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 June 30, 2019

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 July 16, 2019, there were 650,059,033 shares of the registrant's common stock outstanding.

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MD&A TABLE INDEX

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 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 **Forward-Looking Statements** *and* **Risk Factors** *sections of this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2018, or 2018 Annual Report, and the* **Business** *section of our 2018 Annual Report.*

Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the **Glossary** *of our 2018 Annual Report.*

You should read the following **MD&A** *in conjunction with our 2018 Annual Report and our condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2019 included in* **Financial Statements**. *Throughout this Form 10-Q, we refer to the three months ended June 30, 2019, the three months ended March 31, 2019, the three months ended December 31, 2018, the three months ended September 30, 2018, and the three months ended June 30, 2018 as "2Q 2019," "1Q 2019," "4Q 2018," "3Q 2018," and "2Q 2018," respectively. We refer to the six months ended June 30, 2019 and the six months ended June 30, 2018 as "YTD 2019" and "YTD 2018," respectively.*

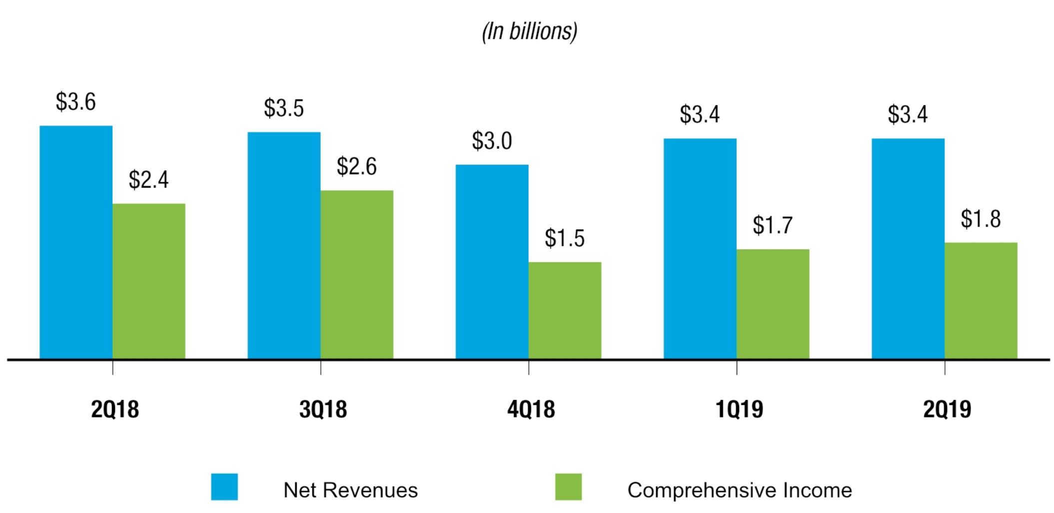
INTRODUCTION

Freddie Mac is a GSE chartered by Congress in 1970. Our public mission is to provide liquidity, stability, and affordability to the U.S. housing market. We do this primarily by purchasing residential mortgage loans originated by lenders. In most instances, we package these loans into mortgage-related securities, which are guaranteed by us and sold in the global capital markets. In addition, we transfer mortgage credit risk exposure to private 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 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 multifamily mortgage market. We have helped many distressed borrowers keep their homes or avoid foreclosure. We are working with FHFA, our customers, and the industry to build a better housing finance system for the nation.

Business Results

Consolidated Financial Results(1)



(1) Net revenues consist of net interest income, guarantee fee income, and other income (loss).

Comprehensive income for 2Q 2019 was $1.8 billion, driven by solid business revenues, strong credit quality, and continued guarantee portfolio growth.

- Comprehensive income decreased $0.6 billion, or 25%, from 2Q 2018, driven by lower net revenues due primarily to a decrease in other income as 2Q 2018 included a gain from a legal judgment, while 2Q 2019 did not include any significant settlements or judgments. In addition, net interest income was lower in 2Q 2019 due to lower amortization related to our guarantee portfolios and a decline in the balance of our mortgage-investments portfolio.
- Market-related items had minimal impact in 2Q 2019. Other non-interest income declined in 2Q 2019, primarily due to interest-rate related fair value losses on derivatives as long-term interest rates declined, largely offset by fair value gains on multifamily held-for-sale mortgage loans and commitments and gains on trading securities, as well as an increase in other comprehensive income due to interest-rate related fair value gains on available-for-sale securities.
- Benefit (provision) for credit losses remained relatively flat due to the strong credit performance of both our single-family and multifamily portfolios.

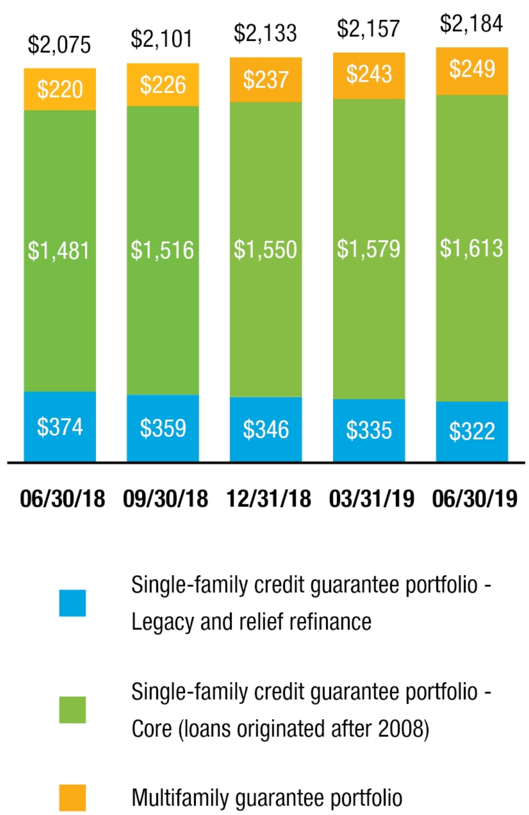
Our total equity was $4.8 billion at June 30, 2019. Based on the applicable Capital Reserve Amount of $3.0 billion, we will have a dividend requirement to Treasury in September 2019 of$1.8 billion.

Our cumulative senior preferred stock dividend payments totaled $119.7 billion as of June 30, 2019. Under the Purchase Agreement, the payment of dividends does not reduce the outstanding liquidation preference of the senior preferred stock, which remains at $75.6 billion. In addition, the amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

Portfolio Balances

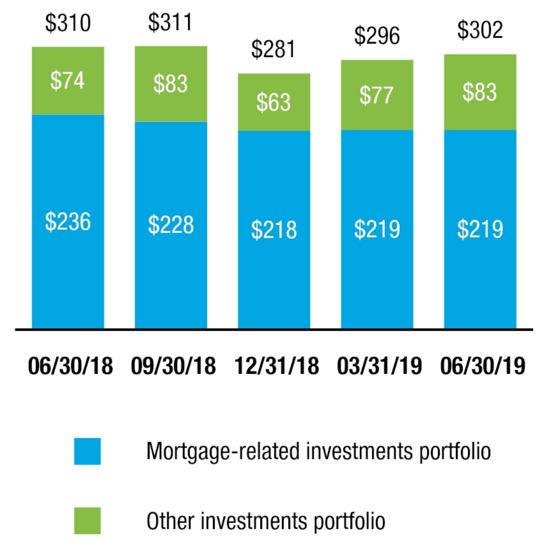
Guarantee Portfolios

(UPB in billions)



Investments Portfolios

(UPB in billions)



Total Guarantee Portfolio

- Our total guarantee portfolio grew $109 billion, or 5%, from June 30, 2018 to June 30, 2019, driven by a 4% increase in our single-family credit guarantee portfolio and a 13% increase in our multifamily guarantee portfolio.
  - The growth in our single-family credit guarantee portfolio was primarily driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation and our increased share of the single-family mortgage market. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
  - The growth in our multifamily guarantee portfolio was primarily driven by strong loan purchase and securitization activity. Continued strong demand for multifamily financing and healthy multifamily market fundamentals resulted in continued growth in overall multifamily mortgage debt outstanding.

Total Investments Portfolio

- Our total investments portfolio declined $8 billion, or 3%, from June 30, 2018 to June 30, 2019, primarily due to a reduction in the balance of our mortgage-related investments portfolio pursuant to the portfolio limits established by the Purchase Agreement and FHFA. In February 2019, FHFA directed us to maintain the mortgage-related investments portfolio at or below $225 billion at all times.

Common Securitization Platform and UMBS

On June 3, 2019, we, Fannie Mae, and FHFA announced the implementation of Release 2 of the CSP and the Single Security Initiative for Freddie Mac and Fannie Mae, under which we and Fannie Mae began issuing a single (common) security called the UMBS. The objective of the Single Security Initiative is to enhance the overall liquidity of Freddie Mac and Fannie Mae securities in the TBA market by supporting their fungibility without regard to which company is the issuer.

Release 2 added to the functionality of the CSP by, among other things, enabling commingling of Freddie Mac and Fannie Mae UMBS and other TBA-eligible mortgage securities in resecuritization transactions. The Securities Industry and Financial Markets Association ("SIFMA") also revised its good-delivery guidelines to permit UMBS TBA contracts to be settled by delivery of UMBS issued by either Freddie Mac or Fannie Mae.

In connection with these developments, we extended the payment delay for newly issued fixed-rate mortgage securities from 45 days to 55 days, and on June 3, 2019, we ceased issuing Gold PCs (which have a 45-day payment delay). We also updated our servicer reporting cycle to align with an industry standard monthly calendar cycle and adopted a single common remittance due date for principal and interest payments, excluding payoffs.

We are offering an optional program for security holders to exchange their existing eligible 45-day payment delay Gold PCs and Giant PCs for the corresponding new UMBS and other applicable 55-day payment delay Freddie Mac mortgage securities. As part of the exchange program, we pay exchanging security holders for the value of the 10 additional days of payment delay, based on "float compensation" rates we calculate. During the three months ended June 30, 2019, we issued $33.3 billion in UPB of newly issued UMBS and exchanged $136.1 billion in UPB of 45-day payment delay securities, including securities owned by Freddie Mac, for 55-day payment delay securities. Implementation of Release 2 of the CSP and the Single Security Initiative did not affect our ARM PC offerings.

As part of the June 3, 2019 implementation of Release 2, we entered into an agreement with Fannie Mae regarding the commingling of certain of our mortgage securities under the Single Security Initiative. This agreement provides that Freddie Mac and Fannie Mae will indemnify each other for materially inaccurate or misleading disclosure and for certain adverse events, such as failures to perform obligations as issuer, master servicer, trustee, and guarantor related to the mortgage securities. In May 2019, we entered into an amended customer services agreement with Fannie Mae and CSS, which sets forth the terms and conditions of the mortgage securitization services provided by CSS.

Implementation of Release 2 of the CSP and the Single Security Initiative represents a significant change for the single-family mortgage market and for our business. For additional information, see **MD&A - Our Business Segments - Single-Family Guarantee** in this Form 10-Q and **Risk Factors** in this Form 10-Q and our 2018 Annual Report.

Conservatorship and Government Support for Our Business

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.

Our Purchase Agreement with Treasury and the terms of the senior preferred stock we issued to Treasury also affect our business activities. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe that the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities.

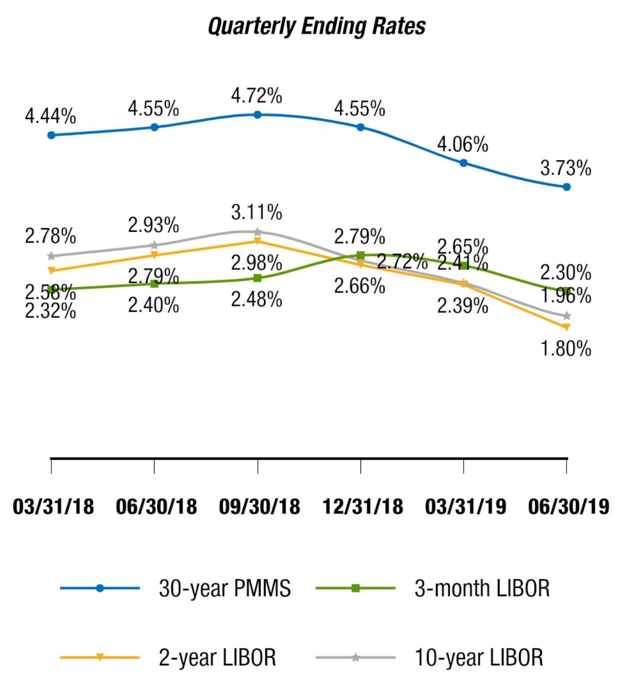
Treasury, as the holder of the senior preferred stock, is entitled to receive cumulative quarterly cash dividends, when, as, and if declared by the Conservator, acting as successor to the rights, titles, powers, and privileges of our Board of Directors. The dividends we have paid to Treasury on the senior preferred stock have been declared by, and paid at the direction of, the Conservator.

Under the August 2012 amendment to the Purchase Agreement, our cash dividend requirement each quarter is the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. Pursuant to the December 2017 Letter Agreement, the Capital Reserve Amount is $3.0 billion. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period, the unpaid amount would be added to the liquidation preference and our applicable Capital Reserve Amount would thereafter be zero. This would not affect our ability to draw funds from Treasury under the Purchase Agreement.

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.

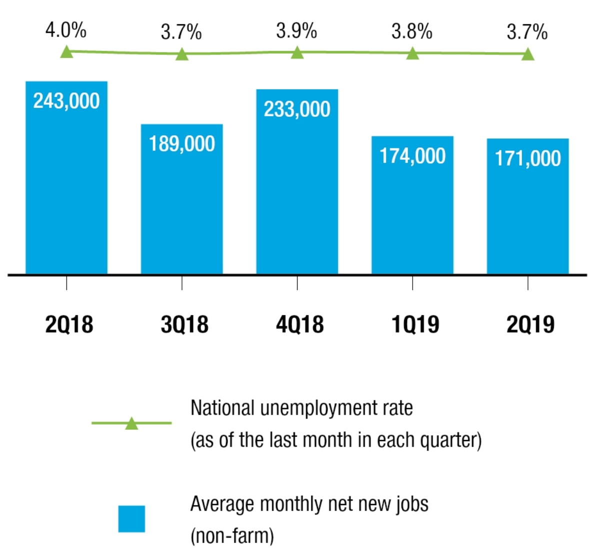
Interest Rates[1]



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

- 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 originations.
- Changes in the 10-year and 2-year LIBOR interest rates can significantly affect the fair value of our debt, derivatives, and mortgage and non-mortgage-related securities. In addition, the GAAP accounting treatment for our financial assets and liabilities, including derivatives (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our GAAP earnings when interest rates change. We have elected hedge accounting for certain assets and liabilities in an effort to reduce GAAP earnings variability and better align GAAP results with the economics of our business.
- Changes in the 3-month LIBOR rate affect the interest earned on our short-term investments and interest expense on our short-term funding.
- Long-term rates continued their recent downward trend, resulting in further inversion of the yield curve. The 10-year LIBOR rate decreased 45 and 76 basis points during 2Q 2019 and YTD 2019, respectively.

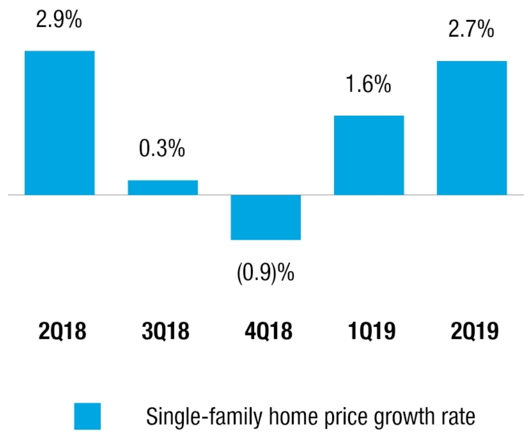
Unemployment Rate



Source: U.S. Bureau of Labor Statistics.

