in minimum original principal amounts of \$1,000 and additional increments of \$1. PCs shall at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules. A Federal Reserve Bank will maintain a book-entry recordkeeping system for all transactions in PCs with respect to Holders.

**Section 4.02. Transfer of PCs.** PCs may be transferred only in minimum original principal amounts of \$1,000 and additional increments of \$1. PCs may not be transferred if, as a result of the transfer, the transferor or the new Holder would have on deposit in its account PCs of the same issue with an original principal amount of less than \$1,000. The transfer, exchange or pledge of PCs shall be governed by the fiscal agency agreement between Freddie Mac and a Federal Reserve Bank, the Book-Entry Rules and such other procedures as shall be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. A Federal Reserve Bank shall act only upon the instructions of the Holder in recording transfers of a PC. A charge may be made for any transfer of a PC and shall be made for any tax or other governmental charge imposed in connection with a transfer of a PC. Freddie Mac hereby assigns to the Administrator, on behalf of the Trustee, Freddie Mac's rights under each fiscal agency agreement with respect to PCs issued by any PC Pool.

**Section 4.03. Record Date.** The Record Date for each Payment Date shall be the close of business on the last day of the preceding month for Gold PCs and the second preceding month for ARM PCs. A Holder of a PC on the books and records of a Federal Reserve Bank on the Record Date shall be entitled to payment of principal and interest on the related Payment Date. A transfer of a PC made on or before the Record Date in a month shall be recognized as effective as of the first day of such month.

## ARTICLE V

### Remedies

**Section 5.01. Events of Default.** With respect to each PC Pool, an "Event of Default" means any one of the following events:

(a) Default by the Guarantor or the Administrator in the payment of interest or principal to the related Holders as and when the same shall become due and payable as provided in this Agreement, and the continuance of such default for a period of 30 days.

(b) Failure by the Guarantor or the Administrator to observe or perform any other covenants of this Agreement relating to their respective obligations, and the continuance of such failure for a period of 60 days after the date of receipt by such party of written notice of such failure and a demand for remedy by the affected Holders representing not less than 65 percent of the remaining principal balance of any affected PC Pool.

(c) The entry by any court having jurisdiction over the Guarantor or the Administrator of a decree or order for relief in an involuntary case under any applicable bankruptcy, insolvency or other similar law now

or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of its property, or for the winding up or liquidation of its affairs, if such decree or order remains unstayed and in effect for a period of 60 consecutive days.

(d) Commencement by the Guarantor or the Administrator of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent by the Guarantor or the Administrator to the entry of an order for relief in an involuntary case under any such law, or its consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of their respective properties, or any general assignment made by the Guarantor or the Administrator for the benefit of creditors, or failure by the Guarantor or the Administrator generally to pay their debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over the Guarantor or the Administrator, whether or not such party consents to such appointment, shall not constitute an Event of Default.

### **Section 5.02. Remedies.**

(a) If an Event of Default occurs and is continuing with respect to a PC Pool, the Holders of PCs representing a majority of the remaining principal balance of such PC Pool may, by written notice to Freddie Mac, remove Freddie Mac as Administrator and nominate its successor under this Agreement with respect to such PC Pool. The nominee shall be deemed appointed as Freddie Mac's successor as Administrator unless Freddie Mac objects within 10 days after such nomination. Upon such objection:

(i) The Administrator may petition any court of competent jurisdiction for the appointment of its successor; or

(ii) Any bona fide Holder that has been a Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of the Administrator's successor.

(b) If a successor Administrator is appointed, the Administrator shall submit to its successor a complete written report and accounting of the Mortgages in the affected PC Pool and shall take all other steps necessary or desirable to transfer its interest in and administration of such PC Pool to its successor.

(c) Subject to the Freddie Mac Act, a successor may take any action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to the designation of a successor, the Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool may waive any past or current Event of Default.

(d) Appointment of a successor shall not relieve Freddie Mac, in its capacity as Guarantor, of its guarantee obligations as set forth in this Agreement.

### **Section 5.03. Limitation on Suits by Holders.**

(a) With respect to any PC Pool, except as provided in Section 5.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise or seek any other remedy whatsoever against Freddie Mac or the Trustee with respect to this Agreement or the related PCs or Mortgages, unless:

(i) Such Holder previously has given the Trustee written notice of an Event of Default and the continuance thereof;



(ii) The Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool have made a written request to the Trustee to institute an action or proceeding in its own name and have offered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred;

(iii) The Trustee has failed to institute any such action or proceeding for 60 days after its receipt of the written notice, request and offer of indemnity described above; and

(iv) The Trustee has not received from such Holders any direction inconsistent with the written request described above during the 60-day period.

(b) No Holder shall have any right under this Agreement to prejudice the rights of any other Holder, to obtain or seek preference or priority over any other Holder or to enforce any right under this Agreement, except for the ratable and common benefit of all Holders of PCs representing interests in any affected PC Pool.

(c) For the protection and enforcement of the provisions of this Section, Freddie Mac, the Trustee and each and every Holder shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing, no Holder's right to receive payment (or to institute suit to enforce payment) of principal and interest as provided herein on or after the due date of such payment shall be impaired or affected without the consent of the Holder.

## ARTICLE VI

### Trustee

#### **Section 6.01. Duties of Trustee.**

(a) If an Event of Default has occurred and is continuing with respect to a PC Pool, the Trustee shall exercise the rights and powers vested in it by this Agreement and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee.

(c) The Trustee and its directors, officers, employees and agents may not be protected from liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of reckless disregard of obligations and duties under this Agreement, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any action taken, or not taken, by the Trustee in good faith pursuant to this Agreement or for errors in judgment; and

(iii) the Trustee shall not be required to take notice or be deemed to have notice or knowledge of any default or Event of Default, unless the Trustee obtains actual knowledge or written notice of such default or Event of Default. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that there is no default or Event of Default.

(d) Every provision of this Agreement shall be subject to the provisions of this Section and Section 6.02.

(e) The Trustee shall not be liable for indebtedness evidenced by or arising under this Agreement, including principal of or interest on the PCs, or interest on any money received by it except as the Trustee may agree in writing.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law or the terms of this Agreement.

(g) No provision of this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) The Trustee, or the Administrator on its behalf, may, but shall not be obligated to, undertake any legal action that it deems necessary or desirable in the interest of Holders. The Trustee, or the Administrator on its behalf, may be reimbursed for the legal expenses and costs of such action from the assets of the related PC Pool.

#### **Section 6.02. Certain Matters Affecting the Trustee.**

(a) The Trustee, and any director, officer, employee or agent of the Trustee may rely in good faith on any certificate, opinion or other document of any kind which, prima facie, is properly executed and submitted by any appropriate Person respecting any matters arising hereunder. The Trustee may rely on any such documents believed by it to be genuine and to have been signed or presented by the proper Person and on their face conforming to the requirements of this Agreement. The Trustee need not investigate any fact or matter stated in such documents.

(b) Before the Trustee acts or refrains from acting, it may require an officer's certificate or an opinion of counsel, which shall not be at the expense of the Trustee. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an officer's certificate or opinion of counsel. The right of the Trustee to perform any discretionary act enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its willful misfeasance, bad faith or gross negligence in the performance of such act.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, that the Trustee's conduct does not constitute willful misfeasance, bad faith or gross negligence. In no event shall the Trustee have any liability for consequential damages.

(e) The Trustee may consult with and rely on the advice of counsel, accountants and other advisors and shall not be liable for errors in judgment or for anything it does or does not do in good faith if it so relies. Any opinion of counsel with respect to legal matters relating to this Agreement and the PCs shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with any opinion of such counsel.

(f) Any fees, expenses and indemnities payable from the assets of any PC Pool to Freddie Mac, in its capacity as Trustee, in the performance of its duties and obligations hereunder shall not affect Freddie Mac's guarantee with respect to that PC Pool, as set forth in Section 3.09.

**Section 6.03. Trustee's Disclaimer.** The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Agreement, the assets of the PC Pool or the PCs.

**Section 6.04. Trustee May Own PCs.** Subject to Section 7.06, the Trustee in its individual or any other capacity may become the owner or pledgee of PCs with the same rights as it would have if it were not the Trustee.

**Section 6.05. Indemnity.** Each PC Pool shall indemnify the Trustee and the Trustee's employees, directors, officers and agents, as provided in this Agreement, against any and all claims, losses, liabilities or expenses (including attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties under this Agreement (to the extent not previously reimbursed above), including, without limitation, the execution and filing of any federal or state tax returns and information returns and being the mortgagee of record with respect to the related Mortgages. The Trustee shall notify the Administrator promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Administrator shall not relieve the related PC Pool of its obligations hereunder. A PC Pool shall not be required to reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misfeasance, bad faith or gross negligence.

The Trustee's rights pursuant to this Section shall survive the discharge of this Agreement.

**Section 6.06. Replacement of Trustee.** The Trustee may resign at any time. Any successor Trustee shall resign if it ceases to be eligible in accordance with the provisions of Section 6.09. In either case, the resignation of the Trustee shall become effective, and the resigning Trustee shall be discharged from its obligations with respect to the PC Pools created under this Agreement by giving 90 days' written notice of the resignation to the Depositor, the Guarantor and the Administrator and upon the effectiveness of an appointment of a successor Trustee, which may be as of a date prior to the end of the 90-day period. Upon receiving such notice of resignation, the Depositor shall promptly appoint one or more successor Trustees by written instrument, one copy of which is delivered to the resigning Trustee and one copy of which is delivered to the successor Trustee. The successor Trustee need not be the same Person for all PC Pools. If no successor Trustee has been appointed for a PC Pool, or one that has been appointed has not accepted the appointment within 90 days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Prior to an Event of Default, or if an Event of Default has occurred and has been cured with respect to a PC Pool, Freddie Mac cannot be removed as Trustee with respect to that PC Pool. If an Event of Default has occurred and is continuing while Freddie Mac is the Trustee, at the direction of Holders of PCs representing a majority of the remaining principal balance of such PC Pool, Freddie Mac shall resign or be removed as Trustee, and to the extent permitted by law, all of the rights and obligations of the Trustee with respect to the related PC Pool only, will be terminated by notifying the Trustee in writing. Holders of PCs representing a majority of the remaining principal balance of the PC Pool will then be authorized to name and appoint one or more successor Trustees. Notwithstanding the termination of the Trustee, its liability under this Agreement and arising prior to such termination shall survive such termination.

If a successor Trustee is serving as the Trustee, the following events are "Trustee Events of Default" with respect to a PC Pool:

- (i) the Trustee fails to comply with Section 6.09;
- (ii) the Trustee is adjudged bankrupt or insolvent;

- (iii) a receiver or other public officer takes charge of the Trustee or its property; or
- (iv) the Trustee otherwise becomes incapable of acting.

If at any time a Trustee Event of Default has occurred and is continuing, the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) may, and if directed by Holders of PCs representing a majority of the remaining principal balance of such PC Pool, shall, remove the Trustee as to such PC pool and appoint a successor Trustee by written instrument, one copy of which shall be delivered to the Trustee so removed and one copy of which shall be delivered to the successor Trustee, and the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) shall give written notice of the successor Trustee to the Holders affected by the succession. Notwithstanding the termination of the Trustee, its liability under this Agreement arising prior to such termination will survive such termination.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Depositor shall promptly appoint a successor Trustee that satisfies the eligibility requirements of Section 6.09.

The retiring Trustee agrees to cooperate with the Depositor and any successor Trustee in effecting the termination of the retiring Trustee's responsibilities and rights hereunder and shall promptly provide such successor Trustee all documents and records reasonably requested by it to enable it to assume the Trustee's functions hereunder.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Depositor, the Guarantor and the Administrator. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Agreement with respect to such PC Pool. The successor Trustee shall mail a notice of its succession to the related Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Depositor may petition any court of competent jurisdiction for the appointment of a successor Trustee.

**Section 6.07. Successor Trustee By Merger.** If a successor Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee; provided, that such corporation or banking association shall be otherwise qualified and eligible under Section 6.09.

**Section 6.08. Appointment of Co-Trustee or Separate Trustee.**

(a) Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of a PC Pool may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of such PC Pool and to vest in such Person or Persons, in such capacity and for the benefit of the related Holders, such title to such PC Pool, or any part thereof, and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.09 and no notice to the related Holders of the appointment of any co-trustee or separate trustee shall be required under Section 6.06 hereof.

(b) With respect to each PC Pool, every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the related PC Pool or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

**Section 6.09. Eligibility; Disqualification.** Freddie Mac is eligible to act as the Trustee and is initially the Trustee for the PC Pools created under this Agreement. Any successor to Freddie Mac (i) at the time of its appointment as Trustee, must be reasonably acceptable to Freddie Mac and (ii) must be organized as a corporation or association doing business under the laws of the United States or any State thereof, be authorized under such laws to exercise corporate trust powers, have combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state financial regulatory authorities. If any successor Trustee shall cease to satisfy the eligibility requirements set forth in (ii) above, that successor Trustee shall resign immediately in the manner and with the effect specified in Section 6.06.