- Changes in the national unemployment rate can affect several market factors, including the demand for both single-family and multifamily housing and the level of loan delinquencies.
- Continued job growth, a declining unemployment rate, and generally favorable economic conditions resulted in strong credit performance.

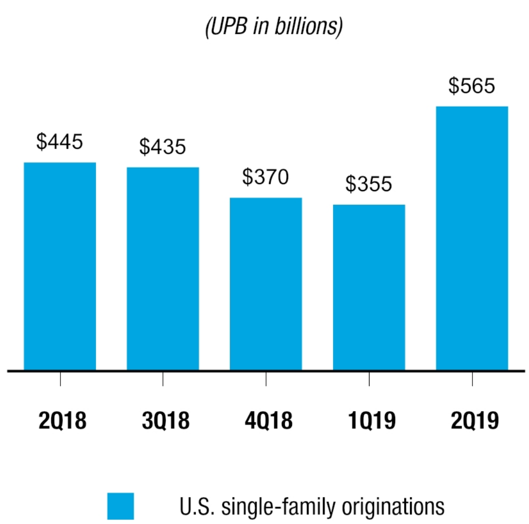
U.S. Single-Family Home Prices



Source: Freddie Mac House Price Index.

- Changes in home prices affect the amount of equity that borrowers have in their homes. Borrowers with less equity typically have higher delinquency rates. As home prices decline, the severity of losses we incur on defaulted loans that we hold or guarantee increases because the amount we can recover from the property securing the loan decreases.
- Single-family home prices increased 2.7% during 2Q 2019, compared to an increase of 2.9% during 2Q 2018. We expect home price growth will continue in 2019, although at a slower pace than in full-year 2018, due to increased supply.

U.S. Single-Family Originations



Source: Inside Mortgage Finance dated July 26, 2019 (latest available IMF purchase/refinance information).

- U.S. single-family loan origination volume increased to $565 billion in 2Q 2019 from $445 billion in 2Q 2018, driven by higher refinance volume as a result of lower average mortgage interest rates in 2Q 2019.
- We expect U.S. single-family home purchase volume to remain relatively flat in 2019. Freddie Mac's single-family loan purchase volumes typically follow a similar trend.

CONSOLIDATED RESULTS OF OPERATIONS

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

The table below compares our summarized consolidated results of operations.

Table 1 - Summary of Consolidated Statements of Comprehensive Income (Loss)

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Net interest income	$2,927	$3,003	($76)	(3)%	$6,080	$6,021	$59	1 %
Guarantee fee income	222	200	22	11	439	394	45	11
Other income (loss)	209	438	(229)	(52)	243	569	(326)	(57)
Net revenues	**3,358**	**3,641**	**(283)**	**(8)**	**6,762**	**6,984**	**(222)**	**(3)**
Other non-interest income (loss):								
Mortgage loans gains (losses)	1,541	354	1,187	335	2,472	139	2,333	1,678
Investment securities gains (losses)	390	(349)	739	212	564	(581)	1,145	197
Debt gains (losses)	49	166	(117)	(70)	64	287	(223)	(78)
Derivative gains (losses)	(2,089)	416	(2,505)	(602)	(3,695)	2,246	(5,941)	(265)
Total other non-interest income (loss)	**(109)**	**587**	**(696)**	**(119)**	**(595)**	**2,091**	**(2,686)**	**(128)**
Benefit (provision) for credit losses	160	60	100	167	295	(3)	298	9,933
Non-interest expense	(1,511)	(1,143)	(368)	(32)	(2,799)	(2,253)	(546)	(24)
Income (loss) before income tax (expense) benefit	**1,898**	**3,145**	**(1,247)**	**(40)**	**3,663**	**6,819**	**(3,156)**	**(46)**
Income tax (expense) benefit	(392)	(642)	250	39	(750)	(1,390)	640	46
Net income (loss)	**1,506**	**2,503**	**(997)**	**(40)**	**2,913**	**5,429**	**(2,516)**	**(46)**
Total other comprehensive income (loss), net of taxes and reclassification adjustments	320	(68)	388	571	578	(844)	1,422	168
Comprehensive income (loss)	**$1,826**	**$2,435**	**($609)**	**(25)%**	**$3,491**	**$4,585**	**($1,094)**	**(24)%**

Net Interest Income

The table below presents the components of net interest income.

Table 2 - Components of Net Interest Income

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Net interest income related to guarantee portfolios:								
Contractual guarantee fee income	$904	$858	$46	5 %	$1,808	$1,692	$116	7%
Guarantee fee income related to the Temporary Payroll Tax Cut Continuation Act of 2011	389	356	33	9	767	703	64	9
Amortization related to guarantee portfolios	475	701	(226)	(32)	957	1,449	(492)	(34)
Total net interest income related to guarantee portfolios	**1,768**	**1,915**	**(147)**	**(8)**	**3,532**	**3,844**	**(312)**	**(8)**
Net interest income related to investments portfolios:								
Contractual net interest income	1,318	1,386	(68)	(5)	2,570	2,843	(273)	(10)
Amortization related to investments portfolios	(146)	(84)	(62)	(74)	(277)	(79)	(198)	(251)
Total net interest income related to investments portfolios	**1,172**	**1,302**	**(130)**	**(10)**	**2,293**	**2,764**	**(471)**	**(17)**
Hedge accounting impact	(13)	(214)	201	94	255	(587)	842	143
Net interest income	**$2,927**	**$3,003**	**($76)**	**(3)%**	**$6,080**	**$6,021**	**$59**	**1%**

Key Drivers:

- **Contractual guarantee fee income**
  - ***2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018*** - Increased primarily due to the continued growth of the core single-family loan portfolio.
- **Amortization related to guarantee portfolios**
  - ***2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018*** - Decreased primarily due to the decline in the net unamortized balance coupled with the timing differences in amortization related to prepayments between debt of consolidated trusts and the underlying mortgage loans. For further discussion on timing differences in amortization, see **MD&A - Consolidated Results of Operations** in our 2018 Annual Report.
- **Contractual net interest income**
  - ***2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018*** - Decreased primarily due to the reduction in the balance of our mortgage-related investments portfolio pursuant to the portfolio limits established by the Purchase Agreement and FHFA. See **Conservatorship and Related Matters - *Managing Our Mortgage-Related Investments Portfolio*** for a discussion of the key drivers of the decline in our mortgage-related investments portfolio.
- **Amortization related to investments portfolios**
  - ***YTD 2019 vs. YTD 2018*** - Expense increased primarily due to lower accretion income related to previously recognized other-than-temporary impairments as a result of a decline in the population of impaired securities.
- **Hedge accounting impact**
  - ***2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018*** - Improved primarily due to the reduced effect of the mismatch related to fair value hedge accounting. The mismatch is the amount by which the gain or loss on the designated derivative instrument does not exactly offset the gain or loss on the hedged item attributable to the hedged risk.

Net Interest Yield Analysis

The tables below present an analysis of interest-earning assets and interest-bearing liabilities.

Table 3 - Analysis of Net Interest Yield

	2Q 2019			2Q 2018		
(Dollars in millions)	Average Balance	Interest Income (Expense)(1)	Average Rate	Average Balance	Interest Income (Expense)(1)	Average Rate
Interest-earning assets:						
Cash and cash equivalents	$8,406	$46	2.16 %	$6,620	$13	0.79 %
Securities purchased under agreements to resell	55,731	350	2.52	43,084	205	1.91
Secured lending	2,325	24	4.09	1,403	10	2.68
Mortgage-related securities:						
Mortgage-related securities	133,551	1,472	4.41	144,517	1,495	4.14
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(87,156)	(909)	(4.17)	(88,792)	(849)	(3.83)
Total mortgage-related securities, net	**46,395**	**563**	**4.85**	**55,725**	**646**	**4.64**
Non-mortgage-related securities	20,928	121	2.31	14,476	84	2.32
Loans held by consolidated trusts(1)	1,868,648	16,377	3.51	1,787,242	15,290	3.42
Loans held by Freddie Mac(1)	86,716	981	4.53	100,239	1,054	4.20
Total interest-earning assets	**2,089,149**	**18,462**	**3.53**	**2,008,789**	**17,302**	**3.45**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including those held by Freddie Mac	1,894,064	(14,605)	(3.08)	1,814,861	(13,504)	(2.98)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(87,156)	909	4.17	(88,792)	849	3.83
Total debt securities of consolidated trusts held by third parties	**1,806,908**	**(13,696)**	**(3.03)**	**1,726,069**	**(12,655)**	**(2.93)**
Other debt:						
Short-term debt	78,057	(484)	(2.46)	53,323	(242)	(1.80)
Long-term debt	198,009	(1,355)	(2.73)	221,222	(1,402)	(2.53)
Total other debt	**276,066**	**(1,839)**	**(2.65)**	**274,545**	**(1,644)**	**(2.38)**
Total interest-bearing liabilities	**2,082,974**	**(15,535)**	**(2.98)**	**2,000,614**	**(14,299)**	**(2.86)**
Impact of net non-interest-bearing funding	6,175	—	0.01	8,175	—	0.01
Total funding of interest-earning assets	**$2,089,149**	**($15,535)**	**(2.97)%**	**$2,008,789**	**($14,299)**	**(2.85)%**
Net interest income/yield		**$2,927**	**0.56 %**		**$3,003**	**0.60 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $749 million and $627 million for loans held by consolidated trusts during 2Q 2019 and 2Q 2018, respectively, and were $23 million for loans held by Freddie Mac during both 2Q 2019 and 2Q 2018.

(Dollars in millions)	YTD 2019 Average Balance	YTD 2019 Interest Income (Expense)[1]	YTD 2019 Average Rate	YTD 2018 Average Balance	YTD 2018 Interest Income (Expense)[1]	YTD 2018 Average Rate
Interest-earning assets:						
Cash and cash equivalents	$7,756	$84	2.15 %	$6,818	$24	0.69 %
Securities purchased under agreements to resell	51,478	647	2.51	47,408	403	1.70
Secured lending	1,946	40	4.09	1,197	16	2.65
Mortgage-related securities:						
Mortgage-related securities	133,738	2,933	4.39	147,391	3,074	4.17
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(85,933)	(1,804)	(4.20)	(89,803)	(1,692)	(3.77)
Total mortgage-related securities, net	**47,805**	**1,129**	**4.72**	**57,588**	**1,382**	**4.80**
Non-mortgage-related securities	20,168	244	2.42	14,626	157	2.14
Loans held by consolidated trusts[1]	1,858,254	33,354	3.59	1,781,975	30,149	3.38
Loans held by Freddie Mac[1]	87,934	1,950	4.44	101,845	2,146	4.21
Total interest-earning assets	**2,075,341**	**37,448**	**3.61**	**2,011,457**	**34,277**	**3.41**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including those held by Freddie Mac	1,882,956	(29,481)	(3.13)	1,808,992	(26,861)	(2.97)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(85,933)	1,804	4.20	(89,803)	1,692	3.77
Total debt securities of consolidated trusts held by third parties	**1,797,023**	**(27,677)**	**(3.08)**	**1,719,189**	**(25,169)**	**(2.93)**
Other debt:						
Short-term debt	74,125	(920)	(2.47)	60,647	(471)	(1.55)
Long-term debt	198,973	(2,771)	(2.78)	225,101	(2,616)	(2.32)
Total other debt	**273,098**	**(3,691)**	**(2.70)**	**285,748**	**(3,087)**	**(2.16)**
Total interest-bearing liabilities	**2,070,121**	**(31,368)**	**(3.03)**	**2,004,937**	**(28,256)**	**(2.82)**
Impact of net non-interest-bearing funding	5,220	—	0.01	6,520	—	0.01
Total funding of interest-earning assets	**$2,075,341**	**($31,368)**	**(3.02)%**	**$2,011,457**	**($28,256)**	**(2.81)%**
Net interest income/yield		**$6,080**	**0.59 %**		**$6,021**	**0.60 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $1.3 billion and $1.2 billion for loans held by consolidated trusts and $39 million and $45 million for loans held by Freddie Mac during YTD 2019 and YTD 2018, respectively.

Guarantee Fee Income

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Increased due to the continued growth in the multifamily guarantee portfolio.

Other Non-Interest Income (Loss)

Mortgage Loans Gains (Losses)

The table below presents the components of mortgage loans gains (losses).

Table 4 - Components of Mortgage Loans Gains (Losses)

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Gains (losses) on certain loan purchase commitments	$613	$192	$421	219%	$1,003	$297	$706	238%
Gains (losses) on mortgage loans	928	162	766	473	1,469	(158)	1,627	1,030
Mortgage loans gains (losses)	**$1,541**	**$354**	**$1,187**	**335%**	**$2,472**	**$139**	**$2,333**	**1,678%**

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Increased due to fair value gains on multifamily held-for-sale mortgage loans and commitments driven by decreasing long-term interest rates, coupled with higher gains on sales of single-family seasoned loans.

Investment Securities Gains (Losses)

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Increased primarily due to gains on trading securities driven by decreasing long-term interest rates.

Debt Gains (Losses)

The table below presents the components of debt gains (losses).

Table 5 - Components of Debt Gains (Losses)

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Fair value changes	$67	$19	$48	253 %	$63	$30	$33	110 %
Gains (losses) on extinguishment of debt	(18)	147	(165)	(112)	1	257	(256)	(100)
Debt gains (losses)	**$49**	**$166**	**($117)**	**(70)%**	**$64**	**$287**	**($223)**	**(78)%**

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Decreased primarily due to losses from the extinguishment of fixed-rate debt securities of consolidated trusts, as long-term interest rates declined between the time of issuance and repurchase.

Derivative Gains (Losses)

The table below presents the components of derivative gains (losses).

Table 6 - Components of Derivative Gains (Losses)

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Fair value change in interest-rate swaps	($1,709)	$583	($2,292)	(393)%	($2,756)	$2,097	($4,853)	(231)%
Fair value change in option-based derivatives	648	(259)	907	350	461	(714)	1,175	165
Fair value change in other derivatives	(986)	135	(1,121)	(830)	(1,304)	1,051	(2,355)	(224)
Accrual of periodic cash settlements	(42)	(43)	1	2	(96)	(188)	92	49
Derivative gains (losses)	**($2,089)**	**$416**	**($2,505)**	**(602)%**	**($3,695)**	**$2,246**	**($5,941)**	**(265)%**

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Decreased as long-term interest rates declined. The interest rate decreases resulted in fair value losses on pay-fixed interest rate swaps, forward commitments to issue debt securities of consolidated trusts, and futures, which were partially offset by fair value gains on receive-fixed swaps and certain option-based derivatives. Additionally, our derivative volume increased during 2Q 2019 as we updated our interest-rate risk measures to include upfront fees (including buy-downs) related to single-family credit guarantee activity. This update introduced additional volatility which resulted in increased losses, partially offset by the effects of hedge accounting.

Benefit (Provision) for Credit Losses

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Remained relatively flat due to the strong credit performance of both our single-family and multifamily portfolios.

Other Comprehensive Income (Loss)

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Increased primarily due to fair value gains on available-for-sale securities as long-term interest rates declined.

CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized consolidated balance sheets.

Table 7 - Summarized Consolidated Balance Sheets

(Dollars in millions)	6/30/2019	12/31/2018	Change $	Change %
Assets:				
Cash and cash equivalents	$3,427	$7,273	($3,846)	(53)%
Securities purchased under agreements to resell	52,698	34,771	17,927	52
Subtotal	**56,125**	**42,044**	**14,081**	**33**
Investments in securities, at fair value	69,639	69,111	528	1
Mortgage loans, net	1,964,690	1,926,978	37,712	2
Accrued interest receivable	6,784	6,728	56	1
Derivative assets, net	1,142	335	807	241
Deferred tax assets, net	6,416	6,888	(472)	(7)
Other assets	19,704	10,976	8,728	80
Total assets	**$2,124,500**	**$2,063,060**	**$61,440**	**3 %**
Liabilities and Equity:				
Liabilities:				
Accrued interest payable	$6,874	$6,652	$222	3 %
Debt, net	2,105,335	2,044,950	60,385	3
Derivative liabilities, net	463	583	(120)	(21)
Other liabilities	7,002	6,398	604	9
Total liabilities	**2,119,674**	**2,058,583**	**61,091**	**3**
Total equity	**4,826**	**4,477**	**349**	**8**
Total liabilities and equity	**$2,124,500**	**$2,063,060**	**$61,440**	**3 %**

Key Drivers:

As of June 30, 2019 compared to December 31, 2018:

- **Cash and cash equivalents** and **securities purchased under agreements to resell** increased on a combined basis primarily due to higher near-term cash needs for upcoming debt maturities and anticipated calls of other debt.
- **Other assets** increased primarily due to higher servicer receivables driven by an increase in mortgage loan payoffs reported but not yet remitted at the end of 2Q 2019 and a change in our servicing cycle in 2Q 2019 related to the implementation of Release 2 of the CSP and the Single Security Initiative.

OUR BUSINESS SEGMENTS

We have three reportable segments, which are based on the way we manage our business.

- **Single-Family Guarantee** - Reflects results from our purchase, securitization, and guarantee of single-family loans and the management of single-family mortgage credit risk.
- **Multifamily** - Reflects results from our purchase, sale, securitization, and guarantee of multifamily loans and securities, our investments in those loans and securities, and the management of multifamily mortgage credit risk and market spread risk.
- **Capital Markets** - Reflects results from managing our mortgage-related investments portfolio (excluding Multifamily segment investments, single-family seriously delinquent loans, and the credit risk of single-family performing and reperforming loans), single-family securitization activities, and treasury function, which includes interest-rate risk management for the company.

Certain activities that are not part of a reportable segment, such as material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments, are included in the **All Other** category.

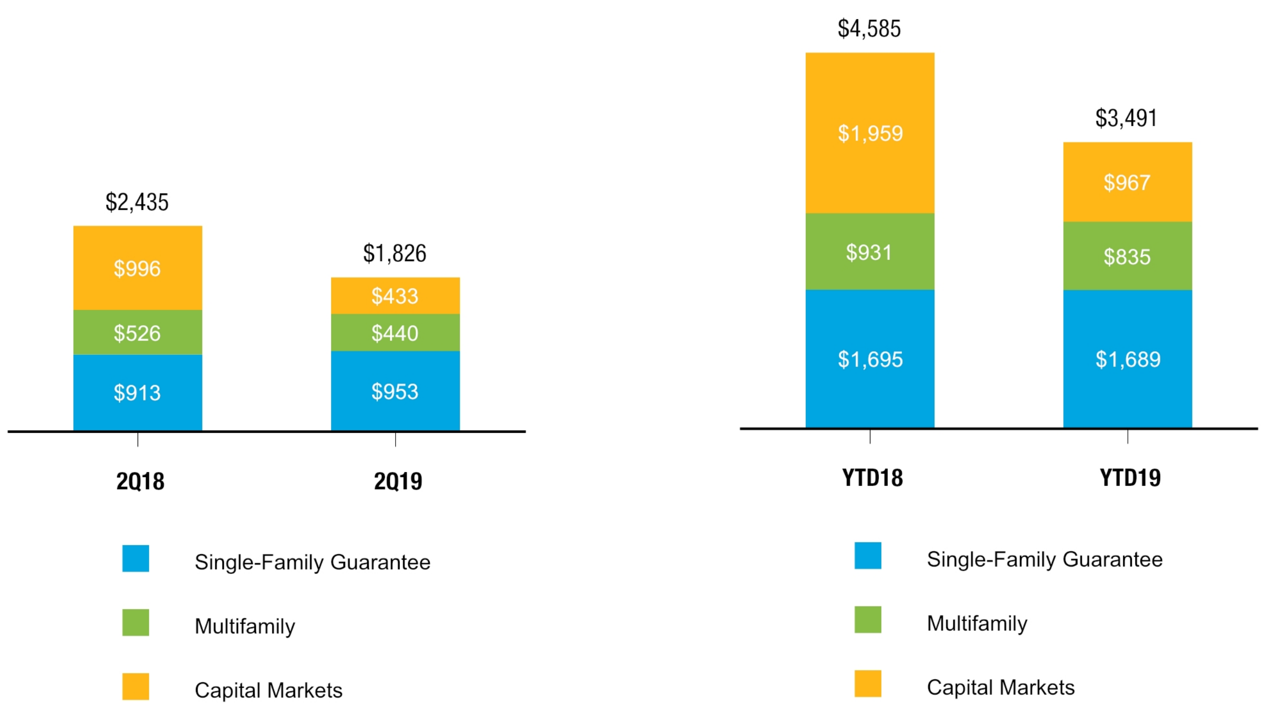
Segment Earnings

We present Segment Earnings by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP condensed consolidated statements of comprehensive income and allocating certain revenues and expenses to our three reportable segments. For more information on our segment reclassifications, see **Note 13**.

Segment Comprehensive Income

The graph below shows our comprehensive income by segment.

(In millions)



Single-Family Guarantee

Business Overview

The following provides an update to the corresponding discussion in our 2018 Annual Report.

Products and Activities

Securitization and Guarantee Products

Implementation of Release 2 of the CSP and the Single Security Initiative resulted in changes to certain of our mortgage securities product offerings. Our mortgage securities products after implementation of the Single Security Initiative are described below. Refer to our 2018 Annual Report for more information on single-family products and activities.

Level 1 Securitization Products

- **UMBS** - Single-class pass-through securities with a 55-day payment delay for TBA-eligible fixed-rate mortgage loans. We guarantee the timely payment of principal and interest on UMBS that we issue in exchange for a guarantee fee. We began issuing UMBS for all TBA-eligible fixed-rate mortgage loans on June 3, 2019.
- **55-day MBS** - Single-class pass-through securities with a 55-day payment delay for non-TBA-eligible fixed-rate mortgage loans. We guarantee the timely payment of principal and interest on 55-day MBS that we issue in exchange for a guarantee fee. We began issuing 55-day MBS for all non-TBA-eligible fixed-rate mortgage loans on June 3, 2019.
- **PCs**
  - ***Gold PCs*** - Single-class pass-through securities with a 45-day payment delay that we issued for fixed-rate mortgage loans prior to June 3, 2019. With the implementation of Release 2 of the CSP and the Single Security Initiative, we no longer issue Gold PCs. Existing Gold PCs are eligible for exchange into UMBS (for TBA-eligible securities) or 55-day MBS (for non-TBA-eligible securities).
  - ***ARM PCs*** - Single-class pass-through securities with a 75-day payment delay for ARM products. Implementation of Release 2 of the CSP and the Single Security Initiative did not affect our ARM PC offerings.

We offer (or previously offered) all of the above products through both guarantor and cash executions. All Level 1 securitization products are backed only by mortgage loans that we have acquired. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Products and Activities*** in our 2018 Annual Report for more information on our guarantor and cash executions.

Resecuritization Products

Similar to our Level 1 securitization products, we guarantee the payment of principal and interest to investors in our resecuritization products. We do not charge a guarantee fee for these securities if we already guarantee the underlying collateral since no additional credit risk is introduced, although we typically receive a transaction fee as compensation for creating the security and performing future administrative responsibilities. Upon implementation of Release 2 of the CSP and the Single Security Initiative, 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 payment of principal and interest on such products from underlying Fannie Mae securities. If Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, we would be responsible for making the payment. We do not charge an incremental guarantee fee to commingle Fannie Mae collateral in resecuritization transactions.

We offer the following types of resecuritization products:

- **Single-class resecuritization products** - Involve the direct pass-through of all cash flows of the underlying collateral to the beneficial interest holders and include:
  - ***Supers*** - Resecuritizations of UMBS and certain other mortgage securities. This structure allows commingling of Freddie Mac and Fannie Mae collateral, where newly issued or exchanged UMBS and Supers issued by us or Fannie Mae may be commingled to back Supers issued by us or Fannie Mae. Supers can be backed by:
    - UMBS and/or other Supers issued by us or Fannie Mae;
    - Existing TBA-eligible Fannie Mae "MBS" and/or "Megas"; and/or
    - UMBS and Supers that we have issued in exchange for TBA-eligible PCs and Giant PCs that have been delivered to us in response to our exchange offer.
  - ***Giant MBS*** - Resecuritizations of:
    - Newly issued 55-day MBS and/or Giant MBS; and/or

  - 55-day MBS and/or Giant MBS that we have issued in exchange for non-TBA-eligible PCs and non-TBA-eligible Giant PCs that have been delivered to us in response to our exchange offer.
- ***Giant PCs*** - Resecuritizations of previously issued PCs or Giant PCs. Although we no longer issue Gold PCs, existing Gold PCs may continue to be resecuritized into Giant PCs. In addition, ARM PCs may continue to be resecuritized into ARM Giant PCs. Fixed-rate Giant PCs are eligible for exchange into Supers (for TBA-eligible securities) or Giant MBS (for non-TBA-eligible securities).

Multiclass resecuritization products

- ***REMICs*** - Resecuritizations of previously issued mortgage securities that divide all cash flows of the underlying collateral into two or more classes of varying maturities, payment priorities, and coupons. This structure allows commingling of TBA-eligible Freddie Mac and Fannie Mae collateral.
- ***Strips*** - Resecuritizations of previously issued Level 1 securitization products or single-class resecuritization products and issuance of stripped securities, including principal-only and interest-only securities or floating rate and inverse floating rate securities, backed by the cash flows from the underlying collateral. This structure allows commingling of TBA-eligible Freddie Mac and Fannie Mae collateral.

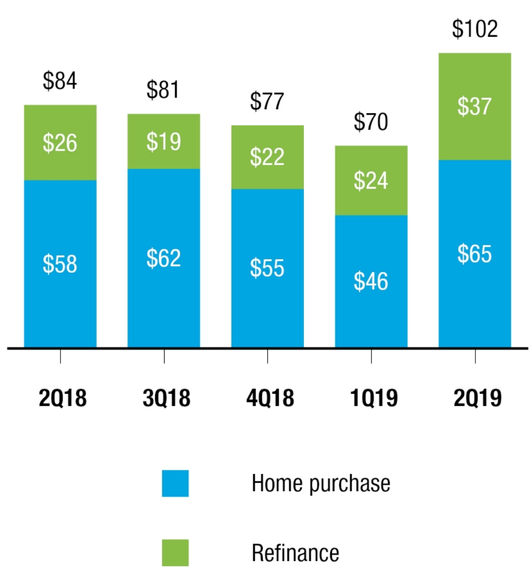
Business Results

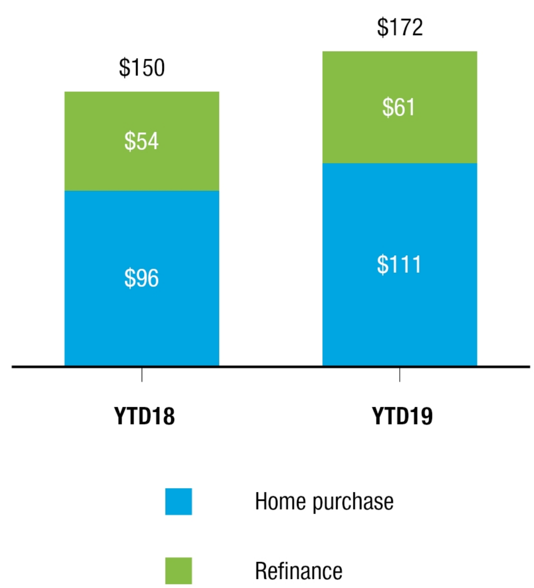
The following tables, graphs, and related discussion present the business results of our Single-family Guarantee segment.

New Business Activity

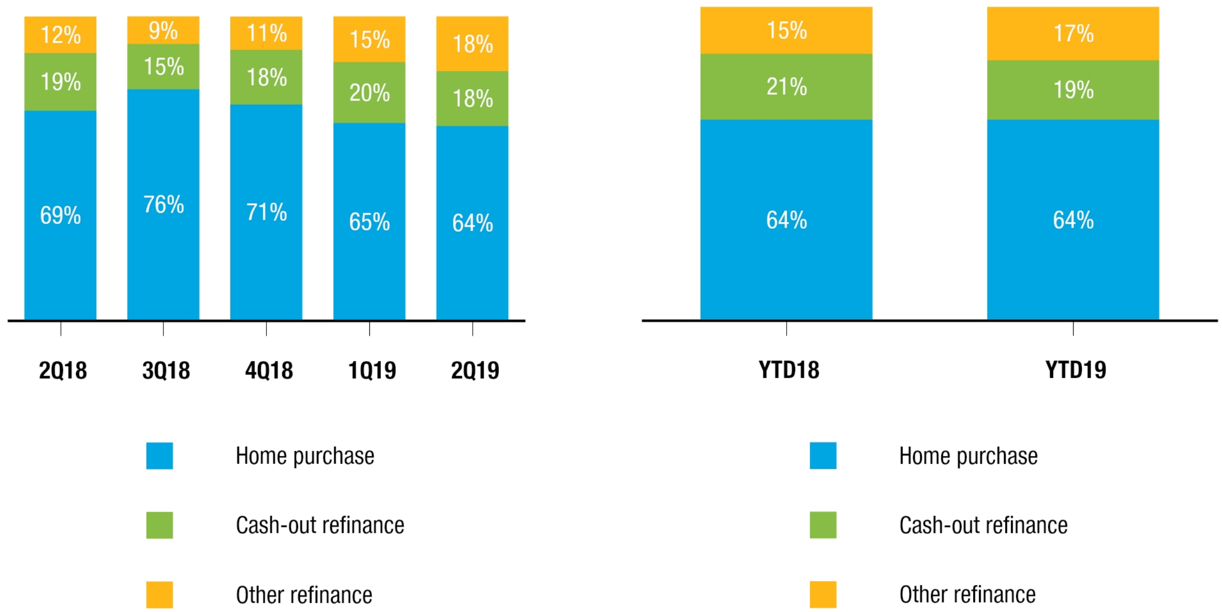
UPB of Single-Family Loan Purchases and Guarantees by Loan Purpose

(In billions)





Percentage of Single-Family Loan Purchases and Guarantees by Loan Purpose

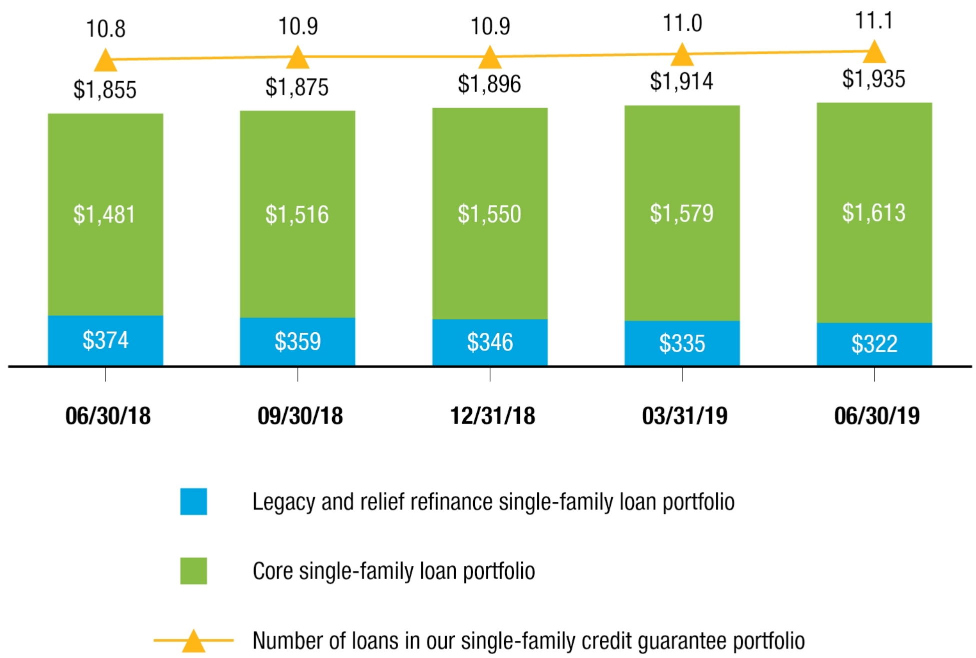


- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Our loan purchase and guarantee activity increased due to higher home purchase volume and increased refinance activity, driven by the declining average mortgage interest rates in recent quarters.