## ARTICLE VII

### Miscellaneous Provisions

**Section 7.01. Annual Statements.** Within a reasonable time after the end of each calendar year, the Administrator (or its agent) shall furnish to each Holder on any Record Date during such year information

that the Administrator deems necessary or desirable to enable Holders and beneficial owners of PCs to prepare their United States federal income tax returns, if applicable.

**Section 7.02. Limitations on Liability.** Neither Freddie Mac, in its corporate capacity, nor any of its directors, officers, employees, authorized designees, representatives or agents (“related persons”) shall be liable to Holders for any action taken, or not taken, by them or by a servicer in good faith pursuant to this Agreement or for errors in judgment. This provision shall not protect Freddie Mac or any related person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement. In no event shall Freddie Mac or any related person be liable for any consequential damages. Freddie Mac and any related person may rely in good faith on any document or other communication of any kind properly executed and submitted by any Person with respect to any matter arising under this Agreement. Freddie Mac has no obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service or supervise the servicing of the Mortgages in accordance with this Agreement and which in its opinion may involve any expense or liability for Freddie Mac. Freddie Mac may, in its discretion, undertake or participate in any action it deems necessary or desirable with respect to any Mortgage, this Agreement, the PCs or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any resulting liability shall be expenses for the protection, preservation and maintenance of the Mortgages borne pro rata by Freddie Mac and Holders as provided in Section 3.08(b).

**Section 7.03. Limitation on Rights of Holders.** The death or incapacity of any Person having an interest in a PC shall not terminate this Agreement or any PC Pool. Such death or incapacity shall not entitle the legal representatives or heirs of such Person, or any Holder for such Person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of the related PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

**Section 7.04. Control by Holders.** With respect to any PC Pool, except as otherwise provided in Articles V and VI and Sections 7.05 and 7.06, no Holder shall have any right to vote or to otherwise control in any manner the operation and management of the Mortgages included in such PC Pool, or the obligations of the parties hereto. This Agreement shall not be construed so as to make the Holders from time to time partners or members of an association. Holders shall not be liable to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

**Section 7.05. Amendment.**

(a) Freddie Mac and the Trustee may amend this Agreement (including any related Pool Supplement) from time to time without the consent of any Holders to (i) cure any ambiguity or correct or supplement any provision in this Agreement, *provided, however*, that any such amendment shall not have a material adverse effect on any Holder; (ii) maintain the classification of any PC Pool as a grantor trust for federal income tax purposes, as it may then be in effect, or, in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments on all or a portion of the assets comprising any PC Pool, to maintain the REMIC status of any assets with respect to which such REMIC election is made; or (iii) avoid the imposition of any state or federal tax on a PC Pool; it being understood that any amendment permitting the repurchase of a Mortgage by Freddie Mac due to a delinquency of less than 120 days, other than in the circumstances described in Section 1.02(c)(iii), may not be adopted under this clause (a).

(b) Except as provided in Section 7.05(c), Freddie Mac and the Trustee may amend this Agreement as to any PC Pool, with the consent of Holders representing not less than a majority of the remaining principal balance of the affected PC Pool.

(c) Freddie Mac and the Trustee may not amend this Agreement, without the consent of a Holder, if such amendment would impair or affect the right of such Holder to receive payment of principal and

interest on or after the due date of such payment or to institute suit for the enforcement of any such payment on or after such date.

(d) To the extent that any provisions of this Agreement differ from the provisions of any Freddie Mac Mortgage Participation Certificates Agreement or PC Master Trust Agreement dated prior to the date of this Agreement, this Agreement shall be deemed to amend such provisions of the prior agreement, but only to the extent that Freddie Mac, under the terms of such prior agreement, could have effected such change as an amendment of such prior agreement without the consent of Holders of PCs thereunder; *provided, however,* that the trust declarations and related provisions set forth in Section 7.05(d) of the PC Master Trust Agreement dated as of December 31, 2007 are hereby reaffirmed with respect to each PC Pool created before December 31, 2007.

(e) Notwithstanding any other provision of this Section, (i) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to reflect any modification in the Administrator's methodology of calculating payments to Holders, including any modifications described in Section 3.05(d) and Section 3.06(a) and the manner in which it distributes prepayments to Holders, (ii) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to cure any inconsistency between this Agreement and the provisions of the Guide and (iii) the Depositor (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend any Pool Supplement to make the adjustments described in Section 1.02(b) to the characteristics of the Mortgages to be transferred to a PC Pool or to the related PCs.

#### **Section 7.06. Voting Rights.**

If Freddie Mac is acting as Administrator or Trustee and an Event of Default has occurred and is continuing, any PCs held by Freddie Mac for its own account shall be disregarded and deemed not to be outstanding for purposes of exercising the remedies set forth in Section 5.02 and the second paragraph of Section 6.06.

**Section 7.07. Persons Deemed Owners.** With respect to each PC Pool, Freddie Mac, the Trustee, the Administrator and a Federal Reserve Bank (or any agent of any of them) may deem and treat the related Holder(s) as the absolute owner(s) of a PC and the undivided beneficial ownership interests in the Mortgages included in the related PC Pool for the purpose of receiving payments and for all other purposes, and none of Freddie Mac, the Trustee, the Administrator or a Federal Reserve Bank (nor any agent of any of them) shall be affected by any notice to the contrary. All payments made to a Holder, or upon such Holder's order, shall be valid, and, to the extent of the payment, shall satisfy and discharge the related PC Pool's payment obligations with respect to the Holder's PC. None of Freddie Mac, the Trustee, the Administrator or any Federal Reserve Bank shall have any direct obligation to any beneficial owner unless it is also the Holder of a PC.

**Section 7.08. Governing Law.** THIS AGREEMENT AND THE PARTIES' RIGHTS AND OBLIGATIONS WITH RESPECT TO PCs, SHALL BE GOVERNED BY THE LAWS OF THE UNITED STATES. INsofar AS THERE MAY BE NO APPLICABLE PRECEDENT, AND INsofar AS TO DO SO WOULD NOT FRUSTRATE THE PURPOSES OF THE FREDDIE MAC ACT OR ANY PROVISION OF THIS AGREEMENT OR THE TRANSACTIONS GOVERNED HEREBY, THE LOCAL LAWS OF THE STATE OF NEW YORK SHALL BE DEEMED REFLECTIVE OF THE LAWS OF THE UNITED STATES.

**Section 7.09. Grantor Trust and REMIC Status.** No provision in this Agreement shall be construed to grant Freddie Mac, the Trustee or any other Person authority to act in any manner which (i) would cause a PC Pool not to be treated as a grantor trust for federal income tax purposes, or (ii) in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments

on all or a portion of the assets comprising any PC Pool, would affect the status of such assets as a REMIC for federal income tax purposes.

**Section 7.10. Payments Due on Non-Business Days.** If the date fixed for any payment on any PC is a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day, with the same force and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

**Section 7.11. Successors.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, including any successor by operation of law, and permitted assigns.

**Section 7.12. Headings.** The headings in this Agreement are for convenience only and shall not affect the construction of this Agreement.

**Section 7.13. Notice and Demand.**

(a) Any notice, demand or other communication required or permitted under this Agreement to be given to or served upon any Holder may be given or served (i) in writing by deposit in the United States mail, postage prepaid, and addressed to such Holder as such Holder's name and address may appear on the books and records of a Federal Reserve Bank or (ii) by transmission to such Holder through the communication system of the Federal Reserve Banks. Any notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

(b) Any notice, demand or other communication which is required or permitted to be given to or served under this Agreement may be given in writing addressed as follows (i) in the case of Freddie Mac in its corporate capacity, to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Executive Vice President — General Counsel and Secretary and (ii) in the case of the Trustee, to: Freddie Mac (as Trustee), 1551 Park Run Drive, McLean, Virginia 22102, Attention: Office of Trustee; email: Freddie\_Mac\_Trustee@freddiemac.com, with a copy to the Executive Vice President – General Counsel and Secretary at the address set forth in clause (i).

(c) Any notice, demand or other communication to or upon Freddie Mac or the Trustee shall be deemed to have been sufficiently given or made only upon its actual receipt of the writing.

**Section 7.14. Counterparts.** This Agreement may be executed in any number of counterparts, each of which counterpart shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Agreement.



THE SALE OF A PC AND RECEIPT AND ACCEPTANCE OF A PC BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH PC OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT (INCLUDING THE RELATED POOL SUPPLEMENT) AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE.

FEDERAL HOME LOAN MORTGAGE  
CORPORATION, as Trustee

/s/ John J. Kelly

Authorized Signatory

FEDERAL HOME LOAN MORTGAGE  
CORPORATION, in its corporate capacity as Depositor,  
Administrator and Guarantor

/s/ Mark D. Hanson

Authorized Signatory

# Freddie Mac

## UMBS AND MBS MASTER TRUST AGREEMENT

**THIS UMBS AND MBS MASTER TRUST AGREEMENT** is entered into as of July 30, 2022, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the UMBS and MBS offered from time to time pursuant to Freddie Mac's Offering Circular referred to herein.

### WHEREAS:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the Freddie Mac Act and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein; and

(b) Freddie Mac may from time to time (i) purchase Mortgages, in accordance with the applicable provisions of the Freddie Mac Act, (ii) as Depositor, transfer and deposit such Mortgages into various trust funds that are established pursuant to this Agreement and that are referred to herein as "UMBS Pools" and "MBS Pools," (iii) as Administrator, on behalf of the Trustee, create and issue hereunder, on behalf of the related Pool, Securities representing undivided beneficial ownership interests in the assets of that Pool, (iv) as Trustee, act as trustee for each such Pool, (v) as Guarantor, guarantee the payment of interest and principal for the benefit of the Holders of such Securities and (vi) as Administrator, administer the affairs of each such Pool.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants contained in this Agreement, the parties to this Agreement do hereby declare and establish this Agreement and do hereby undertake and otherwise agree as follows with respect to the transfer of the Mortgages to various Pools, the issuance of the Securities and the establishment of the rights and obligations of the parties.

### Definitions

The following terms used in this Agreement have the respective meanings set forth below.

*Accrual Period:* As to any Security and any Payment Date, the calendar month preceding the month of the Payment Date.

*Administrator:* Freddie Mac, in its corporate capacity, as administrator of the Pools created under this Agreement.

*Agreement:* This UMBS and MBS Master Trust Agreement, dated as of July 30, 2022, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the various Securities, as originally executed, or as modified, amended or supplemented in accordance with the provisions set forth herein. Unless the context requires otherwise, the term "Agreement" shall be deemed to include any applicable Pool Supplement entered into pursuant to Section 1.01 of this Agreement.

*Book-Entry Rules:* The provisions from time to time in effect, currently contained in Title 12, Part 1249 of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities on the book-entry system of the Federal Reserve Banks and authorizing a Federal Reserve Bank to act as its agent in connection with such securities.

*Business Day:* A day other than (i) a Saturday or Sunday and (ii) a day when the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is closed or, as to any Holder, a day when the Federal Reserve Bank that maintains the Holder's account is closed.

*Conventional Mortgage:* A Mortgage that is not guaranteed or insured by the United States or any agency or instrumentality of the United States.

*Coupon:* UMBS Coupon or MBS Coupon, as applicable.

*Custodial Account:* As defined in Section 3.05(e) of this Agreement.

*Depositor:* Freddie Mac, in its corporate capacity, as depositor of Mortgages into the Pools created under this Agreement.

*Eligible Investments:* Any one or more of the following obligations, securities or holdings maturing on or before the Payment Date applicable to the funds so invested:

(i) obligations of, or obligations guaranteed as to the full and timely payment of principal and interest by, the United States;

(ii) obligations of any agency or instrumentality of the United States (other than Freddie Mac, except as provided in subsection (viii) below) or taxable debt obligations of any state or local government (or political subdivision thereof) that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch in any case in one of its two highest rating categories for long-term securities or in its highest ratings category for short-term securities;

(iii) federal funds (which are typically overnight, unsecured cash loans to depository institutions or Federal Home Loan Banks, closely resembling bank-to-bank loans executed in the so-called federal funds market), certificates of deposit, time deposits and bankers' acceptances with a fixed maturity of no more than 365 days of any depository institution or trust company, provided that the short-term securities of the depository institution or trust company are rated by S&P, Moody's or Fitch in the highest applicable ratings category for short-term securities;

(iv) commercial paper with a fixed maturity of no more than 270 days, of any corporation that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(v) debt securities that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch, in any case in one of its two highest ratings categories for long-term securities or in its highest ratings category for short-term securities;

(vi) money market funds that are registered under the Investment Company Act of 1940, as amended, are entitled, pursuant to Rule 2a-7 of the Securities and Exchange Commission, or any successor to that rule, to hold themselves out to investors as money market funds, and are rated by S&P, Moody's or Fitch in one of its two highest ratings categories for money market funds;

(vii) asset-backed commercial paper that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(viii) discount notes and other short-term debt obligations (in each case, with a stated final maturity, as of the related issue date, of one year or less) issued by Freddie Mac;

(ix) repurchase agreements on obligations that are either specified in any of clauses (i), (ii), (iii), (iv), (v), (vii) or (viii) above or are mortgage-backed securities insured or guaranteed by an entity that is an agency or instrumentality of the United States; provided that the counterparty to the repurchase agreement is an entity whose short-term debt securities are rated by S&P, Moody's or Fitch in its highest ratings category for short-term securities; and

(x) any other investment without options that is approved by Freddie Mac and is within the two highest ratings categories of the applicable rating agency for long-term securities or the highest ratings category of the applicable rating agency for short-term securities.