Single-Family Credit Guarantee Portfolio

Single-Family Credit Guarantee Portfolio

(UPB in billions, number of loans in millions)



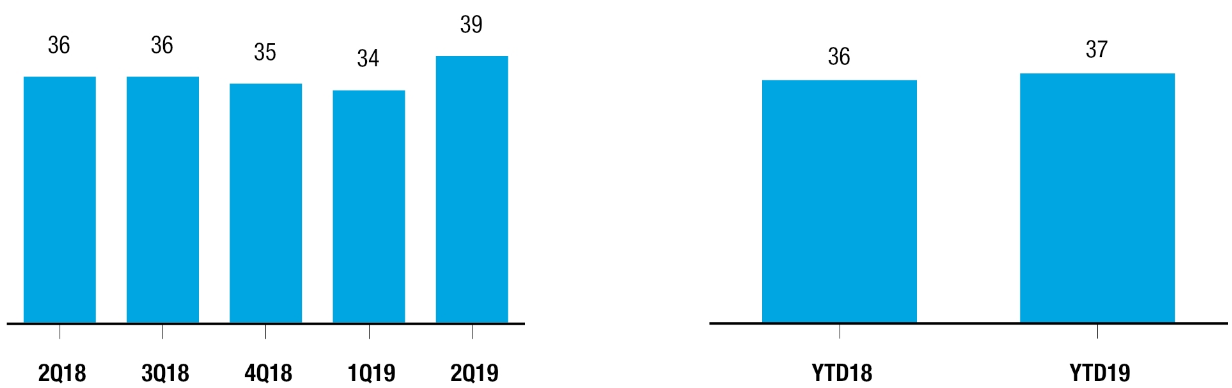
- The single-family credit guarantee portfolio increased at an annualized rate of approximately 4% between December 31, 2018 and June 30, 2019 driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation and our increased share of the single-family mortgage market. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
- The core single-family loan portfolio grew to 83% of the single-family credit guarantee portfolio at June 30, 2019, compared to 82% at December 31, 2018.
- The legacy and relief refinance single-family loan portfolio declined to 17% of the single-family credit guarantee portfolio at June 30, 2019, compared to 18% at December 31, 2018.

Guarantee Fees

We receive fees for guaranteeing the payment of principal and interest to investors in our mortgage-related securities. These fees consist primarily of a combination of base contractual guarantee fees paid on a monthly basis and initial upfront payments. The average portfolio Segment Earnings guarantee fee rate recognizes upfront fee income over the contractual life of the related loans (usually 30 years). If the related loans prepay, the remaining upfront fee income is recognized immediately. In contrast, the average guarantee fee rate charged on new acquisitions recognizes upfront fee income over the estimated life of the related loans using our expectations of prepayments and other liquidations. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Guarantee Fees*** in our 2018 Annual Report for more information on our guarantee fees.

Average Portfolio Segment Earnings Guarantee Fee Rate[(1)(2)]

(In bps)



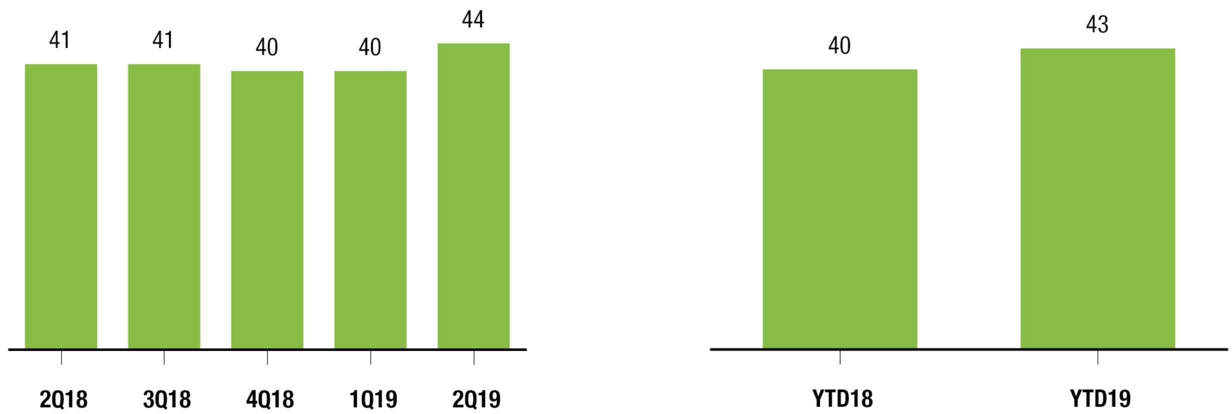
(1) Excludes the legislated 10 basis point increase in guarantee fees.

(2) Reflects an average rate for our total single-family credit guarantee portfolio and is not limited to purchases in the applicable period.

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - The average portfolio Segment Earnings guarantee fee rate increased due to an increase in the recognition of upfront fees driven by a higher prepayment rate and an increase in average contractual guarantee fees caused by the run off of older vintages with lower contractual guarantee fees.

Average Guarantee Fee Rate[1] Charged on New Acquisitions

(In bps)



(1) Excludes the legislated 10 basis point increase in guarantee fees.

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - The average guarantee fee rate charged on new acquisitions increased primarily due to an enhancement in our estimation methodology related to recognition of buy-up fees in 2Q 2019.

CRT Activities

We transfer credit risk on a portion of our single-family credit guarantee portfolio to the private market, which reduces the risk of future losses to us and taxpayers when borrowers go into default. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Products and Activities - Credit Risk Transfer (CRT) Transactions*** in our 2018 Annual Report for more information on our CRT transactions.

The following table presents the issuance amounts during 2Q 2019 on the protected UPB and maximum coverage by loss position associated with CRT transactions for loans in our single-family credit guarantee portfolio.

Table 8 - Single-Family Credit Guarantee Portfolio CRT Issuance

	Issuance for the Three Months Ended June 30, 2019			
	Protected UPB[1]	Maximum Coverage[2]		
(In millions)	Total	First Loss[3]	Mezzanine	Total
CRT Activities:				
STACR Trust transactions	$25,286	$419	$617	$1,036
ACIS® transactions	45,162	184	427	611
Senior subordinate securitization structures	3,105	220	303	523
Other	8,109	272	241	513
Less: UPB with more than one type of CRT activity	(39,986)	—	—	—
Total CRT Activities	**$41,676**	**$1,095**	**$1,588**	**$2,683**

(1) For STACR Trust and ACIS transactions, represents the UPB of the assets included in the reference pool. For senior subordinate securitization structure transactions, represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities.

(2) For STACR Trust transactions, represents the balance held by third parties at issuance. For ACIS transactions, represents the aggregate limit of insurance purchased from third parties at issuance. For senior subordinate securitization structure transactions, represents the UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

(3) First loss includes the most subordinate securities (i.e., B tranches) in our STACR Trust transactions and their equivalent in ACIS and Other CRT transactions.

We retained exposure to $39.0 billion of the protected UPB for the CRT issuances during 2Q 2019, including first loss and mezzanine positions.

We are continually evaluating our CRT strategy, and we make changes depending on market conditions and our business strategy. The aggregate cost of our CRT activity, as well as the amount of credit risk transferred, will continue to increase as we execute new transactions.

Credit Enhancements

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

The tables below provide information on the total protected UPB and maximum coverage associated with credit enhanced loans in our single-family credit guarantee portfolio, measured by UPB, that were covered by one or more forms of credit enhancements as of June 30, 2019 and December 31, 2018, respectively. See **MD&A - Risk Management - Single-Family Mortgage Credit Risk - *Transferring Credit Risk of the Single-Family Credit Guarantee Portfolio to Investors in New and Innovative Ways*** in our 2018 Annual Report and **Note 6** in this Form 10-Q and our 2018 Annual Report for additional information about our single-family credit enhancements.

Table 9 - Details of Credit Enhanced Loans in Our Single-Family Credit Guarantee Portfolio

	Outstanding as of June 30, 2019				
	Protected UPB[(1)]	Percentage of Single-Family Credit Guarantee Portfolio	Maximum Coverage[(2)]		
(In millions)	Total	Total	First Loss[(3)]	Mezzanine	Total
CRT Activities:					
STACR debt notes	$580,537	30%	$2,211	$14,632	$16,843
STACR Trust transactions	239,635	12	2,562	5,317	7,879
ACIS transactions	867,937	45	1,970	8,134	10,104
Senior subordinate securitization structures	42,760	2	2,144	2,385	4,529
Other	20,628	1	5,290	444	5,734
Less: UPB with more than one type of CRT activity	(777,531)	(40)	—	—	—
Total CRT Activities	**$973,966**	**50%**	**$14,177**	**$30,912**	**$45,089**
Other Credit Enhancements:					
Primary Mortgage Insurance	$396,809	21%	$101,737	—	$101,737
Other	2,359	—	1,261	—	1,261
Less: UPB with both CRT and other credit enhancements	(288,792)	(15)	—	—	—
Single-family credit guarantee portfolio with credit enhancement	1,084,342	56	117,175	30,912	148,087
Single-family credit guarantee portfolio without credit enhancement	850,237	44	—	—	—
Total	**$1,934,579**	**100%**	**$117,175**	**$30,912**	**$148,087**

Referenced footnotes are included after the next table.

	Outstanding as of December 31, 2018				
	Protected UPB[(1)]	Percentage of Single-Family Credit Guarantee Portfolio	Maximum Coverage[(2)]		
(In millions)	Total	Total	First Loss[(3)]	Mezzanine	Total
CRT Activities:					
STACR debt notes	$605,263	32%	$2,155	$15,441	$17,596
STACR Trust transactions	161,152	8	1,622	3,404	5,026
ACIS transactions	807,885	43	1,552	7,571	9,123
Senior subordinate securitization structures	39,860	2	1,807	2,046	3,853
Other	18,136	1	5,049	340	5,389
Less: UPB with more than one type of CRT activity	(736,334)	(39)	—	—	—
Total CRT Activities	**$895,962**	**47%**	**$12,185**	**$28,802**	**$40,987**
Other Credit Enhancements:					
Primary Mortgage Insurance	$378,594	20%	$96,996	—	$96,996
Other	2,642	—	1,341	—	1,341
Less: UPB with both CRT and other credit enhancements	(254,774)	(13)	—	—	—
Single-family credit guarantee portfolio with credit enhancement	1,022,424	54	110,522	28,802	139,324
Single-family credit guarantee portfolio without credit enhancement	873,762	46	—	—	—
Total	**$1,896,186**	**100%**	**$110,522**	**$28,802**	**$139,324**

(1) For STACR and ACIS transactions, represents the UPB of the assets included in the reference pool. For senior subordinate securitization structure transactions, represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities.

(2) For STACR transactions, represents the outstanding balance held by third parties. For ACIS transactions, represents the remaining aggregate limit of insurance purchased from third parties. For senior subordinate securitization structure transactions, represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

(3) First loss includes the most subordinate securities (i.e., B tranches) in our STACR transactions and their equivalent in ACIS and Other CRT transactions.

- We had coverage remaining of $148.1 billion and $139.3 billion on our single-family credit guarantee portfolio as of June 30, 2019 and December 31, 2018, respectively. CRT transactions provided 30.4% and 29.4% of the coverage remaining at those dates.
- As of June 30, 2019, we had cumulatively transferred a portion of credit risk on nearly $1.3 trillion of our single-family mortgages, based upon the UPB at issuance of the CRT transactions.
  - FHFA's conservatorship capital needed for credit risk was reduced by approximately 70% through CRT transactions on new business activity in the twelve months ended June 30, 2018.
  - The reduction in the amount of conservatorship capital needed for credit risk on new business activity is calculated as conservatorship credit capital released from the CRT transactions (primarily through STACR and ACIS) divided by total conservatorship credit capital on new business activity at the time of purchase. For more information on the CCF and the calculation of conservatorship capital, see **Liquidity and Capital Resources - *Capital Resources - Conservatorship Capital Framework - Return on Conservatorship Capital*.**
- During YTD 2019, we paid $327 million in interest expense, net of reinvestment income, on our outstanding STACR debt notes and $325 million in premium expense for ACIS and STACR Trust contracts, compared to $334 million in interest expense, net of reinvestment income, on our outstanding STACR debt notes and $144 million in premium expense for ACIS and STACR Trust contracts during YTD 2018.
- As of June 30, 2019, we had experienced minimal write-downs on our STACR transactions and have filed minimal claims for reimbursement of losses under our ACIS transactions.

Mortgage Loan Credit Risk

Certain combinations of loan attributes can indicate a higher degree of credit risk, such as loans with both higher LTV ratios and lower credit scores. The following table presents the combination of credit score and current LTV (CLTV) ratio attributes of loans in our single-family credit guarantee portfolio.

Table 10 - Single-Family Credit Guarantee Portfolio Attribute Combinations for Higher Risk Loans

	June 30, 2019								
	CLTV ≤ 80		CLTV > 80 to 100		CLTV > 100		All Loans		
(Credit score)	% Portfolio	SDQ Rate	% Portfolio	SDQ Rate[(1)]	% Portfolio	SDQ Rate[(1)]	% Portfolio	SDQ Rate	% Modified
Core single-family loan portfolio:									
< 620	0.3%	2.12%	—%	NM	—%	NM	0.3%	2.34%	3.6%
620 to 659	2.1	1.08	0.3	1.29	—	NM	2.4	1.11	2.0
≥ 660	69.7	0.18	10.9	0.24	—	NM	80.6	0.18	0.3
Not available	0.1	1.17	—	NM	—	NM	0.1	2.24	3.8
Total	**72.2%**	**0.22%**	**11.2%**	**0.30%**	**—%**	**NM**	**83.4%**	**0.23%**	**0.4%**
Legacy and relief refinance single-family loan portfolio:									
< 620	1.1%	3.85%	0.2%	8.43%	0.1%	14.33%	1.4%	4.56%	20.7%
620 to 659	1.6	2.94	0.2	7.01	0.1	12.01	1.9	3.47	18.5
≥ 660	11.9	1.07	1.0	3.58	0.3	6.03	13.2	1.25	6.7
Not available	0.1	4.26	—	NM	—	NM	0.1	4.58	19.8
Total	**14.7%**	**1.54%**	**1.4%**	**4.82%**	**0.5%**	**8.43%**	**16.6%**	**1.82%**	**9.4%**

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

Alt-A and Subprime Loans

While we have referred to certain loans as subprime or Alt-A for purposes of the discussion below and elsewhere in this Form 10-Q, there is no universally accepted definition of subprime or Alt-A, and the classification of such loans may differ from company to company. We do not rely on these loan classifications to evaluate the credit risk exposure relating to such loans in our single-family credit guarantee portfolio.

Participants in the mortgage market have characterized single-family loans based upon their overall credit quality at the time of origination, including as prime or subprime. While we have not historically characterized the loans in our single-family credit guarantee portfolio as either prime or subprime, we monitor the amount of loans we have guaranteed with characteristics that indicate a higher degree of credit risk. In addition, we estimate that approximately $0.8 billion and $0.9 billion of security collateral underlying our other securitization products at June 30, 2019 and December 31, 2018, respectively, were identified as subprime based on information provided to us when we entered into these transactions.

Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between the prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. Although we have discontinued new purchases of loans with lower documentation standards, we continue to purchase certain amounts of such loans in cases where the loan was either purchased pursuant to a previously issued guarantee, as part of our relief refinance initiative, or as part of another refinance loan initiative and the pre-existing loan was originated under less than full documentation standards. In the event we purchase a refinance loan and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as an Alt-A loan in this Form 10-Q and our other financial reports because the new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred. From the time the relief refinance initiative began in 2009 to June 30, 2019, we have purchased approximately $36.4 billion of relief refinance loans that were previously categorized as Alt-A loans in our portfolio.

The table below contains information on Alt-A loans in our single-family credit guarantee portfolio.

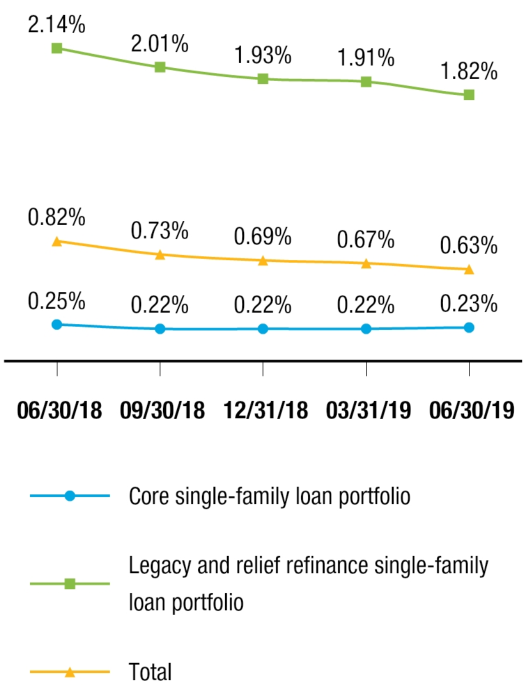
Table 11 - Alt-A Loans in Our Single-Family Credit Guarantee Portfolio

	June 30, 2019				December 31, 2018			
(Dollars in billions)	UPB	CLTV	% Modified	SDQ Rate	UPB	CLTV	% Modified	SDQ Rate
Alt-A	$22.4	62%	21.5%	3.94%	$23.9	63%	23.2%	4.13%

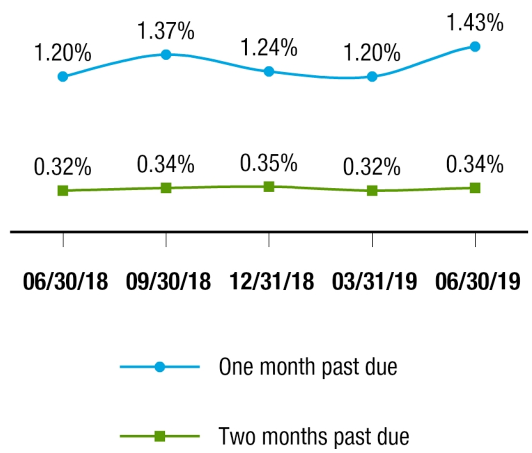
The UPB of Alt-A loans in our single-family credit guarantee portfolio is continuing to decline due to borrowers refinancing into other mortgage products, foreclosure sales, and other liquidation events.

Single-Family Loan Performance

Serious Delinquency Rates



Percentage of Single-Family Loans One Month and Two Months Past Due



- The total serious delinquency rate on our single-family credit guarantee portfolio was 0.63% as of June 30, 2019. However, 34% of the seriously delinquent loans at June 30, 2019 were covered by credit enhancements designed to reduce our credit risk exposure. See **Note 4** for additional information on our single-family delinquency rates.
- Our total single-family serious delinquency rate was lower as of June 30, 2019 compared to June 30, 2018 due to our continued loss mitigation efforts, sales of certain seriously delinquent loans, home price appreciation, a low unemployment rate, and the reduced impacts from the hurricanes in the third quarter of 2017. This improvement was also driven by the continued shift in the single-family credit guarantee portfolio mix, as the legacy and relief refinance single-family loan portfolio runs off and we add higher credit quality loans to our core single-family loan portfolio.
- The percentage of single-family loans one month past due can be volatile due to servicer reporting methodologies, seasonality, and other factors that may not be predictive of default. As a result, the percentage of loans two months past due tends to be a better early performance indicator than the percentage of loans one month past due. The percentage of loans two months past due was relatively flat from June 30, 2018 to June 30, 2019.

Credit Performance

The table below contains certain credit performance metrics for our single-family credit guarantee portfolio.

Table 12 - Single-Family Credit Guarantee Portfolio Credit Performance Metrics

(Dollars in millions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Charge-offs, gross	$244	$599	$849	$971
Recoveries	(128)	(126)	(234)	(222)
Charge-offs, net	116	473	615	749
REO operations expense	81	15	114	49
Total credit losses	**$197**	**$488**	**$729**	**$798**
Total credit losses (in bps)	3.6	10.5	7.5	8.6

The table below summarizes the carrying value for individually impaired single-family loans on our condensed consolidated balance sheets for which we have recorded an allowance determined on an individual basis.

Table 13 - Single-Family Individually Impaired Loans with an Allowance Recorded

	June 30, 2019		June 30, 2018	
(Dollars in millions)	Loan Count	Amount	Loan Count	Amount
TDRs, at January 1	290,255	$42,254	364,704	$54,415
New additions	16,508	2,577	36,796	5,819
Repayments and reclassifications to held-for-sale	(33,296)	(5,764)	(27,650)	(4,532)
Foreclosure sales and foreclosure alternatives	(2,537)	(344)	(4,203)	(566)
TDRs, at June 30	270,930	38,723	369,647	55,136
Loans impaired upon purchase	2,331	150	4,031	265
Total impaired loans with an allowance recorded	**273,261**	**38,873**	**373,678**	**55,401**
Allowance for loan losses		(3,599)		(6,592)
Net investment, at June 30		**$35,274**		**$48,809**

The tables below present information about the UPB of single-family TDRs and non-accrual loans on our condensed consolidated balance sheets.

Table 14 - Single-Family TDR and Non-Accrual Loans

(In millions)	June 30, 2019	December 31, 2018
TDRs on accrual status	$38,639	$41,839
Non-accrual loans	10,483	11,197
Total TDRs and non-accrual loans	**$49,122**	**$53,036**
Allowance for loan losses associated with:		
TDRs on accrual status	$3,006	$3,612
Non-accrual loans	794	1,003
Total	**$3,800**	**$4,615**

(In millions)	YTD 2019	YTD 2018
Foregone interest income on TDRs and non-accrual loans(1)	$527	$742

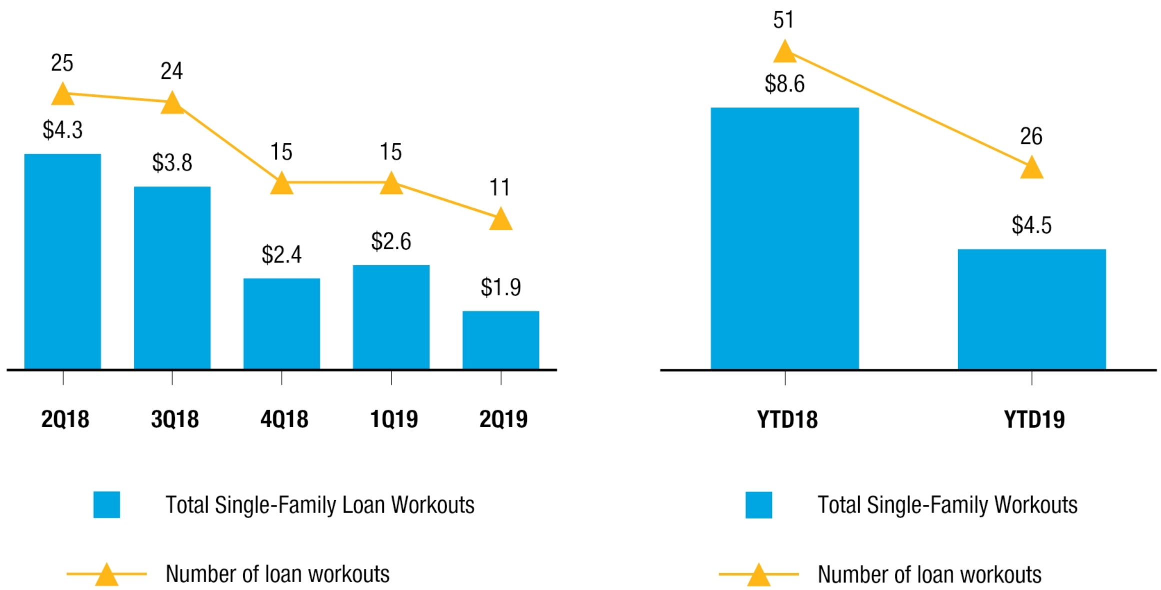
(1) Represents the amount of interest income that we did not recognize but would have recognized during the period for loans outstanding at the end of each period, had the loans performed according to their original contractual terms.

- As of June 30, 2019, 43% of the allowance for loan losses for single-family mortgage loans related to interest rate concessions provided to borrowers as part of loan modifications.
- Most of our modified single-family loans, including TDRs, were current and performing at June 30, 2019.
- We expect our allowance for loan losses associated with existing single-family TDRs to decline over time as we continue to sell reperforming loans. In addition, the allowance for loan losses will decline as borrowers continue to make monthly payments under the modified terms and interest rate concessions are amortized into earnings.
- See **Note 4** for information on our single-family allowance for loan losses.

Loss Mitigation Activities

Loan Workout Activity

(UPB in billions, number of loan workouts in thousands)



- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Our loan workout activity decreased driven by the reduced impact from the hurricanes in the third quarter of 2017.
- We continue our loss mitigation efforts through our relief refinance, modification, and other initiatives.

REO Activity

The table below presents a summary of our single-family REO activity.

Table 15 - Single-Family REO Activity

	2Q 2019		2Q 2018		YTD 2019		YTD 2018	
(Dollars in millions)	Number of Properties	Amount	Number of Properties	Amount	Number of Properties	Amount	Number of Properties	Amount
Beginning balance — REO	6,714	$754	7,718	$840	7,100	$780	8,299	$900
Additions	1,983	194	2,744	266	4,139	402	5,364	512
Dispositions	(2,828)	(282)	(3,327)	(329)	(5,370)	(516)	(6,528)	(635)
Ending balance — REO	**5,869**	**666**	**7,135**	**777**	**5,869**	**666**	**7,135**	**777**
Beginning balance, valuation allowance		(10)		(9)		(11)		(14)
Change in valuation allowance		4		3		5		8
Ending balance, valuation allowance		**(6)**		**(6)**		**(6)**		**(6)**
Ending balance — REO, net		**$660**		**$771**		**$660**		**$771**

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - Our REO ending inventory declined primarily due to a decrease in REO acquisitions driven by fewer loans in foreclosure and a large proportion of property sales to third parties at foreclosure.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Single-family Guarantee segment.

Table 16 - Single-Family Guarantee Segment Financial Results

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Guarantee fee income	$1,889	$1,666	$223	13%	$3,522	$3,256	$266	8 %
Benefit (provision) for credit losses	79	120	(41)	(34)	87	161	(74)	(46)
Financial instrument gains (losses)[1]	77	20	57	285	15	48	(33)	(69)
Other non-interest income (loss)	269	124	145	117	518	205	313	153
Administrative expense	(400)	(363)	(37)	(10)	(774)	(699)	(75)	(11)
REO operations income (expense)	(86)	(20)	(66)	(330)	(124)	(59)	(65)	(110)
Other non-interest expense	(625)	(400)	(225)	(56)	(1,113)	(779)	(334)	(43)
Segment Earnings before income tax expense	**1,203**	**1,147**	**56**	**5**	**2,131**	**2,133**	**(2)**	**—**
Income tax (expense) benefit	(248)	(232)	(16)	(7)	(436)	(432)	(4)	(1)
Segment Earnings, net of taxes	**955**	**915**	**40**	**4**	**1,695**	**1,701**	**(6)**	**—**
Total other comprehensive income (loss), net of tax	(2)	(2)	—	—	(6)	(6)	—	—
Total comprehensive income (loss)	**$953**	**$913**	**$40**	**4%**	**$1,689**	**$1,695**	**($6)**	**— %**

(1) Consists of fair value gains and losses on debt for which we have elected the fair value option and derivatives.

Key Business Drivers:

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018**
  - Higher guarantee fee income due to increased upfront fee amortization income and continued growth in our single-family credit guarantee portfolio.
  - Higher other non-interest income primarily due to higher gains on single-family seasoned loan reclassifications between held-for-investment and held-for-sale.
  - Higher other non-interest expense primarily due to higher outstanding cumulative volumes of CRT transactions that resulted in increased CRT expense (interest expense on STACR debt notes and premium expense for ACIS and STACR Trust contracts).

Multifamily

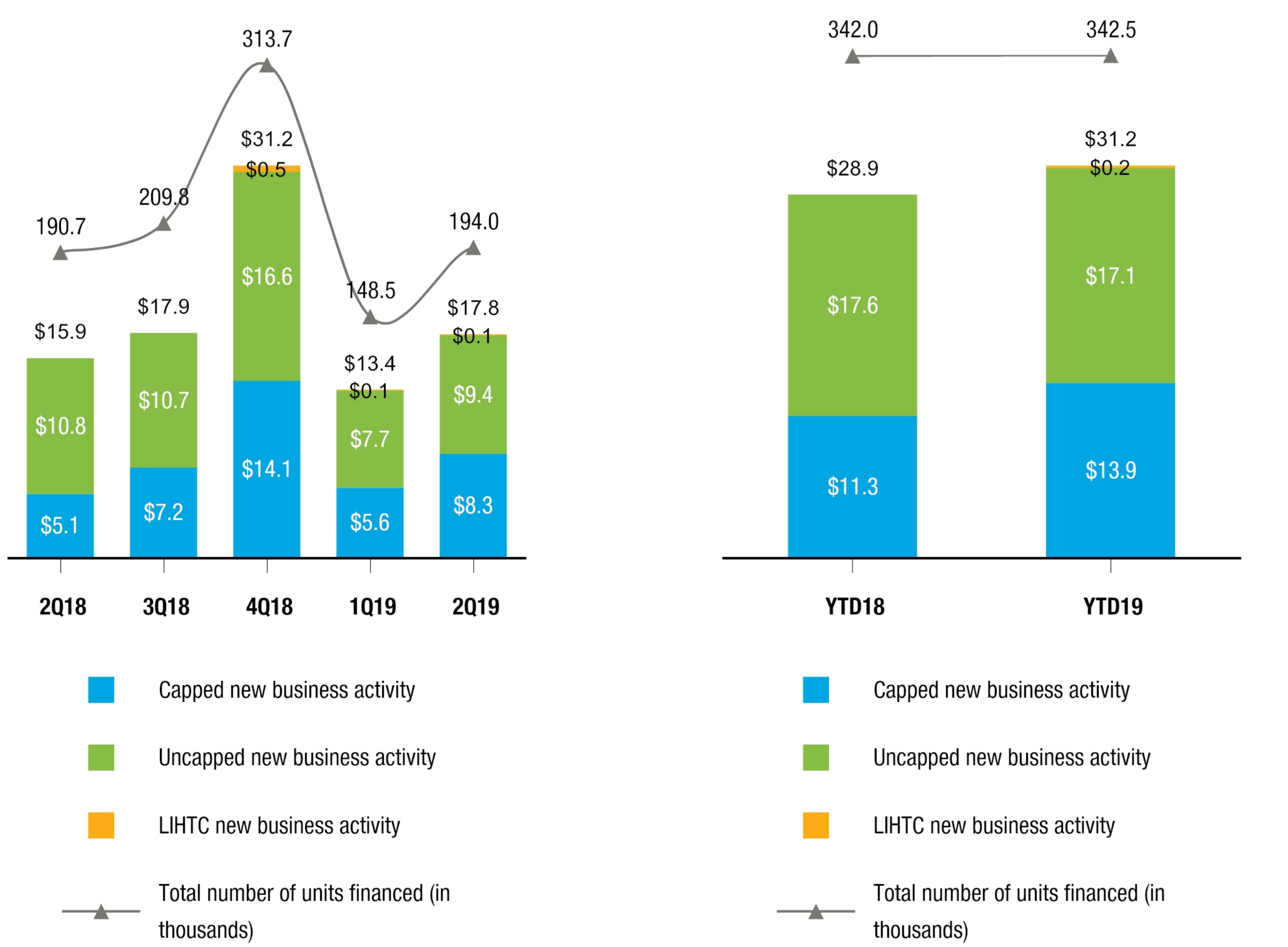
Business Results

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

New Business Activity

Multifamily New Business Activity

(UPB in billions)



- The 2019 Conservatorship Scorecard annual production cap is $35.0 billion, unchanged from 2018. The production cap is subject to reassessment throughout the year by FHFA to determine whether an increase in the cap is appropriate based on a stronger than expected overall market. Reclassifications between new business activity subject to the production cap and new business activity not subject to the production cap may occur during 2019.
- Outstanding commitments, including index lock commitments and commitments to purchase or guarantee multifamily assets, were $24.2 billion and $20.9 billion as of June 30, 2019 and June 30, 2018, respectively. Both period-end balances include loan purchase commitments for which we have elected the fair value option.
- The combination of our new business activity and outstanding commitments was higher during 2Q 2019 and YTD 2019 compared to 2Q 2018 and YTD 2018 due to continued strong demand for multifamily financing and healthy multifamily market fundamentals resulting in continued growth in overall multifamily mortgage debt outstanding.
- Excluding our LIHTC new business activity, approximately 47% and 45% of our new business activity in 2Q 2019 and YTD 2019, respectively, counted towards the 2019 Conservatorship Scorecard production cap, while the remaining 53% and 55% was considered uncapped.