The rating requirement will be satisfied if the relevant security, issue or fund at the time of purchase receives at least the minimum stated rating from at least one of S&P, Moody's or Fitch. The rating requirement will not be satisfied by a rating that is the minimum rating followed by a minus sign or by a rating lower than Aa2 from Moody's.

*Event of Default:* As defined in Section 5.01 of this Agreement.

*FHA/VA Mortgage:* A Mortgage insured by the Federal Housing Administration or by the Department of Agriculture Rural Development (formerly the Rural Housing Service) or guaranteed by the Department of Veterans Affairs or the Department of Housing and Urban Development.

*Final Payment Date:* As to any Security, the first day of the latest month in which the related Pool Factor will be reduced to zero. The Administrator publishes the Final Payment Date upon formation of the related Pool.

*Fitch:* Fitch, Inc., also known as Fitch Ratings, or any successor thereto.

*Freddie Mac:* The Federal Home Loan Mortgage Corporation, a corporation created pursuant to the Freddie Mac Act for the purpose of establishing and supporting a secondary market in residential mortgages. Unless the context requires otherwise, the term "Freddie Mac" shall be deemed to refer to Freddie Mac acting in one or more of its corporate capacities, as specified or as provided in context, and not in its capacity as Trustee.

*Freddie Mac Act:* Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459.

*Guarantor:* Freddie Mac, in its corporate capacity, as guarantor of the Securities issued by each Pool.

*Guide:* Freddie Mac's Single-Family Seller/Servicer Guide, as supplemented and amended from time to time, in which Freddie Mac sets forth its mortgage purchase standards, credit, appraisal and underwriting guidelines and servicing policies.

*Holder:* With respect to any Pool, any entity that appears on the records of a Federal Reserve Bank as a holder of the related Securities.

*Issue Date:* UMBS Issue Date or MBS Issue Date, as applicable.

*MBS or Mortgage-Backed Security:* With respect to each MBS Pool, a mortgage-backed security issued pursuant to this Agreement, representing a beneficial ownership interest in such MBS Pool.

*MBS Coupon:* The per annum fixed rate of an MBS calculated as described in the Offering Circular or the applicable Pool Supplement, computed on the basis of a 360-day year of twelve 30-day months.

*MBS Issue Date:* With respect to each MBS Pool, the date specified in the related Pool Supplement or, if not specified therein, the date on which Freddie Mac issues an MBS in exchange for the Mortgages delivered by a dealer or other customer.

*MBS Pool:* With respect to each MBS, the corpus of the related trust fund created by this Agreement, consisting of (i) the related Mortgages and all proceeds thereof, (ii) amounts on deposit in the Custodial Account, to the extent allocable to such MBS Pool, (iii) the right to receive payments under the related guarantee and (iv) any other assets specified in the related Pool Supplement, excluding any investment earnings on any of the assets of that Pool. With respect to each MBS Pool, and unless expressly stated otherwise, the provisions of this Agreement will be interpreted as referring only to the Mortgages included in that Pool, the MBS issued by that Pool and the Holders of those MBS.

*Monthly Reporting Period:* The period, which period the Administrator has the right to change as provided in Section 3.05(d) of this Agreement, during which servicers report Mortgage payments to the Administrator. The Monthly Reporting Period for all payments is generally from the 1<sup>st</sup> of a month through the last calendar day of that month. Accordingly, for any Payment Date, the applicable Monthly Reporting Period generally is the calendar month preceding that Payment Date.

*Moody's:* Moody's Investors Service, Inc., or any successor thereto.

*Mortgage:* A mortgage loan or a participation interest in a mortgage loan that is secured by a first or second lien on a one-to-four family dwelling and that has been purchased by the Depositor and transferred by the Depositor to the Trustee for inclusion in the related Pool. With respect to each Pool, the Mortgages to be included therein shall be identified on the books and records of the Depositor and the Administrator.

*Mortgage Coupon:* The per annum fixed interest rate of a Mortgage.

*MultiLender Swap Program:* A program under which Freddie Mac purchases Mortgages from one or more sellers in exchange for Securities representing undivided beneficial ownership interests in a Pool consisting of Mortgages that may or may not be those delivered by the seller(s).

*Offering Circular:* Freddie Mac's Uniform Mortgage-Backed Securities and Mortgage-Backed Securities Offering Circular dated July 30, 2022, as amended and supplemented by any Supplements issued from time to time, or any successor thereto, as it may be amended and supplemented from time to time.

*Payment Date:* The 25th of each month or, if the 25th is not a Business Day, the next Business Day.

*Payment Delay:* The delay between the first day of the Accrual Period for a Security and the related Payment Date.

*Person:* Any legal person, including any individual, corporation, partnership, limited liability company, financial institution, joint venture, association, joint stock company, trust, unincorporated organization or governmental unit or political subdivision of any governmental unit.

*Pool:* A UMBS Pool or MBS Pool, as applicable.

*Pools:* UMBS Pools and/or MBS Pools, as applicable.

*Pool Factor:* With respect to each Pool, a rounded eight-digit decimal calculated for each month by the Administrator which, when multiplied by the original principal balance of the related Securities, will

equal their remaining principal amount. The Pool Factor for any month reflects the remaining principal amount after the payment to be made on the Payment Date in the same month.

*Pool Supplement:* Any physical or electronic document or record (which may be a supplement to the Offering Circular or any other supplemental document prepared by Freddie Mac for the related Securities), which, together herewith, evidences the establishment of a Pool and modifies, amends or supplements the provisions hereof in any respect whatsoever. The Pool Supplement for a particular Pool shall be binding and effective upon formation of the related Pool and issuance of the related Securities, whether or not such Pool Supplement is executed, delivered or published by Freddie Mac.

*Purchase Documents:* The mortgage purchase agreements between Freddie Mac and its Mortgage sellers and servicers, which are the contracts that govern the purchase and servicing of Mortgages and which include, among other things, the Guide and any negotiated modifications, amendments or supplements to the Guide.

*Record Date:* As to any Payment Date, the close of business on the last day of the preceding month.

*S&P:* S&P Global Ratings, or any successor thereto.

*Security:* A UMBS or MBS, as applicable.

*Securities:* UMBS and/or MBS, as applicable.

*Trustee:* Freddie Mac, in its capacity as trustee of each Pool formed under this Agreement, and its successors and assigns, which will have the trustee responsibilities specified in this Agreement, as amended or supplemented from time to time.

*Trustee Event of Default:* As defined in Section 6.06 of this Agreement.

*UMBS or Uniform Mortgage-Backed Security:* With respect to each UMBS Pool, a mortgage-backed security issued pursuant to this Agreement, representing a beneficial ownership interest in such UMBS Pool.

*UMBS Coupon:* The per annum fixed rate of a UMBS calculated as described in the Offering Circular or the applicable Pool Supplement, computed on the basis of a 360-day year of twelve 30-day months.

*UMBS Issue Date:* With respect to each UMBS Pool, the date specified in the related Pool Supplement or, if not specified therein, the date on which Freddie Mac issues a UMBS in exchange for the Mortgages delivered by a dealer or other customer.

*UMBS Pool:* With respect to each UMBS, the corpus of the related trust fund created by this Agreement, consisting of (i) the related Mortgages and all proceeds thereof, (ii) amounts on deposit in the Custodial Account, to the extent allocable to such UMBS Pool, (iii) the right to receive payments under the related guarantee and (iv) any other assets specified in the related Pool Supplement, excluding any investment earnings on any of the assets of that Pool. With respect to each UMBS Pool, and unless expressly stated otherwise, the provisions of this Agreement will be interpreted as referring only to the Mortgages included in that Pool, the UMBS issued by that Pool and the Holders of those UMBS.

## ARTICLE I

### Conveyance of Mortgages; Creation of Pools

**Section 1.01. Declaration of Trust; Transfer of Mortgages; Assignment of Principal and Interest and Acceptance of Beneficial Interests.** (a) The Depositor, by delivering any Mortgages pursuant to this Agreement, unconditionally, absolutely and irrevocably hereby transfers, assigns, sets over and otherwise conveys to the Trustee, on behalf of the related Holders, all of the Depositor's right, title and interest in and to such Mortgages, including all payments of principal and interest thereon received after the month in which the Issue Date occurs. Once Mortgages have been identified as being part of a related Pool for which at least one Security has been issued, they shall remain in that Pool unless removed in a manner consistent with this Agreement. Concurrently with the Depositor's transferring, assigning, setting over and otherwise conveying the Mortgages to the Trustee for a Pool, the Trustee hereby accepts the Mortgages so conveyed and acknowledges that it holds the entire corpus of each Pool in trust for the exclusive benefit of the related Holders and shall deliver to, or on the order of, the Depositor, the Securities issued by such Pool. The Administrator agrees to administer the related Pool and such Securities in accordance with the terms of this Agreement. On the related Issue Date and upon payment to the Depositor for any such Security by a Holder, such Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement.

The Trustee shall make an election under Section 860D of the Code as a "real estate mortgage investment conduit" ("REMIC") with respect to beneficial interests in principal and interest payments on all or a portion of the assets comprising each Pool, except as indicated in the Offering Circular. With respect to any such REMIC election and the assets subject to such REMIC election, the Trustee shall take any action, or cause each Pool with beneficial interests in principal and interest payments with respect to such Pool subject to such REMIC election to take any action, necessary or appropriate to establish and maintain the REMIC status of any assets with respect to which such REMIC election is made.

A Pool Supplement shall evidence the establishment of a particular Pool and shall relate to specific Securities representing the entire beneficial ownership interests in such Pool. If for any reason the creation of a Pool Supplement is delayed, Freddie Mac shall create one as soon as practicable, and such delay shall not affect the validity and existence of the Pool or the related Securities. With respect to each Pool, the collective terms hereof and of the related Pool Supplement shall govern the issuance and administration of the Securities related to such Pool, and all matters related thereto, and shall have no applicability to any other Pool or Securities. As applied to each Pool, the collective terms hereof and of the related Pool Supplement shall constitute an agreement as if the collective terms of those instruments were set forth in a single instrument. In the event of a conflict between the terms hereof and the terms of a Pool Supplement for a Pool, the terms of the Pool Supplement shall control with respect to that Pool. A Pool Supplement is not considered an amendment to this Agreement requiring approval pursuant to Section 7.05.

(b) The Trustee shall assign, to one or more separate trust funds established by the Depositor, beneficial interests in principal and interest payments on the Mortgages comprising all or a portion of a specified Pool, in exchange for beneficial interests in the principal and interest payments on such Mortgages represented by the related REMIC regular interests created pursuant to such separate trust funds.

### **Section 1.02. Identity of the Mortgages; Repurchase.**

(a) In consideration for the transfer of the related Mortgages by the Depositor to a Pool, the Depositor (i) shall receive the Securities issued by such Pool and (ii) may retain such Securities or transfer them to the related Mortgage seller or otherwise, as the Depositor deems appropriate.

(b) After the Issue Date but prior to the first Payment Date, the Depositor may, in accordance with its customary mortgage purchase and pooling procedures, adjust the amount and identity of the Mortgages to

be transferred to a Pool, the Coupon and/or the original unpaid principal balance of the Securities and the Mortgages in the Pool, provided that any changes to the characteristics of the Securities shall be evidenced by an amendment or supplement to the related Pool Supplement.

(c) Except as provided in this Section 1.02 or in Section 1.03, once the Depositor has transferred a Mortgage to a particular Pool, such Mortgage may not be transferred out of such Pool, except (x) if a mortgage insurer exercises an option under an insurance contract to purchase such Mortgage or (y) in the case of repurchase by the Guarantor, the Administrator or the related Mortgage seller or servicer, under the following circumstances:

(i) The Guarantor may repurchase from the related Pool a Mortgage in connection with a guarantee payment under Section 3.09(a)(ii).

(ii) The Administrator may repurchase from the related Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if a repurchase is necessary or advisable (A) to maintain servicing of the Mortgage in accordance with the provisions of the Guide, or (B) to maintain the status of the Pool as a grantor trust for federal income tax purposes or, to the extent not inconsistent with this clause (B), to maintain the REMIC status of any assets with respect to which a REMIC election is made.

(iii) The Guarantor may repurchase from the related Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if (A) such Mortgage is 120 or more days delinquent, or (B) the Guarantor determines, on the basis of information from the related borrower or servicer, that loss of ownership of the property securing a Mortgage is likely or default is imminent due to borrower incapacity, death or hardship or other extraordinary circumstances that make future payments on such Mortgage unlikely or impossible.

(iv) The Guarantor may repurchase from the related Pool a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.

(v) The Administrator may repurchase from the related Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage, if there is (A) a material breach of warranty by the Mortgage seller or servicer, (B) a material defect in documentation as to such Mortgage or (C) a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and, if applicable, other Purchase Documents.

(vi) The Administrator shall repurchase from the related Pool a Mortgage, if (A) Freddie Mac determines that its acquisition of the Mortgage was unauthorized and repurchase of such Mortgage is necessary to comply with applicable law or (B) a court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business requires repurchase of such Mortgage.

(vii) The Administrator may repurchase from the related Pool a Mortgage if compliance with applicable law requires a change in any of the terms of such Mortgage (including a change in the Mortgage Coupon, principal balance, amortization schedule, timing of payments or last scheduled payment date).

(viii) The Administrator may repurchase from the related Pool a Mortgage at any time after that Mortgage has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the related mortgage documents (including the mortgage note or other instrument evidencing the borrower's indebtedness), during the period from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage), without regard to (i) whether any particular payment was made in whole or in part



during the period extending from the earliest through the latest payment date, (ii) any grace or cure period (with respect to the latest such payment date) under the related mortgage documents, and (iii) any period during which a loss mitigation alternative is in effect (unless such loss mitigation alternative is deemed to cure the payment default, in which case any previous delinquency with respect to that Mortgage will be disregarded for purposes of calculations of future delinquency on that Mortgage).

(ix) The Administrator may repurchase from the related Pool a Mortgage, if the Mortgage has ceased to be secured by the related mortgaged property.

(x) The Administrator may repurchase from the related Pool a Mortgage, if the mortgaged property securing the Mortgage is acquired on behalf of a trust created under this Agreement, with such acquisition occurring through foreclosure or deed-in-lieu of foreclosure or other means of conversion by which title to a mortgaged property securing a Mortgage or interests in that mortgaged property are transferred to or for the benefit of the trust.

(d) The purchase price of a Mortgage repurchased by a Mortgage seller or servicer shall be equal to the then unpaid principal balance of such Mortgage, less any principal on such Mortgage that the Mortgage seller or servicer advanced to the Depositor or the Administrator. The purchase price of a Mortgage repurchased by the Administrator or the Guarantor under this Agreement shall be equal to the then unpaid principal balance of such Mortgage, less any outstanding advances of principal on such Mortgage that the Administrator, on behalf of the Trustee, distributed to Holders. The Administrator, on behalf of the Trustee, agrees to release any Mortgage from the related Pool upon payment of the applicable purchase price.

(e) In determining whether a Mortgage shall be repurchased from the related Pool as described in this Section 1.02, the Guarantor and the Administrator may consider such factors as they deem appropriate, including the reduction of administrative costs (in the case of the Administrator) or possible exposure as Guarantor under its guarantee (in the case of the Guarantor).

### **Section 1.03. Post-Settlement Purchase Adjustments**

(a) The Administrator shall make any post-settlement purchase adjustments necessary to reflect the actual aggregate unpaid principal balance of the related Mortgages or other Mortgage characteristics as of the date of their purchase by the Depositor or their delivery to the Administrator, on behalf of the Trustee, in exchange for Securities, as the case may be.

(b) Post-settlement adjustments may be made in such manner as the Administrator deems appropriate, but shall not adversely affect any Holder's rights to monthly payments of interest at the Coupon, any Holder's pro rata share of principal or any Holder's rights under the Guarantor's guarantees. Any reduction in the principal balance of the Mortgages held by a Pool shall be reflected by the Administrator as a corresponding reduction in the principal balance of the related Securities with a corresponding principal payment to the related Holders, on a pro rata basis.

**Section 1.04. Custody of Mortgage Documents.** With respect to each Pool, the Administrator, a custodian acting as its agent (which may be a third party or a trust or custody department of the related seller or servicer), or the originator or seller of the Mortgage may hold the related Mortgage documents, including Mortgage notes and participation certificates evidencing the Trustee's legal ownership interest in the Mortgages. The Administrator may adopt and modify its policies and procedures for the custody of Mortgage documents at any time, provided such modifications are prudent and do not materially and adversely affect the Holders' interests.

**Section 1.05. Interests Held or Acquired by Freddie Mac.** Freddie Mac shall have the right to purchase and hold for its own account any Securities. Subject to Section 7.06, Securities held or acquired by Freddie Mac from time to time and Securities held by other Holders shall have equal and proportionate

benefits, without preference, priority or distinction. In the event that Freddie Mac retains any interest in a Mortgage, the remaining interest in which is part of a Pool, Freddie Mac's interest in such Mortgage shall rank equally with that of the related Pool, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

**Section 1.06. Intended Characterization.** It is intended that the conveyance, transfer, assignment and setting over of the Mortgages by the Depositor to the Trustee pursuant to this Agreement be a true, absolute and unconditional sale of the related Mortgages by the Depositor to the Trustee, and not a pledge of the Mortgages to secure a debt or other obligation of the Depositor, and that the Holders of the related Securities shall be the beneficial owners of such Mortgages. Notwithstanding this express intention, however, if the Mortgages are determined by a court of competent jurisdiction or other competent authority to be the property of the Depositor, then it is intended that: (a) this Agreement be deemed to be a security agreement within the meaning of Articles 8 and 9 of the Uniform Commercial Code; (b) the conveyances provided for in Section 1.01 shall be deemed to be (1) a grant by the Depositor to the Trustee on behalf of the related Holders of a security interest in all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the related Mortgages, any and all general intangibles consisting of, arising from or relating to any of the foregoing, and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Custodial Account and allocable to such Mortgages, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Depositor to the Trustee on behalf of the related Holders of any security interest in any and all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clause (1); and (c) notifications to Persons holding such property, and acknowledgments, receipts or confirmations from Persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, financial intermediaries, bailees or agents (as applicable) of the Administrator, on behalf of the Trustee of the related Holders, for the purpose of perfecting such security interest under applicable law.

**Section 1.07. Encumbrances.** Except as may otherwise be provided expressly in this Agreement, neither Freddie Mac nor the Trustee shall directly or indirectly, assign, sell, dispose of or transfer all or any portion of or interest in any Pool, or permit all or any portion of any Pool to be subject to any lien, claim, mortgage, security interest, pledge or other encumbrance of any other Person. This Section shall not be construed as a limitation on Freddie Mac's rights with respect to Securities held by it in its corporate capacity.

## ARTICLE II

### Administration and Servicing of the Mortgages

**Section 2.01. The Administrator as Primary Servicer.** With respect to each Pool, the Administrator shall service or supervise servicing of the related Mortgages and administer, on behalf of the Trustee, in accordance with the provisions of the Guide and this Agreement, including management of any property acquired through foreclosure or otherwise, all for the benefit of the related Holders. The Administrator shall have full power and authority to do or cause to be done any and all things in connection with such servicing and administration that the Administrator deems necessary or desirable. The Administrator shall seek from the Trustee, as representative of the related Holders, any consents or approvals relating to the control, management and servicing of the Mortgages included in any Pool and that are required hereunder.

**Section 2.02. Servicing Responsibilities.** With respect to each Pool, the Administrator shall service or supervise servicing of the related Mortgages in a manner consistent with prudent servicing standards and in substantially the same manner as the Administrator services or supervises the servicing of unsold mortgages of the same type in its portfolio. In performing its servicing responsibilities hereunder, the Administrator may engage servicers, subservicers and other independent contractors or agents. The Administrator may discharge its responsibility to supervise servicing of the Mortgages by monitoring

servicers' performance on a reporting and exception basis. Except as provided in Articles V and VI and Sections 7.05 and 7.06 of this Agreement, Freddie Mac, as Administrator shall not be subject to the control of the Holders in the discharge of its responsibilities pursuant to this Article. Except with regard to its guarantee obligations pursuant to Section 3.09 with respect to a Pool, the Administrator shall have no liability to any related Holder for the Administrator's actions or omissions in discharging its responsibilities under this Article II other than for any direct damage resulting from its failure to exercise that degree of ordinary care it exercises in the conduct and management of its own affairs. In no event shall the Administrator have any liability for consequential damages.

Any servicing or administrative practice adopted, implemented, changed or discontinued by the Administrator, the Trustee, any paying agent or any servicer, subservicer or other independent contractor or agent in order to accommodate servicing or administrative practices or processes (including systems limitations) will be considered to be consistent with this Agreement and expectations of a reasonable investor in mortgage-backed securities if such practice achieves substantial compliance in all material respects with this Agreement.

**Section 2.03. Realization Upon Defaulted Mortgages.** With respect to each Pool, unless the Administrator deems that another course of action (e.g., charge-off) would be in the best economic interest of the Holders, the Administrator (or its authorized designee or representative) shall, as soon as practicable, foreclose upon (or otherwise comparably convert the ownership of) any real property securing a Mortgage which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or conversion, the Administrator (or its authorized designee or representative) shall follow such practices or procedures as it deems necessary or advisable and consistent with general mortgage servicing standards.

**Section 2.04. Automatic Acceleration and Assumptions.**

(a) With respect to each Pool, to the extent provided in the Guide, the Administrator shall enforce the terms of each applicable Mortgage that gives the mortgagee the right to demand full payment of the unpaid principal balance of the Mortgage upon sale or transfer of the property securing the Mortgage regardless of the creditworthiness of the transferee (a right of "automatic acceleration"), subject to applicable state and federal law and the Administrator's then-current servicing policies.

(b) With respect to each Pool, the Administrator shall permit the assumption by a new mortgagor of an FHA/VA Mortgage upon the sale or transfer of the underlying property, as required by applicable regulations. Any such assumption shall be in accordance with applicable regulations, policies, procedures and credit requirements and shall not result in loss or impairment of any insurance or guaranty.

**Section 2.05. Prepayment Penalties.** Unless otherwise provided in the Pool Supplement for a Pool, the related Holders shall not be entitled to receive any prepayment penalties, assumption fees or other fees charged on the Mortgages included in such Pool, and either the related servicer or the Administrator shall retain such amounts.

**Section 2.06. Mortgage Insurance and Guarantees.**

(a) With respect to each Pool, if a Conventional Mortgage is insured by a mortgage insurer and the mortgage insurance policy is an asset of such Pool, the related Holders acknowledge that the insurer shall have no obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives regarding the mortgagee's rights, benefits and obligations under the related insurance contract.

(b) With respect to each Pool, each FHA/VA Mortgage shall have in full force and effect a certificate or other satisfactory evidence of insurance or guaranty, as the case may be, as may be issued by the

applicable government agency from time to time. None of these agencies has any obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance or guaranty relating to each FHA/VA Mortgage included in such Pool.

## ARTICLE III

### Distributions to Holders; Guarantees

**Section 3.01. Monthly Reporting Period.** For purposes of this Agreement with respect to any Pool, any payment or any event with respect to any Mortgage included in such Pool that is reported to the Administrator by the related servicer as having been made or having occurred within a Monthly Reporting Period shall be deemed to have been received by the Administrator or to have in fact occurred within such Monthly Reporting Period used by the Administrator for such purposes. Payments reported by servicers include all principal and interest payments made by a borrower, insurance proceeds, liquidation proceeds and repurchase proceeds. Events reported by servicers include foreclosure sales, payments of insurance claims and payments of guarantee claims.

**Section 3.02. Holder's Undivided Beneficial Ownership Interest.** With respect to each Pool, the Holder of a Security on the Record Date shall be the owner of record of a pro rata undivided beneficial ownership interest in the remaining principal balance of the Mortgages in the related Pool as of such date and shall be entitled to interest at the Coupon on such pro rata undivided beneficial ownership interest, in each case on the related Payment Date. Such pro rata undivided beneficial ownership interest shall change accordingly if any Mortgage is added to or removed from such Pool in accordance with this Agreement. A Holder's pro rata undivided beneficial ownership interest in the Mortgages included in a Pool is calculated by dividing the original unpaid principal balance of the Holder's Security by the original unpaid principal balance of all the Mortgages in the related Pool.