- Approximately 92% and 95% of our new loan purchase activity in 2Q 2019 and 2Q 2018, respectively, was classified as held-for-sale and intended for our securitization pipeline. This purchase activity in 2Q 2019, combined with market demand for our securities, will be a driver for securitizations in the second half of 2019.

Multifamily Portfolio and Market Support

Multifamily Market Support

The following table summarizes our support of the multifamily market.

Table 17 - Multifamily Market Support

(In millions)	June 30, 2019	December 31, 2018
Guarantee portfolio	$248,867	$237,323
Mortgage-related investments portfolio:		
Unsecuritized mortgage loans held-for-sale	21,855	23,959
Unsecuritized mortgage loans held-for-investment	9,675	10,828
Mortgage-related securities[1]	6,099	7,385
Total mortgage-related investments portfolio	**37,629**	**42,172**
Other investments[2]	1,587	708
Total multifamily portfolio	**288,083**	**280,203**
Add: Unguaranteed securities[3]	37,558	35,835
Less: Acquired mortgage-related securities[4]	(5,900)	(7,160)
Total multifamily market support	**$319,741**	**$308,878**

(1) Includes mortgage-related securities acquired by us from our securitizations.

(2) Includes the carrying value of LIHTC investments and the UPB of non-mortgage loans, including financing provided to whole loan funds.

(3) Reflects the UPB of unguaranteed securities issued as part of our securitizations and amounts related to loans sold to whole loan funds that were not financed by Freddie Mac.

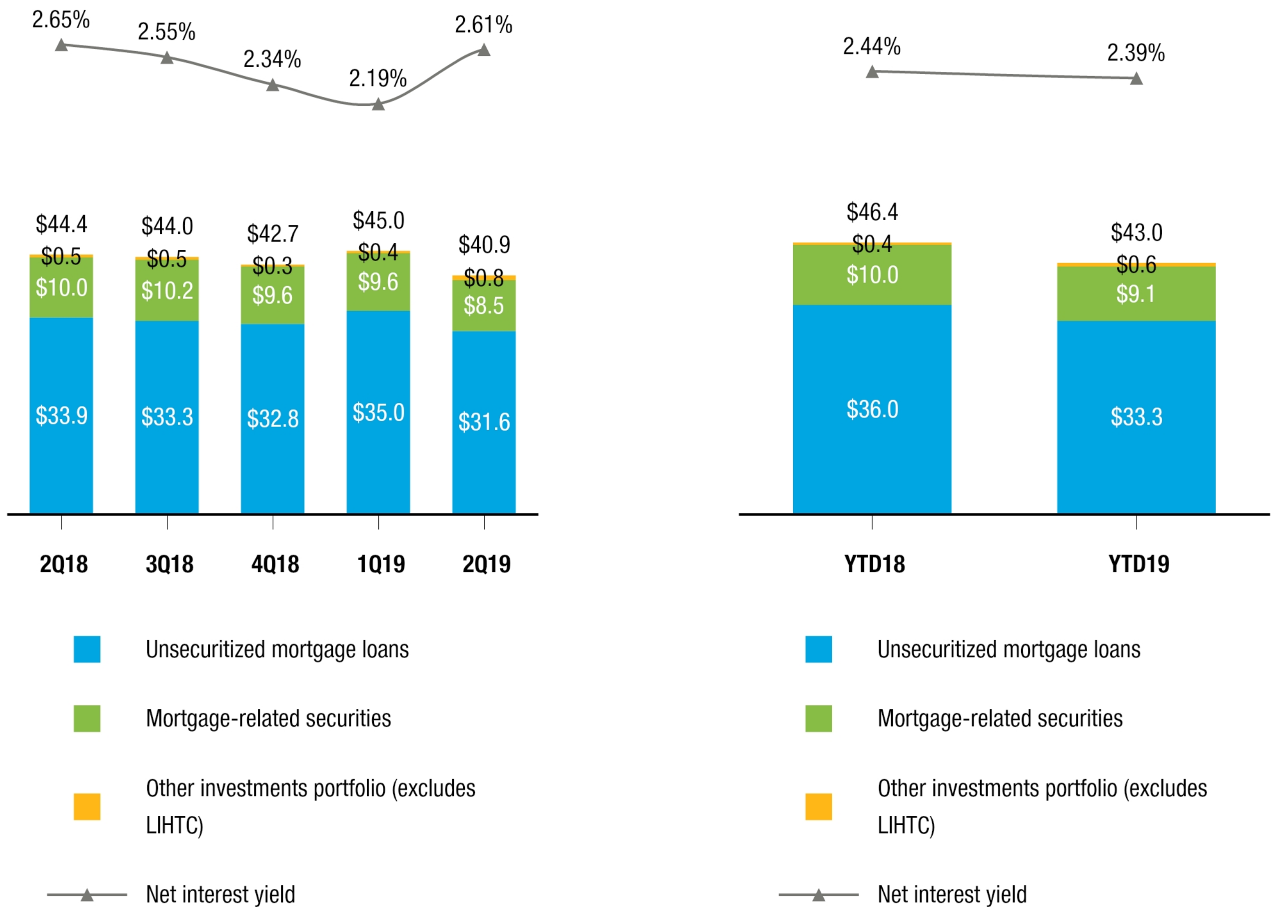
(4) Reflects the UPB of mortgage-related securities that were both issued as part of our securitizations and acquired by us. This UPB must be removed to avoid double-counting the exposure, as it is already reflected within the guarantee portfolio or unguaranteed securities.

- Our total multifamily portfolio increased during YTD 2019, primarily due to our strong loan purchase and securitization activity. We expect continued growth in our total portfolio in 2019 as purchase and securitization activities should outpace run off.
- At June 30, 2019, approximately 79% of our held-for-sale loans and held-for-sale loan commitments, both of which are measured at fair value, were fixed-rate, while the remaining 21% were floating-rate.
- We expect our guarantee portfolio to continue to grow as a result of ongoing securitizations driven by continued strong new business activity.

Net Interest Yield

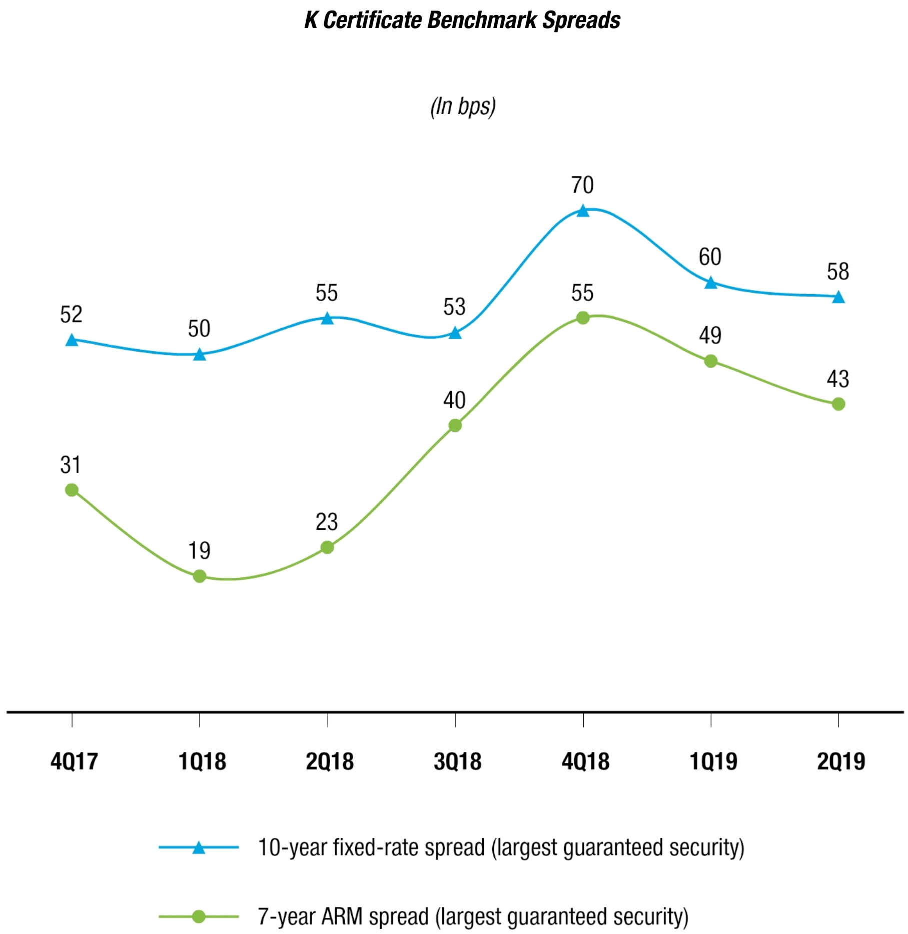
Net Interest Yield Earned & Average Investment Portfolio Balance

(Weighted average balance in billions)



- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018**
  - Net interest yield remained relatively flat.
  - The weighted average portfolio balance of interest-earning assets decreased due to the run-off of our held-for-investment loans, partially offset by an increase in held-for-sale loans.

K Certificate Benchmark Spreads

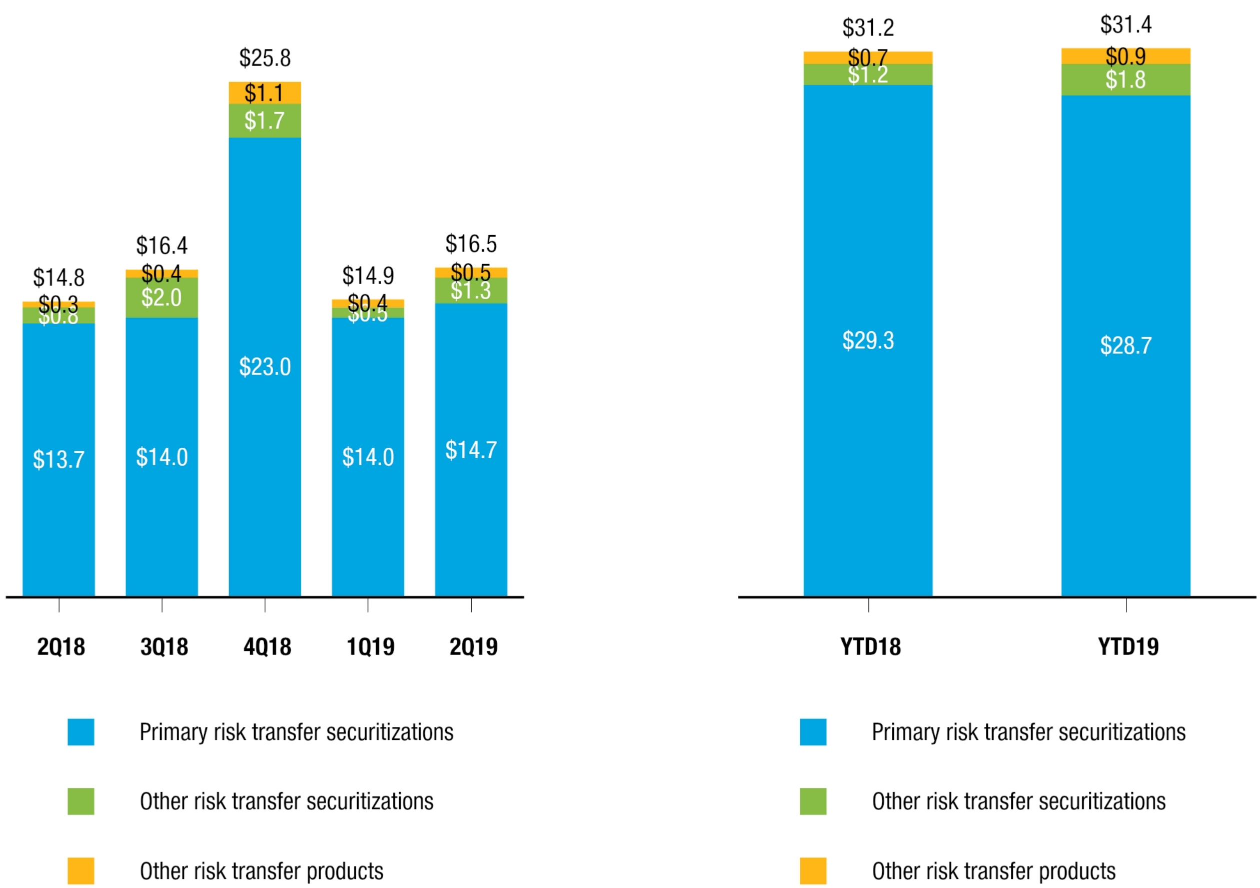


- The valuation of our securitization pipeline and the profitability of our primary risk transfer securitization product, the K Certificate, are affected by both changes in K Certificate benchmark spreads and deal-specific attributes, such as tranche size, risk distribution, and collateral characteristics (loan term, coupon type, prepayment restrictions, and underlying property type). These market spread movements and deal-specific attributes contribute to our earnings volatility, which we manage by controlling the size of our securitization pipeline and by entering into certain spread-related derivatives. Spread tightening generally results in fair value gains, while spread widening generally results in fair value losses.
- K Certificate benchmark spreads tightened during 2Q 2019 compared to 2Q 2018, primarily resulting in fair value gains on our mortgage loans and commitments.

Risk Transfer Activity

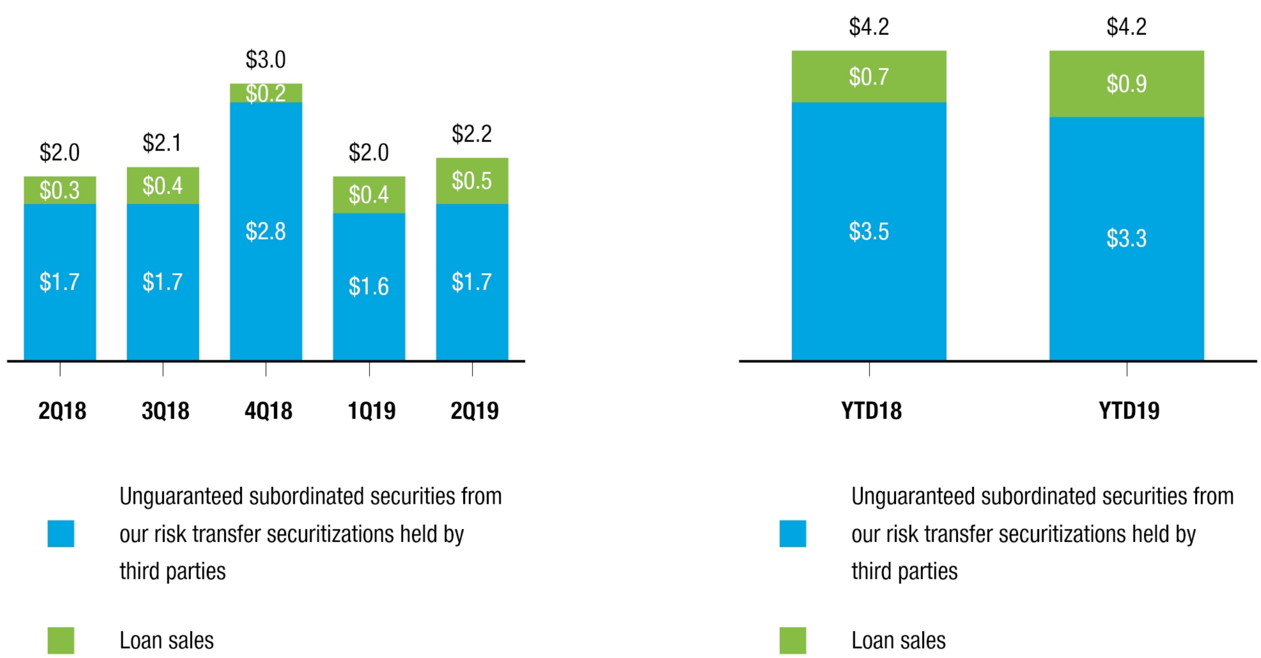
UPB of Assets Subject to Risk Transfer Activity

(UPB in billions)



Credit Risk Transfer Activity[1]

(UPB in billions)



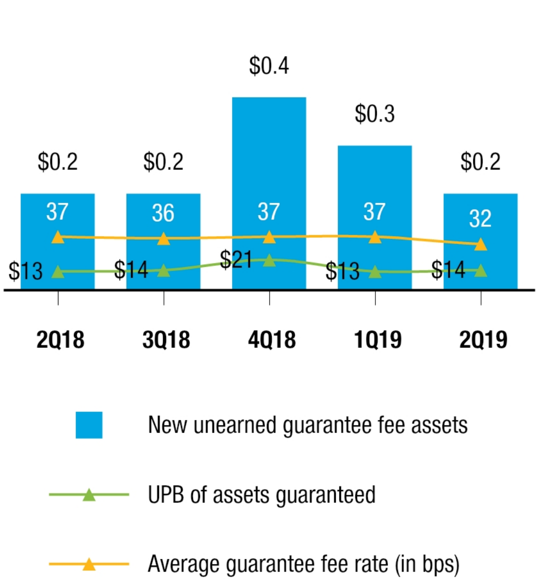
(1) The amounts disclosed in the graph above represent the net credit risk transferred to third parties.

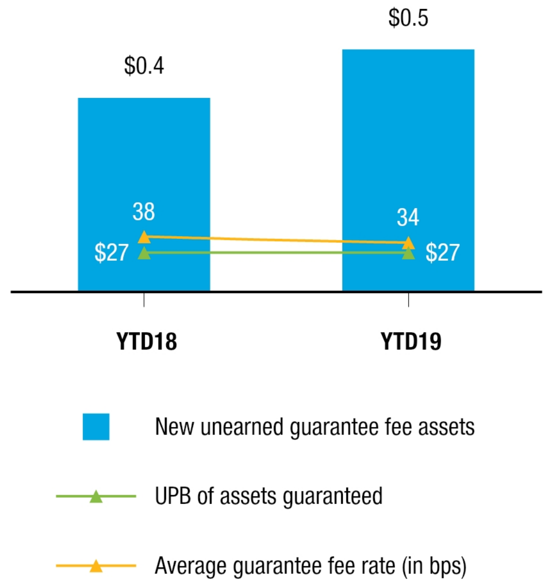
- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018** - The UPB of our primary risk transfer securitization transactions remained relatively flat.
- As of June 30, 2019, we had cumulatively transferred a large majority of credit risk on the multifamily guarantee portfolio.
  - Conservatorship capital needed for credit risk was reduced by approximately 90% through CRT transactions on new business activity in the twelve months ended June 30, 2018; we plan similar risk reduction transactions for this year's new business activity.
  - The reduction in the amount of conservatorship capital needed for credit risk on new business activity is calculated as conservatorship credit capital released from CRT transactions (primarily through K Certificates and SB Certificates) divided by total conservatorship credit capital on new business activity. For more information on the CCF and the calculation of conservatorship capital, see **Liquidity and Capital Resources - *Capital Resources - Conservatorship Capital Framework - Return on Conservatorship Capital***.
- In addition to transferring a large majority of credit risk, nearly all of our risk transfer securitization activities also shifted substantially all of the interest-rate and liquidity risk associated with the underlying collateral away from Freddie Mac to third-party investors.

Guarantee Activities

New Guarantee Activity

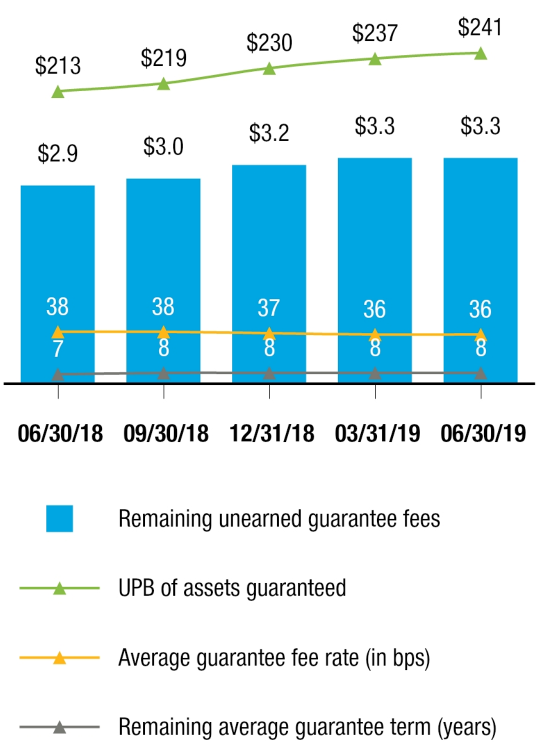
(In billions)





Remaining Unearned Guarantee Fees

(In billions)



- We earn guarantee fees in exchange for providing our guarantee of some or all of the securities we issue as part of our risk transfer securitization activities. Each time we enter into a financial guarantee contract, we initially recognize an unearned guarantee fee asset on our balance sheet, which represents the present value of future guarantee fees we expect to receive in cash. We recognize these fees in Segment Earnings over the remaining average guarantee term, which was eight years as of June 30, 2019. While we expect to collect these future fees based on historical performance, the actual amount collected will depend on the credit and prepayment performance of the underlying collateral subject to our financial guarantee.
- New unearned guarantee fee assets remained relatively flat during 2Q 2019 and YTD 2019 compared to 2Q 2018 and YTD 2018.
- The balance of unearned guarantee fees increased during YTD 2019 due to the continued growth of our multifamily guarantee business, as our risk transfer securitization volume continued to be strong, outpacing run off.

Financial Results

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

Table 18 - Multifamily Segment Financial Results

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Net interest income	$266	$295	($29)	(10)%	$513	$566	($53)	(9)%
Guarantee fee income	222	204	18	9	438	399	39	10
Benefit (provision) for credit losses	(1)	2	(3)	(150)	(2)	18	(20)	(111)
Financial instrument gains (losses)(1)	27	263	(236)	(90)	(2)	424	(426)	(100)
Administrative expense	(120)	(106)	(14)	(13)	(232)	(206)	(26)	(13)
Other non-interest income (expense)	89	32	57	178	182	83	99	119
Segment Earnings before income tax expense	**483**	**690**	**(207)**	**(30)**	**897**	**1,284**	**(387)**	**(30)**
Income tax (expense) benefit	(100)	(140)	40	29	(184)	(261)	77	30
Segment Earnings, net of taxes	**383**	**550**	**(167)**	**(30)**	**713**	**1,023**	**(310)**	**(30)**
Total other comprehensive income (loss), net of tax	57	(24)	81	338	122	(92)	214	233
Total comprehensive income (loss)	**$440**	**$526**	**($86)**	**(16)%**	**$835**	**$931**	**($96)**	**(10)%**

(1) Consists of fair value gains and losses on loan purchase commitments, mortgage loans and debt for which we have elected the fair value option, certain investment securities, and derivatives.

Key Business Drivers:

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018**
  - Decrease in net interest income primarily due to a decline in our weighted average portfolio balance of interest-earning assets.
  - Increase in guarantee fee income driven by continued growth in our multifamily guarantee portfolio.
  - Decrease in fair value gains during 2Q 2019, primarily driven by lower spread-related fair value gains, net of spread hedging costs, on held-for-sale loans and commitments coupled with spread-related fair value losses due to spread widening on certain available-for-sale securities (which are recorded in other comprehensive income). Decrease in fair value gains during YTD 2019, primarily driven by spread-related fair value losses due to spread widening on certain available-for-sale securities.
  - Increase in other non-interest income primarily driven by lower losses on the fair value of the recognized unearned guarantee fee assets in the 2019 periods due to declining interest rates.

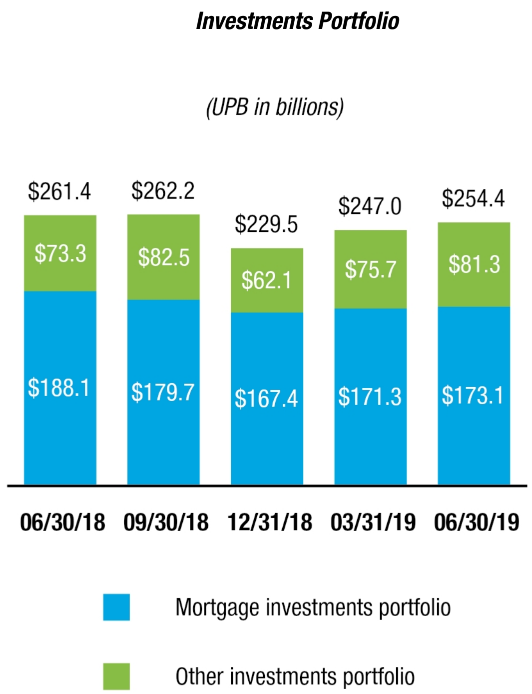
Capital Markets

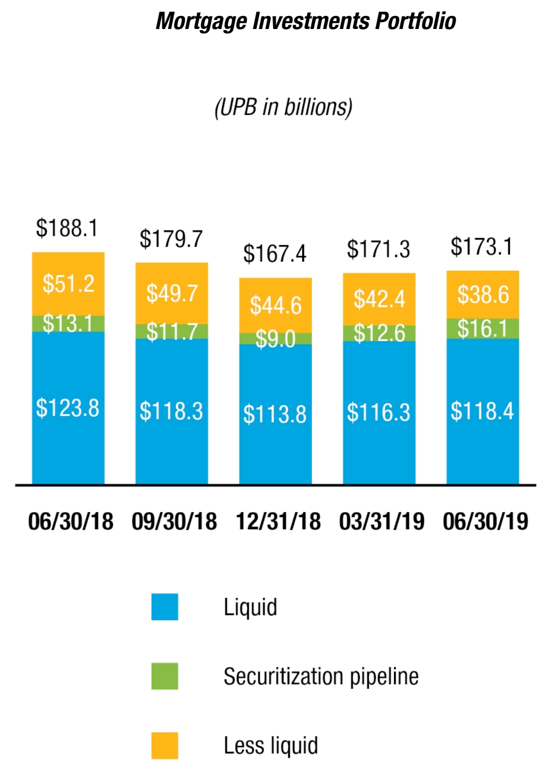
Business Results

The graphs and related discussion below present the business results of our Capital Markets segment.

Investing Activity

The following graphs present the Capital Markets segment's total investments portfolio and the composition of its mortgage investments portfolio by liquidity category.



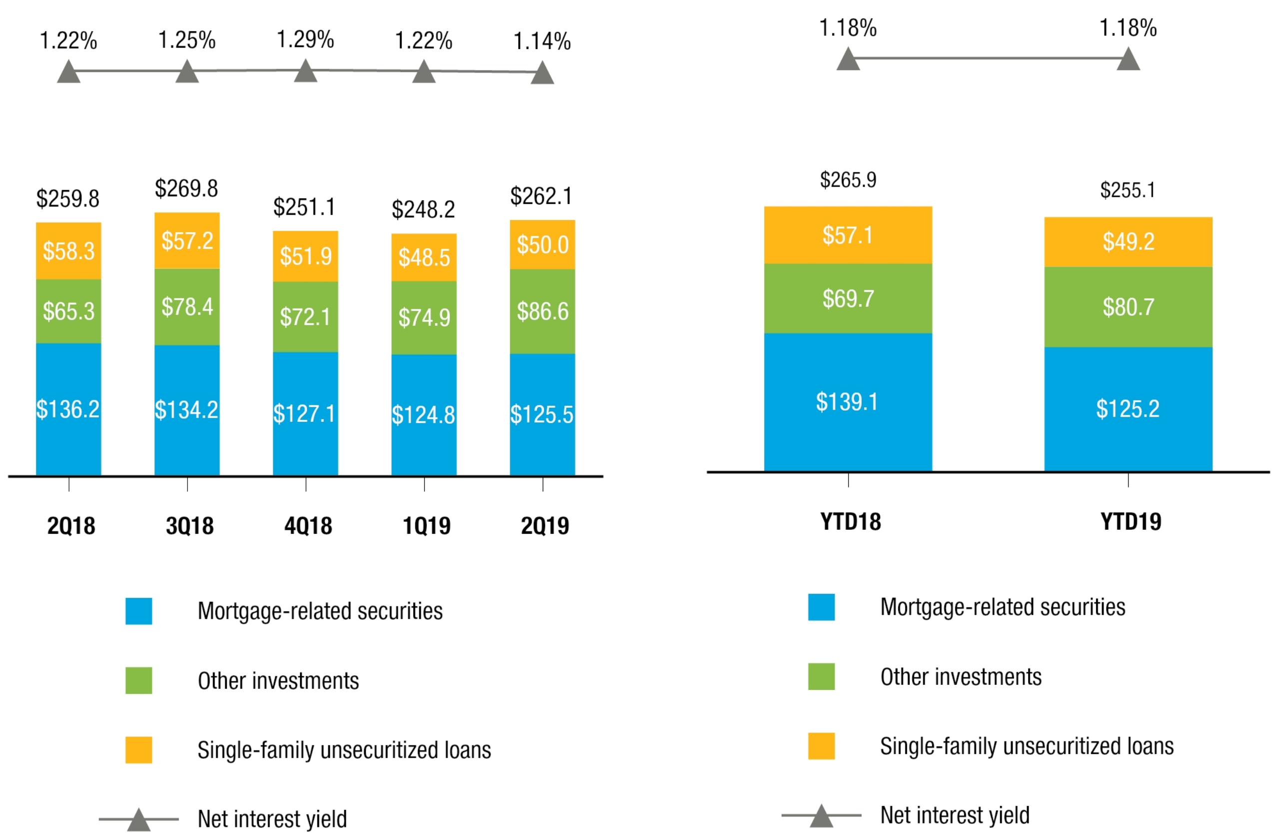


- The balance of our mortgage investments portfolio remained relatively flat from December 31, 2018 to June 30, 2019. See **Conservatorship and Related Matters - *Managing Our Mortgage-Related Investments Portfolio*** for additional details.
- The balance of our other investments portfolio increased by 30.9%, primarily due to higher near-term cash needs as of June 30, 2019 compared to December 31, 2018 for upcoming debt maturities and anticipated calls of other debt.
- The percentage of less liquid assets relative to our total mortgage investments portfolio declined from 26.6% at December 31, 2018 to 22.3% at June 30, 2019, primarily due to repayments, sales, and securitizations of our less liquid assets. We continued to actively reduce our holdings of less liquid assets during 2Q 2019 by selling $3.6 billion of reperforming loans. Our sales of reperforming loans involved securitization of the loans using senior subordinate securitization structures.
- The overall liquidity of our mortgage investments portfolio continued to improve as our less liquid assets decreased while our liquid assets increased during 2Q 2019.
- We continue to participate in transactions that support the development of SOFR as an alternative rate to LIBOR. These transactions include investment in and issuance of SOFR indexed floating-rate debt securities and execution of SOFR indexed derivatives.