**Section 3.03. Distributions of Principal.** With respect to each Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of principal collections with respect to the Mortgages in such Pool; *provided, however*, that with respect to guarantee payments, the Guarantor's obligations herein shall be subject to its subrogation rights pursuant to Section 3.10. The Administrator may retain from any prepayment or delinquent principal payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. For Mortgages purchased by the Depositor in exchange for Securities under its MultiLender Swap Program, the Depositor shall retain principal payments made on such Mortgages in the amount of any difference between the aggregate unpaid principal balance of the Mortgages as of delivery by the seller and the aggregate unpaid principal balance as of the Issue Date, and the Depositor shall purchase additional Mortgages with such principal payments; such additional Mortgages may or may not be included in the related Pool represented by the Securities received by the seller.

**Section 3.04. Distributions of Interest.** With respect to each Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of interest collections with respect to the Mortgages included in such Pool, at a rate equal to the Coupon. Interest shall accrue during each Accrual Period. The Administrator may retain from any delinquent interest payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. With respect to each Pool, a partial month's interest retained by Freddie Mac or remitted to the related Holders with respect to prepayments shall constitute an adjustment to the fee payable to the Administrator and the Guarantor pursuant to Section 3.08(a) for such Pool.

### **Section 3.05. Payments.**

(a) With respect to each Pool, distributions of principal and interest on the related Securities shall begin in the month after issuance. The Administrator, on behalf of the Trustee, shall calculate, or cause to be calculated, for each Security the distribution amount for the current calendar month.

(b) On or before each Payment Date, the Administrator, on behalf of the Trustee, shall instruct the Federal Reserve Banks to credit payments on Securities from the Custodial Account to the appropriate Holders' accounts. The related Pool's payment obligations shall be met upon transmittal of the Administrator's payment order to the Federal Reserve Banks provided sufficient funds are then on deposit in the Custodial Account. A Holder shall receive the payment of principal, if applicable, and interest on each Payment Date on each Security held by such Holder as of the related Record Date.

(c) The Administrator relies on servicers' reports of mortgage activity to prepare the Pool Factors. There may be delays or errors in processing mortgage information, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. In these situations the Administrator's calculation of scheduled principal to be made on Securities may not reflect actual payments on the related Mortgages. The Administrator shall account for and reconcile any differences as soon as practicable.

(d) The Administrator reserves the right to change the period during which a servicer may hold funds prior to payment to the Administrator, as well as the period for which servicers report payments to the Administrator, including adjustments to the Monthly Reporting Period. Either change may change the time at which prepayments are distributed to Holders. Any such change, however, shall not impair Holders' rights to payments as otherwise provided in this Section.

(e) The Administrator shall maintain one or more accounts (together, the "Custodial Account"), segregated from the general funds of Freddie Mac, in its corporate capacity, for the deposit of collections of principal (including full and partial principal prepayments) and interest received from or advanced by the servicers in respect of the Mortgages. Mortgage collections in respect of the Pools established by Freddie Mac under this Agreement or trust funds established by Freddie Mac pursuant to any other trust agreements may be commingled in the Custodial Account, provided that the Administrator keeps, or causes to be kept, separate records of funds with respect to each such Pool and other trust fund. Collections due to Freddie Mac, in its corporate capacity as owner of mortgages held in its portfolio, may also be commingled in the Custodial Account, provided that the Administrator may withdraw such amounts for remittance to Freddie Mac from time to time. Funds on deposit in the Custodial Account may be invested by the Administrator in Eligible Investments. Investment earnings on deposits in the Custodial Account shall be for the benefit of the Administrator, and any losses on such investments shall be paid by the Administrator. On each Payment Date, amounts on deposit in the Custodial Account shall be withdrawn upon the order of the Administrator, on behalf of the Trustee, for the purpose of making distributions to the related Holders, in accordance with this Agreement.

### **Section 3.06. Pool Factors.**

(a) The Administrator, on behalf of the Trustee, shall calculate and make payments to Holders on each Payment Date based on the monthly Pool Factors until such time as the Administrator determines that a more accurate and practicable method for calculating such payments is available and implements that method. Pursuant to Section 7.05(e), the Administrator may modify the Pool Factor methodology from time to time, without the consent of Holders. With respect to each Pool, the Administrator, on behalf of the Trustee, shall do the following:

(i) The Administrator shall publish or cause to be published for each month a Pool Factor with respect to each Pool. Beginning in the month after formation of a Pool, Pool Factors shall be published on or about the fifth Business Day of the month, which Pool Factors may reflect prepayments reported to the Administrator after the end of the related Monthly Reporting Period and before the publication of the applicable Pool Factors. However, the Administrator may, in its own discretion, publish Pool Factors on any other Business Day. The Pool Factor for the month in which the Pool is established is 1.00000000 and need not be published.

(ii) The Administrator shall distribute principal each month to a Holder of a Security in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the Security by the difference between its Pool Factors for the preceding and current months.

(iii) The Administrator shall distribute interest each month in arrears to a Holder in an amount equal to 1/12th of the applicable Coupon multiplied by such Holder's pro rata share of principal, calculated by multiplying the original principal balance of such Holder's Security by the preceding month's Pool Factor.

(b) With respect to each Pool, a Pool Factor shall reflect prepayments reported for the applicable Monthly Reporting Period. The Administrator, on behalf of the Trustee, may also, in its discretion, reflect in a Pool Factor any prepayments reported after the end of the applicable Monthly Reporting Period. To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to the Guarantor's guarantee of timely payment of scheduled principal on Securities) does not reflect the actual unpaid principal balance of the related Mortgages, the Administrator shall account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(c) The Pool Factor method for a Pool may affect the timing of receipt of payments by related Holders but shall not affect the Guarantor's guarantee with respect to such Pool, as set forth in Section 3.09. The Guarantor's guarantee shall not be affected by the implementation of any different method for calculating and paying principal and interest for any Pool, as permitted by this Section 3.06.

### **Section 3.07. Servicing Fees; Retained Interest.**

(a) To the extent provided by contractual arrangement with the Administrator, with respect to each Pool, the related servicer of each Mortgage included in such Pool shall be entitled to retain each month, as a servicing fee, any interest payable by the borrower on a Mortgage that exceeds the servicer's required remittance with respect to such Mortgage. Each servicer is required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement for those expenses, except as provided in Section 3.08(c). If a servicer advances any principal and/or interest on a Mortgage to the Administrator prior to the receipt of such funds from the borrower, the servicer may retain (i) from prepayments or collections of delinquent principal on such Mortgage any payments of principal so advanced, or (ii) from collections of delinquent interest on such Mortgage any payments of interest so advanced. To the extent permitted by its servicing agreement, the servicer is entitled to retain as additional compensation certain incidental fees related to Mortgages it services.

(b) With respect to a Pool, pursuant to the related Purchase Documents, a seller may retain each month as extra compensation a fixed amount of interest on a Mortgage included in such Pool. In such event, the related servicer shall retain each month as a servicing fee the excess of any interest payable by the borrower on such Mortgage (less the seller's retained interest amount) over the servicer's required remittance with respect to such Mortgage.

### **Section 3.08. Administration Fee; Guarantee Fee.**

(a) Subject to any adjustments required by Section 3.04, with respect to any Pool, the Administrator and the Guarantor shall be entitled to receive from monthly interest payments on each related Mortgage a fee (to be allocated between the Administrator and the Guarantor as they may agree) equal to the excess of any interest received by the Administrator from the servicer over the amount of interest payable to the related Holders; *provided, however*, that the aggregate fee amount shall be automatically adjusted with respect to each Pool to the extent a Pool Factor does not reflect the unpaid principal balance of the Mortgages. Any such adjustment shall equal the difference between (i) interest at the applicable Coupon computed on the aggregate unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by the Administrator and (ii) interest at the applicable Coupon computed on the remaining balance of the Mortgages included in the Pool derived from the Pool Factor. The Administrator shall (i) withdraw the aggregate fee amount from the Custodial Account prior to distributions to the related Holders, (ii) retain its portion of the fee for the Administrator's own account and (iii) remit the remaining portion of the fee to the Guarantor as the guarantee fee. In addition, the Administrator is entitled to retain as additional compensation certain incidental fees on the Mortgages as provided in Section 2.05 and certain investment earnings as provided in Section 3.05(e).

(b) The Depositor shall pay all expenses incurred in connection with the transfer of the Mortgages, the establishment and administration of each Pool and the issuance of the Securities. Any amounts (including attorney's fees) expended by the Trustee or the Administrator (or the servicers on the Administrator's behalf) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages, shall be expenses to be borne pro rata by the Administrator and the Holders in accordance with their interests in each Mortgage. The Administrator, on behalf of the Trustee, may retain an amount sufficient to pay the portion of such expenses borne pro rata by the Administrator and the Holders from payments otherwise due to Holders, which may affect the timing of receipt of payments by Holders but shall not affect the Guarantor's obligations under Section 3.09.

(c) The Administrator shall reimburse a servicer for any amount (including attorney's fees) it expends (on the Administrator's behalf and with its approval) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Such expenses shall be reimbursable to the servicer from the assets of the related Pool, to the extent provided in the Guide.

(d) Any fees and expenses described above shall not affect the Guarantor's guarantee with respect to any Pool, as set forth in Section 3.09.

### **Section 3.09. Guarantees.**

(a) With respect to each Pool, the Guarantor guarantees to the Trustee and to each Holder of a Security:

(i) the timely payment of interest at the applicable Coupon;

(ii) the full and final payment of principal on the underlying Mortgages on or before the Payment Date that falls in the month of its Final Payment Date; and

(iii) the timely payment of scheduled principal on the underlying Mortgages.

The Guarantor shall make payments of any guaranteed amounts by transfer to the Custodial Account for distribution to the related Holders, in accordance with Sections 3.03 and 3.04. The guarantees pursuant to this Section will inure to the benefit of each Pool and its related Holders, and shall be enforceable by the Trustee of that Pool and by such Holders, as provided in Article V of this Agreement.

(b) The Guarantor shall compute guaranteed scheduled monthly principal payments on any Security, subject to any applicable adjustments, in accordance with procedures adopted by the Guarantor from time

to time. With respect to each Pool, any payment the Guarantor makes to the Administrator, on behalf of the Trustee, on account of the Guarantor's guarantee of scheduled principal payments shall be considered to be a payment of principal for purposes of calculating the Pool Factor for such Pool and the Holder's pro rata share of the remaining unpaid principal balance of the related Mortgages.

(c) The Guarantor's guarantees shall continue to be effective or shall be reinstated (i) in the event that any principal or interest payment made to a Holder is for any reason returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this Agreement and (ii) notwithstanding any provision hereof permitting fees, expenses, indemnities or other amounts to be paid from the assets of any Pool.

**Section 3.10. Subrogation.** With respect to each Pool, the Guarantor shall be subrogated to all the rights, interests, remedies, powers and privileges of each related Holder in respect of any Mortgage included in such Pool on which it has made guarantee payments of principal and/or interest to the extent of such payments. Nothing in this Section shall impair the Guarantor's right to receive distributions in its capacity as Holder, if it is a Holder of any Securities.

**Section 3.11. Termination Upon Final Payment.** Each Pool is irrevocable and will terminate only in accordance with the terms of this Agreement. Except as provided in Sections 3.05(e), 6.06 and 7.01, with respect to each Pool, Freddie Mac's and the Trustee's obligations and responsibilities under this Agreement shall terminate as to a Pool and its Holders upon (i) the full payment to such Holders of all principal and interest due to the Holders based on the Pool Factors or by reason of the Guarantor's guarantees or (ii) the payment to the Holder of all amounts held by Freddie Mac and the Trustee, respectively, and required to be paid hereunder; *provided, however*, that in no event shall any Pool created hereby continue beyond the expiration of 21 years from the death of the survivor of the descendants of Joseph P. Kennedy, the late ambassador of the United States to the Court of St. James's, living on the date hereof.

**Section 3.12. Effect of Final Payment Date.** The actual final payment on a Security may occur prior to the Payment Date specified in Section 3.09(a)(ii) due to prepayments of principal, including prepayments made in connection with the repurchase of any Mortgage from the related Pool.

**Section 3.13. Payment Error Corrections.** In the event of a principal or interest payment error, the Administrator, in its sole discretion, may effect corrections by the adjustment of payments to be made on future Payment Dates or in such other manner as it deems appropriate.

## ARTICLE IV

### UMBS and MBS

**Section 4.01. Form and Denominations.** With respect to each Pool, the principal balances, Coupons and other characteristics of the Securities to be issued shall be specified in the related Pool Supplement. Delivery of the Securities of a Pool shall constitute the issuance of the Securities for that Pool. Securities shall be issued, held and transferable only on the book-entry system of the Federal Reserve Banks in minimum original principal amounts of \$1,000 and additional increments of \$1. Securities shall at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules. A Federal Reserve Bank will maintain a book-entry recordkeeping system for all transactions in Securities with respect to Holders.

**Section 4.02. Transfer of Securities.** Securities may be transferred only in minimum original principal amounts of \$1,000 and additional increments of \$1. Securities may not be transferred if, as a



result of the transfer, the transferor or the new Holder would have on deposit in its account Securities of the same issue with an original principal amount of less than \$1,000. The transfer, exchange or pledge of Securities shall be governed by the fiscal agency agreement between Freddie Mac and a Federal Reserve Bank, the Book-Entry Rules and such other procedures as shall be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. A Federal Reserve Bank shall act only upon the instructions of the Holder in recording transfers of a Security. A charge may be made for any transfer of a Security and shall be made for any tax or other governmental charge imposed in connection with a transfer of a Security. Freddie Mac hereby assigns to the Administrator, on behalf of the Trustee, Freddie Mac's rights under each fiscal agency agreement with respect to Securities issued by any Pool.

**Section 4.03. Record Date.** The Record Date for each Payment Date shall be the close of business on the last day of the preceding month. A Holder of a Security on the books and records of a Federal Reserve Bank on the Record Date shall be entitled to payment of principal and interest on the related Payment Date. A transfer of a Security made on or before the Record Date in a month shall be recognized as effective as of the first day of such month.

## ARTICLE V

### Remedies

**Section 5.01. Events of Default.** With respect to each Pool, an "Event of Default" means any one of the following events:

(a) Default by the Guarantor or the Administrator in the payment of interest or principal to the related Holders as and when the same shall become due and payable as provided in this Agreement, and the continuance of such default for a period of 30 days.

(b) Failure by the Guarantor or the Administrator to observe or perform any other covenants of this Agreement relating to their respective obligations, and the continuance of such failure for a period of 60 days after the date of receipt by such party of written notice of such failure and a demand for remedy by the affected Holders representing not less than 65 percent of the remaining principal balance of any affected Pool.

(c) The entry by any court having jurisdiction over the Guarantor or the Administrator of a decree or order for relief in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of their respective properties, or for the winding up or liquidation of their respective affairs, if such decree or order remains unstayed and in effect for a period of 60 consecutive days.

(d) Commencement by the Guarantor or the Administrator of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent by the Guarantor or the Administrator to the entry of an order for relief in an involuntary case under any such law, or its consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of their respective properties, or any general assignment made by the Guarantor or the Administrator for the benefit of creditors, or failure by the Guarantor or the Administrator generally to pay their debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over the Guarantor or the Administrator, whether or not such party consents to such appointment, shall not constitute an Event of Default.

### **Section 5.02. Remedies.**

(a) If an Event of Default occurs and is continuing with respect to a Pool, the Holders of Securities representing a majority of the remaining principal balance of such Pool may, by written notice to Freddie Mac, remove Freddie Mac as Administrator and nominate its successor under this Agreement with respect to such Pool. The nominee shall be deemed appointed as Freddie Mac's successor as Administrator unless Freddie Mac objects within 10 days after such nomination. Upon such objection:

(i) The Administrator may petition any court of competent jurisdiction for the appointment of its successor; or

(ii) Any bona fide Holder that has been a Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of the Administrator's successor.

(b) If a successor Administrator is appointed, the Administrator shall submit to its successor a complete written report and accounting of the Mortgages in the affected Pool and shall take all other steps necessary or desirable to transfer its interest in and administration of such Pool to its successor.

(c) Subject to the Freddie Mac Act, a successor may take any action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to the designation of a successor, the Holders of Securities representing a majority of the remaining principal balance of any affected Pool may waive any past or current Event of Default.

(d) Appointment of a successor shall not relieve Freddie Mac, in its capacity as Guarantor, of its guarantee obligations as set forth in this Agreement.

### **Section 5.03. Limitation on Suits by Holders.**

(a) With respect to any Pool, except as provided in Section 5.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise or seek any other remedy whatsoever against Freddie Mac or the Trustee with respect to this Agreement or the related Securities or Mortgages, unless:

(i) Such Holder previously has given the Trustee written notice of an Event of Default and the continuance thereof;

(ii) The Holders of Securities representing a majority of the remaining principal balance of any affected Pool have made a written request to the Trustee to institute an action or proceeding in its own name and have offered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred;

(iii) The Trustee has failed to institute any such action or proceeding for 60 days after its receipt of the written notice, request and offer of indemnity described above; and

(iv) The Trustee has not received from such Holders any direction inconsistent with the written request described above during the 60-day period.

(b) No Holder shall have any right under this Agreement to prejudice the rights of any other Holder, to obtain or seek preference or priority over any other Holder or to enforce any right under this Agreement, except for the ratable and common benefit of all Holders of Securities representing interests in any affected Pool.

(c) For the protection and enforcement of the provisions of this Section, Freddie Mac, the Trustee and each and every Holder shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing, no Holder's right to receive payment (or to institute suit to enforce payment) of principal and interest as provided herein on or after the due date of such payment shall be impaired or affected without the consent of the Holder.

## ARTICLE VI

### Trustee

#### Section 6.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing with respect to a Pool, the Trustee shall exercise the rights and powers vested in it by this Agreement and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee.

(c) The Trustee and its directors, officers, employees and agents may not be protected from liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of reckless disregard of obligations and duties under this Agreement, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any action taken, or not taken, by the Trustee in good faith pursuant to this Agreement or for errors in judgment; and

(iii) the Trustee shall not be required to take notice or be deemed to have notice or knowledge of any default or Event of Default, unless the Trustee obtains actual knowledge or written notice of such default or Event of Default. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that there is no default or Event of Default.

(d) Every provision of this Agreement shall be subject to the provisions of this Section and Section 6.02.

(e) The Trustee shall not be liable for indebtedness evidenced by or arising under this Agreement, including principal of or interest on the Securities, or interest on any money received by it except as the Trustee may agree in writing.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law or the terms of this Agreement.

(g) No provision of this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) The Trustee, or the Administrator on its behalf, may, but shall not be obligated to, undertake any legal action that it deems necessary or desirable in the interest of Holders. The Trustee, or the Administrator on its behalf, may be reimbursed for the legal expenses and costs of such action from the assets of the related Pool.

**Section 6.02. Certain Matters Affecting the Trustee.**

(a) The Trustee, and any director, officer, employee or agent of the Trustee, may rely in good faith on any certificate, opinion or other document of any kind which, prima facie, is properly executed and submitted by any appropriate Person respecting any matters arising hereunder. The Trustee may rely on any such documents believed by it to be genuine and to have been signed or presented by the proper Person and on their face conforming to the requirements of this Agreement. The Trustee need not investigate any fact or matter stated in such documents.

(b) Before the Trustee acts or refrains from acting, it may require an officer's certificate or an opinion of counsel, which shall not be at the expense of the Trustee. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an officer's certificate or opinion of counsel. The right of the Trustee to perform any discretionary act enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its willful misfeasance, bad faith or gross negligence in the performance of such act.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, that the Trustee's conduct does not constitute willful misfeasance, bad faith or gross negligence. In no event shall the Trustee have any liability for consequential damages.

(e) The Trustee may consult with and rely on the advice of counsel, accountants and other advisors and shall not be liable for errors in judgment or for anything it does or does not do in good faith if it so relies. Any opinion of counsel with respect to legal matters relating to this Agreement and the Securities shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with any opinion of such counsel.

(f) Any fees, expenses and indemnities payable from the assets of any Pool to Freddie Mac, in its capacity as Trustee, in the performance of its duties and obligations hereunder shall not affect Freddie Mac's guarantee with respect to that Pool, as set forth in Section 3.09.

**Section 6.03. Trustee's Disclaimer.** The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Agreement, the assets of any Pool or the Securities.

**Section 6.04. Trustee May Own Securities.** Subject to Section 7.06, the Trustee in its individual or any other capacity may become the owner or pledgee of Securities with the same rights as it would have if it were not the Trustee.

**Section 6.05. Indemnity.** Each Pool shall indemnify the Trustee and the Trustee's employees, directors, officers and agents, as provided in this Agreement, against any and all claims, losses, liabilities or expenses (including attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties under this Agreement (to the extent not previously reimbursed above), including, without limitation, the execution and filing of any federal or state tax returns and information returns and being the mortgagee of record with respect to the related Mortgages. The Trustee shall notify the

Administrator promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Administrator shall not relieve the related Pool of its obligations hereunder. A Pool shall not be required to reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misfeasance, bad faith or gross negligence.

The Trustee's rights pursuant to this Section shall survive the discharge of this Agreement.

**Section 6.06. Replacement of Trustee.** The Trustee may resign at any time. Any successor Trustee shall resign if it ceases to be eligible in accordance with the provisions of Section 6.09. In either case, the resignation of the Trustee shall become effective, and the resigning Trustee shall be discharged from its obligations with respect to the Pools created under this Agreement, by giving 90 days' written notice of the resignation to the Depositor, the Guarantor and the Administrator and upon the effectiveness of an appointment of a successor Trustee, which may be as of a date prior to the end of the 90-day period. Upon receiving such notice of resignation, the Depositor shall promptly appoint one or more successor Trustees by written instrument, one copy of which is delivered to the resigning Trustee and one copy of which is delivered to the successor Trustee. The successor Trustee need not be the same Person for all Pools. If no successor Trustee has been appointed for a Pool, or one that has been appointed has not accepted the appointment within 90 days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Prior to an Event of Default, or if an Event of Default has occurred and has been cured with respect to a Pool, Freddie Mac cannot be removed as Trustee with respect to that Pool. If an Event of Default has occurred and is continuing while Freddie Mac is the Trustee, at the direction of Holders of Securities representing a majority of the remaining principal balance of such Pool, Freddie Mac shall resign or be removed as Trustee, and to the extent permitted by law, all of the rights and obligations of the Trustee with respect to the related Pool only, will be terminated by notifying the Trustee in writing. Holders of Securities representing a majority of the remaining principal balance of the Pool will then be authorized to name and appoint one or more successor Trustees. Notwithstanding the termination of the Trustee, its liability under this Agreement and arising prior to such termination shall survive such termination.

If a successor Trustee is serving as the Trustee, the following events are "Trustee Events of Default" with respect to a Pool:

- (i) the Trustee fails to comply with Section 6.09;
- (ii) the Trustee is adjudged bankrupt or insolvent;
- (iii) a receiver or other public officer takes charge of the Trustee or its property; or
- (iv) the Trustee otherwise becomes incapable of acting.

If at any time a Trustee Event of Default has occurred and is continuing, the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) may, and if directed by Holders of Securities representing a majority of the remaining principal balance of such Pool, shall, remove the Trustee as to such Pool and appoint a successor Trustee by written instrument, one copy of which shall be delivered to the Trustee so removed and one copy of which shall be delivered to the successor Trustee, and the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) shall give written notice of the successor Trustee to the Holders affected by the succession. Notwithstanding the termination of the Trustee, its liability under this Agreement arising prior to such termination will survive such termination.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Depositor shall promptly appoint a successor Trustee that satisfies the eligibility requirements of Section 6.09.

The retiring Trustee agrees to cooperate with the Depositor and any successor Trustee in effecting the termination of the retiring Trustee's responsibilities and rights hereunder and shall promptly provide such successor Trustee all documents and records reasonably requested by it to enable it to assume the Trustee's functions hereunder.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Depositor, the Guarantor and the Administrator. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Agreement with respect to such Pool. The successor Trustee shall mail a notice of its succession to the related Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Depositor may petition any court of competent jurisdiction for the appointment of a successor Trustee.

**Section 6.07. Successor Trustee By Merger.** If a successor Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee; provided, that such corporation or banking association shall be otherwise qualified and eligible under Section 6.09.

**Section 6.08. Appointment of Co-Trustee or Separate Trustee.**

(a) Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of a Pool may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of such Pool and to vest in such Person or Persons, in such capacity and for the benefit of the related Holders, such title to such Pool, or any part thereof, and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.09 and no notice to the related Holders of the appointment of any co-trustee or separate trustee shall be required under Section 6.06 hereof.

(b) With respect to each Pool, every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the related Pool or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

**Section 6.09. Eligibility; Disqualification.** Freddie Mac is eligible to act as the Trustee and is initially the Trustee for the Pools created under this Agreement. Any successor to Freddie Mac (i) at the time of its appointment as Trustee, must be reasonably acceptable to Freddie Mac and (ii) must be organized as a corporation or association doing business under the laws of the United States or any State thereof, be authorized under such laws to exercise corporate trust powers, have combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state financial regulatory authorities. If any successor Trustee shall cease to satisfy the eligibility requirements set forth in (ii) above, that successor Trustee shall resign immediately in the manner and with the effect specified in Section 6.06.

## ARTICLE VII

### Miscellaneous Provisions

**Section 7.01. Annual Statements.** Within a reasonable time after the end of each calendar year, the Administrator (or its agent) shall furnish to each Holder on any Record Date during such year information that the Administrator deems necessary or desirable to enable Holders and beneficial owners of Securities to prepare their United States federal income tax returns, if applicable.

**Section 7.02. Limitations on Liability.** Neither Freddie Mac, in its corporate capacity, nor any of its directors, officers, employees, authorized designees, representatives or agents (“related persons”) shall be liable to Holders for any action taken, or not taken, by them or by a servicer in good faith pursuant to this Agreement or for errors in judgment. This provision shall not protect Freddie Mac or any related person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement. In no event shall Freddie Mac or any related person be liable for any consequential damages. Freddie Mac and any related person may rely in good faith on any document or other communication of any kind properly executed and submitted by any Person with respect to any matter arising under this Agreement. Freddie Mac has no obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service or supervise the servicing of the Mortgages in

accordance with this Agreement and which in its opinion may involve any expense or liability for Freddie Mac. Freddie Mac may, in its discretion, undertake or participate in any action it deems necessary or desirable with respect to any Mortgage, this Agreement, the Securities or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any resulting liability shall be expenses for the protection, preservation and maintenance of the Mortgages borne pro rata by Freddie Mac and Holders as provided in Section 3.08(b).

**Section 7.03. Limitation on Rights of Holders.** The death or incapacity of any Person having an interest in a Security shall not terminate this Agreement or any Pool. Such death or incapacity shall not entitle the legal representatives or heirs of such Person, or any Holder for such Person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of the related Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

**Section 7.04. Control by Holders.** With respect to any Pool, except as otherwise provided in Articles V and VI and Sections 7.05 and 7.06, no Holder shall have any right to vote or to otherwise control in any manner the operation and management of the Mortgages included in such Pool, or the obligations of the parties hereto. This Agreement shall not be construed so as to make the Holders from time to time partners or members of an association. Holders shall not be liable to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

**Section 7.05. Amendment.**

(a) Freddie Mac and the Trustee may amend this Agreement (including any related Pool Supplement) from time to time without the consent of any Holders to (i) cure any ambiguity or correct or supplement any provision in this Agreement, *provided, however*, that any such amendment shall not have a material adverse effect on any Holder; (ii) maintain the classification of any Pool as a grantor trust for federal income tax purposes, as it may then be in effect, or, in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments on all or a portion of the assets comprising any Pool, to maintain the REMIC status of any assets with respect to which such REMIC election is made; or (iii) avoid the imposition of any state or federal tax on a Pool.

(b) Except as provided in Section 7.05(c), Freddie Mac and the Trustee may amend this Agreement as to any Pool, with the consent of Holders representing not less than a majority of the remaining principal balance of the affected Pool.

(c) Freddie Mac and the Trustee may not amend this Agreement, without the consent of a Holder, if such amendment would impair or affect the right of such Holder to receive payment of principal and interest on or after the due date of such payment or to institute suit for the enforcement of any such payment on or after such date.

(d) To the extent that any provisions of this Agreement differ from the provisions of any UMBS and MBS Master Trust Agreement dated prior to the date of this Agreement, this Agreement shall be deemed to amend such provisions of the prior agreement, but only to the extent that Freddie Mac, under the terms of such prior agreement, could have effected such change as an amendment of such prior agreement without the consent of Holders of Securities thereunder.

(e) Notwithstanding any other provision of this Section, (i) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to reflect any modification in the Administrator's methodology of calculating payments to Holders, including any modifications described in Section 3.05(d) and Section 3.06(a) and the manner in which it distributes prepayments to Holders, (ii) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to cure any inconsistency between this Agreement and the provisions of the Guide and (iii) the Depositor (in its own discretion and in its own



interest) and the Trustee (at the Administrator's direction) may amend any Pool Supplement to make the adjustments described in Section 1.02(b) to the characteristics of the Mortgages to be transferred to a Pool or to the related Securities.

**Section 7.06. Voting Rights.** If Freddie Mac is acting as Administrator or Trustee and an Event of Default has occurred and is continuing, any Securities held by Freddie Mac for its own account shall be disregarded and deemed not to be outstanding for purposes of exercising the remedies set forth in Section 5.02 and the second paragraph of Section 6.06.

**Section 7.07. Persons Deemed Owners.** With respect to each Pool, Freddie Mac, the Trustee, the Administrator and a Federal Reserve Bank (or any agent of any of them) may deem and treat the related Holder(s) as the absolute owner(s) of a Security and the undivided beneficial ownership interests in the Mortgages included in the related Pool for the purpose of receiving payments and for all other purposes, and none of Freddie Mac, the Trustee, the Administrator or a Federal Reserve Bank (nor any agent of any of them) shall be affected by any notice to the contrary. All payments made to a Holder, or upon such Holder's order, shall be valid, and, to the extent of the payment, shall satisfy and discharge the related Pool's payment obligations with respect to the Holder's Security. None of Freddie Mac, the Trustee, the Administrator or any Federal Reserve Bank shall have any direct obligation to any beneficial owner unless it is also the Holder of a Security.

**Section 7.08. Governing Law.** THIS AGREEMENT AND THE PARTIES' RIGHTS AND OBLIGATIONS WITH RESPECT TO SECURITIES SHALL BE GOVERNED BY THE LAWS OF THE UNITED STATES. INsofar AS THERE MAY BE NO APPLICABLE PRECEDENT, AND INsofar AS TO DO SO WOULD NOT FRUSTRATE THE PURPOSES OF THE FREDDIE MAC ACT OR ANY PROVISION OF THIS AGREEMENT OR THE TRANSACTIONS GOVERNED HEREBY, THE LOCAL LAWS OF THE STATE OF NEW YORK SHALL BE DEEMED REFLECTIVE OF THE LAWS OF THE UNITED STATES.

**Section 7.09. Grantor Trust and REMIC Status.** No provision in this Agreement shall be construed to grant Freddie Mac, the Trustee or any other Person authority to act in any manner which (i) would cause a Pool not to be treated as a grantor trust for federal income tax purposes, or (ii) in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments on all or a portion of the assets comprising any Pool, would affect the status of such assets as a REMIC for federal income tax purposes.

**Section 7.10. Payments Due on Non-Business Days.** If the date fixed for any payment on any Security is a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day, with the same force and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

**Section 7.11. Successors.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, including any successor by operation of law, and permitted assigns.

**Section 7.12. Headings.** The headings in this Agreement are for convenience only and shall not affect the construction of this Agreement.

**Section 7.13. Notice and Demand.**

(a) Any notice, demand or other communication required or permitted under this Agreement to be given to or served upon any Holder may be given or served (i) in writing by deposit in the United States mail, postage prepaid, and addressed to such Holder as such Holder's name and address may appear on the books and records of a Federal Reserve Bank or (ii) by transmission to such Holder through the communication system of the Federal Reserve Banks. Any notice, demand or other communication to or

upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

(b) Any notice, demand or other communication which is required or permitted to be given to or served under this Agreement may be given in writing addressed as follows (i) in the case of Freddie Mac in its corporate capacity, to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Executive Vice President — General Counsel and Secretary and (ii) in the case of the Trustee, to: Freddie Mac (as Trustee), 1551 Park Run Drive, McLean, Virginia 22102, Attention: Office of Trustee; email: Freddie\_Mac\_Trustee@freddiemac.com, with a copy to the Executive Vice President – General Counsel and Secretary at the address set forth in clause (i). Such notice, demand or other communication to or upon Freddie Mac or the Trustee shall be deemed to have been sufficiently given or made only upon actual receipt of the writing.

(c) Any notice, demand or other communication to or upon Freddie Mac or the Trustee shall be deemed to have been sufficiently given or made only upon its actual receipt of the writing.

**Section 7.14. Counterparts.** This Agreement may be executed in any number of counterparts, each of which counterpart shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Agreement.

THE SALE OF A SECURITY AND RECEIPT AND ACCEPTANCE OF A SECURITY BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT (INCLUDING THE RELATED POOL SUPPLEMENT) AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE.

FEDERAL HOME LOAN MORTGAGE CORPORATION,  
as Trustee

/s/ John J. Kelly  
Authorized Signatory

FEDERAL HOME LOAN MORTGAGE CORPORATION,  
in its corporate capacity as Depositor, Administrator  
and Guarantor

/s/ Mark D. Hanson  
Authorized Signatory

**2022 EXECUTIVE MANAGEMENT COMPENSATION PROGRAM (“2022 EMCP”)  
Program Document  
Effective January 1, 2022**

<b>Covered Positions</b>	A “Covered Officer” is any Freddie Mac <sup>1</sup> officer at the Senior Vice President (“SVP”) level and above other than the Chief Executive Officer (“CEO”).
<b>Covered Position Participation Requirement</b>	Participation in the 2022 EMCP is conditioned on the Covered Officer’s agreement to the terms and conditions set forth herein and in the EMCP Recapture and Forfeiture Agreement (“Recapture Agreement”). <u>A Covered Officer who does not agree to the terms of both the 2022 EMCP and the Recapture Agreement will receive only Base Salary.</u> The terms and conditions set forth in the Recapture Agreement are incorporated in and made a part of this 2022 EMCP. However, a Covered Officer who previously signed the 2020 EMCP will not have to sign the 2022 EMCP and this is being provided for information regarding updates.
<b>Target Total Direct Compensation<sup>2</sup></b>	A Covered Officer’s target total direct compensation (“Target TDC”) is the sum of Base Salary and Deferred Salary, each of which is paid in cash.
<b>Base Salary</b>	Base Salary is earned and paid on the company’s standard payroll cycle and cannot exceed \$600,000 without Federal Housing Finance Agency (“FHFA”) approval.
<b>Deferred Salary</b>	<p>The portion of Target TDC not paid in Base Salary is Deferred Salary, which is earned on the company’s standard payroll cycle. The amount earned in each quarter, plus interest earned on that amount as described below under “Interest on Deferred Salary,” will be paid in cash according to the “Approved Payment Schedule”. Deferred Salary consists of the following two elements:</p> <p><i>At-Risk Deferred Salary</i> – At-Risk Deferred Salary shall be equal to 30% of the Covered Officer’s Target TDC. The amount of At-Risk Deferred Salary earned in a calendar year is subject to reduction based on corporate and individual performance as follows:</p> <ul style="list-style-type: none"> <li>• One-half of At-Risk Deferred Salary (or 15% of Target TDC) is subject to reduction based on an assessment by FHFA of performance against Conservatorship Scorecard objectives relevant for the calendar year in which the At-Risk Deferred Salary is earned.<sup>3</sup> The reduction can range from 0% (no reduction) to 100% (the maximum reduction).</li> <li>• One-half of At-Risk Deferred Salary (or 15% of Target TDC) is subject to reduction based on the Covered Officer’s performance against individual objectives and an assessment of the company’s performance against Corporate Scorecard objectives, each relevant to the calendar year in which the At-Risk Deferred Salary is earned. The total reduction can range from 0% (no reduction) to 100% (the maximum reduction).</li> </ul> <p>A Covered Officer’s performance during the calendar year will be assessed by the CEO, in his/her sole discretion, pursuant to the performance assessment and reduction process in effect for such year.</p>

<sup>1</sup> For purposes of this Program Document, Freddie Mac refers to the Federal Home Loan Mortgage Corporation and any of its wholly-owned subsidiaries.

<sup>2</sup> Initially expressed as an annual rate. Amount will be prorated, as appropriate, to reflect date of hire, promotion into a Covered Position, date of termination, or other adjustment to Target TDC.

<sup>3</sup> For the Covered Officer leading the Internal Audit function, the reduction will be based on the appropriate Board committee’s and FHFA’s assessment of performance against the Internal Audit Scorecard objectives.

2022 Executive Management Compensation Program

<p><b>Deferred Salary (continued)</b></p>	<p>At-Risk Deferred Salary payments for Covered Officers are subject to review and approval by the Committee and FHFA, as appropriate.</p> <p><u>Fixed Deferred Salary</u> – Fixed Deferred Salary shall be equal to the Covered Officer’s Target TDC less Base Salary and less At-Risk Deferred Salary and is not subject to reduction based on either corporate or individual performance.</p> <p>Payment of both At-Risk and Fixed Deferred Salary is also subject, if applicable, to the “Treatment Upon Termination” provisions set forth below.</p>
<p><b>Deferred Salary Approved Payment Schedule</b></p>	<p><u>At-Risk Deferred Salary</u> – For Covered Officers hired on or after January 1, 2020, At-Risk Deferred Salary earned in each quarter will be paid on the last regular pay date in the corresponding quarter of the second calendar year following the quarter in which it was earned.</p> <p>For Covered Officers hired prior to January 1, 2020:</p> <ul style="list-style-type: none"><li>• At-Risk Deferred Salary earned in each quarter prior to January 1, 2022, will be paid on the last regular pay date in the corresponding quarter of the following calendar year.</li><li>• At-Risk Deferred Salary earned in each quarter during 2022, one-half will be paid on the last regular pay date in the corresponding quarter of the following calendar year and one-half will be paid on the last regular pay date in the corresponding quarter of the second calendar year.</li><li>• At-Risk Deferred Salary earned in each quarter beginning January 1, 2023 or, will be paid on the last regular pay date in the corresponding quarter of the second calendar year following the quarter in which it was earned.</li></ul> <p><u>Fixed Deferred Salary</u> – Fixed Deferred Salary earned in each quarter will be paid on the last regular pay date within the corresponding quarter of the following calendar year.</p>
<p><b>Interest on Deferred Salary</b></p>	<p>Interest will be credited on the amount of a Covered Officer’s At-Risk and Fixed Deferred Salary earned during each calendar quarter. The interest rate used is one-half the one-year Treasury Bill rate in effect on the last business day immediately preceding the year in which Deferred Salary is earned. The amount on which interest is accrued will take into account any reduction for corporate and/or individual performance applicable to a Covered Officer’s At-Risk Deferred Salary and any reduction applicable to a Covered Officer’s Fixed Deferred Salary resulting from certain terminations of employment as described in “Treatment Upon Termination: Fixed Deferred Salary.” Interest is earned from the first day of the calendar quarter following the quarter during which the Deferred Salary is earned through the payment date under the Approved Payment Schedule or, in the event of death, the actual payment date.</p> <p>The amount of interest payable with respect to a Covered Officer’s Deferred Salary will be determined as of the payment date and will be paid at the same time as the Deferred Salary to which it relates. If Deferred Salary is forfeited or recaptured for any of the reasons described in the Recapture Agreement, the related interest will also be forfeited or recaptured.</p>

<p><b>Impact on Retirement, Executive, and Welfare Plans</b></p>	<p>The treatment of Base Salary and Deferred Salary as compensation for purposes of Freddie Mac's retirement and welfare benefit plans is governed by the actual terms of those plans. The table below summarizes whether the Base Salary and Deferred Salary a Covered Officer receives while an active employee are treated as compensation for purposes of the following Freddie Mac retirement and welfare benefit plans. Freddie Mac retains the right to amend, revise or discontinue any of the retirement and welfare benefit plans and the terms of each plan will prevail in the event that there is any conflict between those terms and the table below.</p>
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<p><b>Impact on Retirement, Executive, and Welfare Plans (continued)</b></p>	<table border="1" data-bbox="630 533 1523 1087"> <thead> <tr> <th data-bbox="630 533 1101 642">Freddie Mac's Retirement and Welfare Benefit Plans</th> <th data-bbox="1101 533 1318 642">Base Salary Considered Compensation?</th> <th data-bbox="1318 533 1523 642">Deferred Salary Considered Compensation?</th> </tr> </thead> <tbody> <tr> <td data-bbox="630 642 1101 688">Tax-Qualified Thrift/401(k)</td> <td data-bbox="1101 642 1318 688">Yes</td> <td data-bbox="1318 642 1523 688">Yes</td> </tr> <tr> <td data-bbox="630 688 1101 764">Non-Qualified Thrift/401(k) Supplemental Executive Retirement Plan (SERP)<sup>4</sup></td> <td data-bbox="1101 688 1318 764">Yes</td> <td data-bbox="1318 688 1523 764">Yes</td> </tr> <tr> <td data-bbox="630 764 1101 810">Group Term Life Insurance</td> <td data-bbox="1101 764 1318 810">Yes</td> <td data-bbox="1318 764 1523 810">No</td> </tr> <tr> <td data-bbox="630 810 1101 856">Group Universal Life Insurance</td> <td data-bbox="1101 810 1318 856">Yes</td> <td data-bbox="1318 810 1523 856">No</td> </tr> <tr> <td data-bbox="630 856 1101 903">Long-Term Disability Plan</td> <td data-bbox="1101 856 1318 903">Yes</td> <td data-bbox="1318 856 1523 903">No</td> </tr> <tr> <td data-bbox="630 903 1101 949">Accidental Death and Personal Loss Insurance</td> <td data-bbox="1101 903 1318 949">Yes</td> <td data-bbox="1318 903 1523 949">No</td> </tr> <tr> <td data-bbox="630 949 1101 995">Business Travel Accident Insurance</td> <td data-bbox="1101 949 1318 995">Yes</td> <td data-bbox="1318 949 1523 995">No</td> </tr> <tr> <td data-bbox="630 995 1101 1041">Worker's Compensation</td> <td data-bbox="1101 995 1318 1041">Yes</td> <td data-bbox="1318 995 1523 1041">No</td> </tr> <tr> <td data-bbox="630 1041 1101 1087">Purchase/Payout of Vacation</td> <td data-bbox="1101 1041 1318 1087">Yes</td> <td data-bbox="1318 1041 1523 1087">No</td> </tr> </tbody> </table> <p data-bbox="560 1129 1594 1234">Interest earned on Deferred Salary, as well as any Base Salary or Deferred Salary a Covered Officer receives after termination of employment are not treated as compensation for purposes of any Freddie Mac retirement or welfare benefit plan.</p>	Freddie Mac's Retirement and Welfare Benefit Plans	Base Salary Considered Compensation?	Deferred Salary Considered Compensation?	Tax-Qualified Thrift/401(k)	Yes	Yes	Non-Qualified Thrift/401(k) Supplemental Executive Retirement Plan (SERP) <sup>4</sup>	Yes	Yes	Group Term Life Insurance	Yes	No	Group Universal Life Insurance	Yes	No	Long-Term Disability Plan	Yes	No	Accidental Death and Personal Loss Insurance	Yes	No	Business Travel Accident Insurance	Yes	No	Worker's Compensation	Yes	No	Purchase/Payout of Vacation	Yes	No
Freddie Mac's Retirement and Welfare Benefit Plans	Base Salary Considered Compensation?	Deferred Salary Considered Compensation?																													
Tax-Qualified Thrift/401(k)	Yes	Yes																													
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Business Travel Accident Insurance	Yes	No																													
Worker's Compensation	Yes	No																													
Purchase/Payout of Vacation	Yes	No																													
<p><b>Treatment Upon Termination: Base Salary</b></p>	<p>Base Salary will cease upon termination of employment, regardless of the reason for such termination.</p>																														

<sup>4</sup> Compensation for purposes of the Non-Qualified Thrift/401(k) SERP may not exceed two times a Covered Officer's Base Salary.

<p><b><i>Treatment Upon Termination: At-Risk Deferred Salary</i></b></p>	<p>The timing and payment of any unpaid portion of At-Risk Deferred Salary is based on the reason for termination of employment, as follows:</p> <ul style="list-style-type: none"> <li>• <i>Forfeiture Event</i> – All earned but unpaid At-Risk Deferred Salary and related interest is subject to forfeiture if a Covered Officer is terminated due to the occurrence of an event or conduct described in the Recapture Agreement;</li> <li>• <i>Death</i> - All earned but unpaid At-Risk Deferred Salary and related interest is paid as soon as administratively possible, but not later than 90 calendar days after the date of death, subject to the terms and conditions of the Recapture Agreement; and</li> <li>• <i>Any Other Reason</i><sup>5</sup> – All earned but unpaid At-Risk Deferred Salary and related interest is paid in accordance with the Approved Payment Schedule, subject to the terms and conditions of the Recapture Agreement.</li> </ul> <p>Payment of earned but unpaid At-Risk Deferred Salary and related interest following a termination of employment shall be subject to the performance assessment and reduction process. The performance assessment and reduction process for At-Risk Deferred Salary is waived, however, in cases of death or Long-Term Disability (as defined in the Long-Term Disability Plan in effect on the date of termination) if the process is not complete as of the termination date.</p>
<p><b><i>Treatment Upon Termination: Fixed Deferred Salary</i></b></p>	<p>The timing and payment of any unpaid portion of Fixed Deferred Salary is based on the reason for termination of employment, as follows:</p> <ul style="list-style-type: none"> <li>• <i>Forfeiture Event</i> – All earned but unpaid Fixed Deferred Salary and related interest is subject to forfeiture if a Covered Officer is terminated due to the occurrence of an event or conduct described in the Recapture Agreement;</li> <li>• <i>Death</i> - All earned but unpaid Fixed Deferred Salary and related interest is paid in full as soon as administratively possible, but not later than 90 calendar days after the date of death, subject to the terms and conditions of the Recapture Agreement; and</li> <li>• <i>Any Other Reason</i><sup>5</sup> – All earned but unpaid Fixed Deferred Salary and related interest is paid in accordance with the Approved Payment Schedule, subject to the terms and conditions of the Recapture Agreement.</li> </ul> <p>A Covered Officer’s earned but unpaid Fixed Deferred Salary will be reduced by 2% for each full or partial month by which the termination precedes January 31 of the second calendar year following the calendar year in which the Fixed Deferred Salary is earned.</p> <p>This reduction will not be applied in cases of death, Long-Term Disability, a severance-eligible termination, as defined in the severance plan applicable to Covered Officers who are not executive officers, or retirement. A Covered Officer is considered to have retired when s/he voluntarily terminates employment after attaining or exceeding 62 years of age, regardless of length of service, or attaining or exceeding 55 years of age with 10 or more years of continuous service.</p>

<sup>5</sup> Any Other Reason includes, but is not limited to, voluntary terminations, retirement, Long-Term Disability, and involuntary termination for any reason other than a Forfeiture Event.

**2022 Executive Management Compensation Program**

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<p><b><i>Reservation of Rights and Applicable Law</i></b></p>	<p>Each Covered Officer’s employment with Freddie Mac is “at-will,” meaning that either the Covered Officer or Freddie Mac may terminate such employment at any time with or without cause or notice. Nothing in this Program Document or any other document referred to or incorporated by reference herein shall be held or construed to change the at-will nature of any Covered Officer’s employment with Freddie Mac.</p> <p>Nothing in this Program Document is intended or shall be construed to abrogate FHFA’s authority to either: (i) modify or terminate any compensation plan or program (including the 2020 EMCP); or (ii) disapprove the actual payment of any form of compensation to be paid pursuant to the 2022 EMCP.</p> <p>FHFA retains the right to modify any of the terms and conditions of your employment, including the right to modify or rescind the terms and conditions of the 2020 EMCP as well as the actual payment of compensation to you pursuant thereto, without giving rise to liability on the part of Freddie Mac.</p> <p>The 2020 EMCP is subject to and shall be construed in accordance with: (i) any applicable law and any applicable regulation, guidance or interpretation of FHFA and/ or the United States Department of the Treasury; and (ii) the substantive laws of the Commonwealth of Virginia, excluding provisions of the Virginia law concerning choice-of-law that would result in the law of any state other than Virginia being applied.</p> <p>Payment of Deferred Salary under the 2020 EMCP is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986 (“Section 409A”), as amended, and, specifically, with the separation pay exemption and short-term deferral exemption of Section 409A, and shall in all respects be construed, interpreted, and administered in accordance with Section 409A. Notwithstanding anything in the 2020 EMCP to the contrary, payments may only be made pursuant to the 2020 EMCP upon an event and in a manner permitted by Section 409A or an applicable exemption. All payments to be made upon a termination of employment under this Program Document may only be made upon a “separation from service” under section 409A. If a Covered Officer is a “specified employee” (within the meaning of Section 409A(a)(2)(B)(i)) at the time of a separation from service, payments scheduled to be made during the six months following the separation from service shall, to the extent required by Section 409A, be deferred to and payable on the first day of the seventh month following the separation from service. Although the Corporation intends to administer the EMCP to prevent taxation under Code section 409A, the Corporation does not represent or warrant that the EMCP will comply with Code section 409A or any other provision of federal, state, local, or non-United States law. The Corporation, its affiliates, and their respective directors, officers, employees, and advisers will not be liable to any person for any tax, interest, or penalties that might be owed with respect to a benefit.</p>
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This 2022 EMCP will be in effect for 2022 and subsequent years unless and until amended or superseded. By signing below, I acknowledge that I understand and voluntarily agree to the terms of this 2022 EMCP:

\_\_\_\_\_  
Covered Officer’s Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title



**CERTIFICATION**  
**PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)**

I, Michael J. DeVito, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of the Federal Home Loan Mortgage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Michael J. DeVito

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Michael J. DeVito

Chief Executive Officer

**CERTIFICATION**  
**PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)**

I, Christian M. Lown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of the Federal Home Loan Mortgage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Christian M. Lown

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Christian M. Lown

Executive Vice President and Chief Financial Officer

**CERTIFICATION**  
**PURSUANT TO 18 U.S.C. SECTION 1350,**  
**AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. DeVito, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2022

/s/ Michael J. DeVito

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Michael J. DeVito

Chief Executive Officer

**CERTIFICATION**  
**PURSUANT TO 18 U.S.C. SECTION 1350,**  
**AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian M. Lown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
  
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2022

/s/ Christian M. Lown

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Christian M. Lown

Executive Vice President and Chief Financial Officer