Net Interest Yield and Average Balances

Net Interest Yield & Average Investments Portfolio Balances

(UPB in billions)



- **2Q 2019 vs. 2Q 2018 -** Net interest yield decreased 8 basis points primarily due to an increase in the percentage of our other investments portfolio relative to our total investments portfolio.
- **YTD 2019 vs. YTD 2018 -** Net interest yield remained unchanged.
- Net interest yield for the Capital Markets segment is not affected by our hedge accounting programs, due to reclassifications made for Segment Earnings. See **Note 13** in our 2018 Annual Report for more information.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Capital Markets segment.

Table 19 - Capital Markets Segment Financial Results

			Change				Change	
(Dollars in millions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Net interest income	$747	$794	($47)	(6)%	$1,505	$1,565	($60)	(4)%
Investment securities gains (losses)	367	(225)	592	263	562	(188)	750	399
Debt gains (losses)	(3)	126	(129)	(102)	(10)	231	(241)	(104)
Derivative gains (losses)	(990)	309	(1,299)	(420)	(1,657)	1,611	(3,268)	(203)
Other non-interest income (expense)	190	393	(203)	(52)	426	356	70	20
Administrative expense	(99)	(89)	(10)	(11)	(191)	(173)	(18)	(10)
Segment Earnings before income tax expense	**212**	**1,308**	**(1,096)**	**(84)**	**635**	**3,402**	**(2,767)**	**(81)**
Income tax (expense) benefit	(44)	(270)	226	84	(130)	(697)	567	81
Segment Earnings, net of taxes	**168**	**1,038**	**(870)**	**(84)**	**505**	**2,705**	**(2,200)**	**(81)**
Total other comprehensive income (loss), net of tax	265	(42)	307	731	462	(746)	1,208	162
Total comprehensive income (loss)	**$433**	**$996**	**($563)**	**(57)%**	**$967**	**$1,959**	**($992)**	**(51)%**

The portion of total comprehensive income (loss) driven by interest rate-related and market spread-related fair value changes, after-tax, is presented in the table below. These amounts affect various line items in the table above, including net interest income, investment securities gains (losses), debt gains (losses), derivative gains (losses), income tax (expense) benefit, and total other comprehensive income (loss), net of tax.

Table 20 - Capital Markets Segment Interest Rate-Related and Market Spread-Related Fair Value Changes, Net of Tax

			Change				Change	
(Dollars in billions)	2Q 2019	2Q 2018	$	%	YTD 2019	YTD 2018	$	%
Interest rate-related	($0.2)	($0.1)	($0.1)	(100)%	($0.1)	($0.1)	$—	—%
Market spread-related	0.1	—	0.1	N/A	0.1	0.2	(0.1)	(50)

Key Business Drivers:

- **2Q 2019 vs. 2Q 2018 and YTD 2019 vs. YTD 2018**
  - Net interest income was relatively unchanged.
  - Relatively flat interest rate-related fair value losses. Long-term interest rates decreased during the 2019 periods compared to increases during the 2018 periods, resulting in fair value gains on many of our investments in securities (some of which are recorded in other comprehensive income) and fair value losses on derivatives. The net amount of these changes in fair value was mostly offset by the change in the fair value of the hedged items attributable to interest-rate risk in our hedge accounting programs. Additionally, our derivative volume increased during 2Q 2019 as we updated our interest-rate risk measures to include upfront fees (including buy-downs) related to single-family credit guarantee activity. This update introduced additional volatility which resulted in increased losses, partially offset by the effects of hedge accounting.
  - Lower spread related gains primarily due to spread widening on our agency securities combined with less spread tightening on a lower balance of our non-agency securities.
  - Decrease in debt gains (losses) primarily due to lower gains from the extinguishment of fixed-rate debt securities of consolidated trusts, as long-term interest rates declined between the time of issuance and repurchase.
  - Decrease in non-interest income during 2Q 2019 primarily due to recognition of a gain from a final judgment against Nomura Holding America, Inc. in litigation involving certain of our non-agency mortgage-related securities during 2Q 2018 combined with lower net amortization income driven by the timing differences in amortization related to prepayment between debt of consolidated trusts and the underlying mortgage loans. For further discussion on timing differences in amortization, see **MD&A - Consolidated Results of Operations** in our 2018 Annual Report. Non-interest income increased during YTD 2019 primarily due to the reduced effect of the mismatch related to fair value hedge accounting, partially offset by lower net amortization income.

RISK MANAGEMENT

Risk is an inherent part of our business activities. We are exposed to the following key types of risk: credit risk, operational risk, market risk, liquidity risk, strategic risk, and reputation risk.

For more discussion of these and other risks facing our business and our enterprise risk framework, see **MD&A - Risk Management** in our 2018 Annual Report and **Liquidity and Capital Resources** and **Risk Factors** in this Form 10-Q and our 2018 Annual Report. See below for updates since our 2018 Annual Report.

Credit Risk

Overview

Credit risk is the risk associated with the inability or failure of a borrower, issuer, or counterparty to meet its financial and/or contractual obligations. We are exposed to mortgage credit risk and counterparty credit risk.

We are exposed to counterparty credit risk, which is a type of institutional credit risk, as a result of our contracts with sellers and servicers, credit enhancement providers (i.e., mortgage insurers), financial intermediaries, clearinghouses, and other counterparties.

Counterparty Credit Risk

Single Security Initiative

The Single Security Initiative has increased our counterparty credit risk exposure to Fannie Mae. With the implementation of the Single Security Initiative, we now 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. If Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, we would be responsible for making the payment. We will be dependent on FHFA, Fannie Mae, and Treasury (pursuant to Fannie Mae's and our respective Purchase Agreements with Treasury) to avoid a liquidity event or default. We are not planning to modify our liquidity strategies to address the possibility of non-timely payment by Fannie Mae.

For additional information on the Single Security Initiative and the associated risks, see **MD&A - Our Business Segments - Single-Family Guarantee** in this Form 10-Q and **Risk Factors** in this Form 10-Q and our 2018 Annual Report.

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. Interest-rate risk is consolidated and primarily managed by the Capital Markets segment, while spread risk is owned by each individual business segment. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth.

The majority of our interest-rate risk comes from our investments in mortgage-related assets (securities and loans) and the debt we issue to fund them. Our primary goal in managing interest-rate risk is to reduce the amount of change in the value of our future cash flows due to future changes in interest rates. We use models to analyze possible future interest-rate scenarios, along with the cash flows of our assets and liabilities over those scenarios.

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 our estimate of the change in the value 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 slope of the LIBOR 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 tables below also provide PVS-L estimates assuming an immediate 100 basis point shift in the LIBOR yield curve. The interest-rate sensitivity of a mortgage portfolio varies across a wide range of interest rates.

Table 21 - PVS-YC and PVS-L Results Assuming Shifts of the LIBOR Yield Curve

	June 30, 2019			December 31, 2018		
	PVS-YC	PVS-L		PVS-YC	PVS-L	
(In millions)	25 bps	50 bps	100 bps	25 bps	50 bps	100 bps
Assuming shifts of the LIBOR yield curve, (gains) losses on:[1]						
Assets:						
Investments	($353)	$5,136	$10,625	($536)	$5,792	$11,761
Guarantees[2]	(310)	682	1,308	89	(425)	(773)
Total Assets	**(663)**	**5,818**	**11,933**	**(447)**	**5,367**	**10,988**
Liabilities	(3)	(1,559)	(3,244)	(109)	(1,889)	(3,948)
Derivatives	690	(4,253)	(8,696)	560	(3,446)	(6,917)
Total	**$24**	**$6**	**($7)**	**$4**	**$32**	**$123**
PVS	**$24**	**$6**	**$—**	**$4**	**$32**	**$123**

(1) The categorization of the PVS impact between assets, liabilities, and derivatives on 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 securities of consolidated trusts held by the mortgage-related investments portfolio are both categorized as assets on this table.

(2) Represents the interest-rate risk from our single-family guarantee portfolio, which includes buy-ups, float, and, beginning in 2Q 2019, upfront fees (including buy-downs).

Table 22 - Duration Gap and PVS Results

	2Q 2019			2Q 2018		
(Duration gap in months, **dollars in millions**)	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps
Average	2.2	$102	$275	(0.1)	$12	$23
Minimum	(0.8)	—	—	(0.4)	—	—
Maximum	8.6	345	950	0.2	31	77
Standard deviation	2.7	120	310	0.1	7	21

	YTD 2019			YTD 2018		
(Duration gap in months, **dollars in millions**)	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps
Average	1.2	$57	$147	(0.1)	$10	$16
Minimum	(0.8)	—	—	(0.4)	—	—
Maximum	8.6	345	950	0.2	31	77
Standard deviation	2.2	97	256	0.1	7	18

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 LIBOR yield curve for the periods presented, would have been higher if we had not used derivatives.

Table 23 - PVS-L Results Before Derivatives and After Derivatives

	PVS-L (50 bps)		
(In millions)	Before Derivatives	After Derivatives	Effect of Derivatives
June 30, 2019	$4,259	$6	($4,253)
December 31, 2018	3,478	32	(3,446)

In April 2019, we updated our interest-rate risk measures to include upfront fees (including buy-downs) related to single-family credit guarantee activity as we have changed our strategy to incorporate upfront fees into our asset and liability interest-rate risk management strategy and definition.

As anticipated, we hedged the upfront fees interest-rate risk (which is included in the Guarantees line in Table 21) over several weeks resulting in temporarily higher than normal duration gap, PVS-L, and PVS-YC levels. However, these levels returned to our historical averages by the end of 2Q 2019 as we completed our hedging of upfront fees interest-rate risk. The inclusion of upfront fees increased our derivative volume resulting in a larger effect of derivatives on our PVS-L (50 bps).

In addition, we continue to consider further modifying our interest-rate risk measures to include net worth, which is not currently incorporated in our asset and liability interest-rate risk management strategy and definition.

GAAP Earnings Variability

The GAAP 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. This variability of GAAP earnings, which may not reflect the economics of our business, increases the risk of our having a negative net worth and thus being required to draw from Treasury. Although we manage our business on an economic basis, we may execute certain transactions on a non-economic basis in an effort to manage our spread and interest-rate risks.

Interest-Rate Volatility

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, our GAAP financial results are still subject to significant earnings variability from period to period. Based upon the composition of our financial assets and liabilities, including derivatives, at June 30, 2019, we generally recognize fair value losses in GAAP earnings when interest rates decline.

In an effort to reduce our GAAP earnings variability and better align our GAAP results with the economics of our business, we elect hedge accounting for certain single-family mortgage loans and certain debt instruments. See **Note 9** for additional information on hedge accounting.

The table below presents the effect of derivatives used in our interest-rate risk management activities on our comprehensive income (loss), net of tax, after considering any offsetting interest rate effects related to financial instruments measured at fair value and the effects of fair value hedge accounting.

Table 24 - Estimated Net Interest Rate Effect on Comprehensive Income (Loss)

(In billions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Interest-rate effect on derivative fair values	($4.3)	$1.1	($6.5)	$4.1
Estimate of offsetting interest-rate effect related to financial instruments measured at fair value[(1)]	1.9	(0.7)	3.1	(2.6)
Gains (losses) on mortgage loans and debt in fair value hedge relationships	2.2	(0.6)	3.3	(1.8)
Amortization of deferred hedge accounting gains and losses	—	0.1	—	0.1
Income tax (expense) benefit	—	—	—	—
Estimated net interest rate effect on comprehensive income (loss)	**($0.2)**	**($0.1)**	**($0.1)**	**($0.2)**

(1) Includes the interest-rate effect on our trading securities, available-for-sale securities, mortgage loans held-for-sale, and other assets and debt for which we elected the fair value option, which is reflected in non-interest income (loss) and total other comprehensive income (loss) on our condensed consolidated statements of comprehensive income.

The effect from the change in interest rates on derivative fair values is mostly offset by the effect from the change in interest rates related to financial instruments measured at fair value and gains and losses on mortgage loans and debt in fair value hedging relationships. The remaining net interest-rate effect on comprehensive income is largely attributable to the reversal of previously recognized derivative gains and losses and the implied net cost on instruments such as swaptions, futures, and forward purchase and sale commitments from our hedging and interest-rate risk management activities. These remaining effects are recognized in GAAP earnings over time as a component of derivative gains and losses as the instruments approach maturity and are partially offset by the amortization of previously deferred hedge accounting gains and losses.

We evaluate the potential benefits of fair value hedge accounting by evaluating a range of interest rate scenarios and identifying which of those scenarios produces the most adverse GAAP earnings outcome. The interest rate scenarios evaluated include parallel shifts in the yield curve of plus and minus 100 basis points, non-parallel yield curve shifts in which long-term interest rates increase or decrease by 100 basis points, and non-parallel yield curve shifts in which short-term and medium-term interest rates increase or decrease by 100 basis points.

- At June 30, 2019, the GAAP adverse scenario before fair value hedge accounting was a parallel shift in which rates decrease by 100 basis points, while the adverse scenario after fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points.
- At June 30, 2018, the GAAP adverse scenario before and after fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points.

The results of this evaluation are shown in the table below. Our GAAP adverse scenarios before hedge accounting and after hedge accounting increased due to our use of additional derivatives in 2Q 2019 as we updated our interest-rate risk measures to include upfront fees (including buy-downs) related to single-family credit guarantee activity.

Table 25 - GAAP Adverse Scenario Before and After Hedge Accounting

	GAAP Adverse Scenario (Before-Tax)		
(Dollars in billions)	Before Hedge Accounting	After Hedge Accounting	% Change
June 30, 2019	($4.6)	($0.8)	82%
June 30, 2018	(3.4)	(0.5)	86

Hedge accounting is designed to reduce the impact to GAAP earnings in the adverse scenario described above. However, the after hedge accounting impact may not always result in an improvement over the before hedge accounting impact. For example, there are certain interest-rate scenarios in which the after hedge accounting impact would result in a lower gain or a larger loss than the before hedge accounting impact.

Spread Volatility

We have limited ability to manage our spread risk exposure in a cost beneficial manner, and therefore the volatility of market spreads may contribute to significant GAAP earnings variability. For financial assets measured at fair value, we generally recognize fair value losses when market spreads widen. Conversely, for financial liabilities measured at fair value, we generally recognize fair value gains when market spreads widen. The table below shows the estimated effect of spreads on our comprehensive income (loss), after tax, by segment.

Table 26 - Estimated Spread Effect on Comprehensive Income (Loss)

(In billions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Capital Markets	$0.1	$—	$0.1	$0.2
Multifamily	(0.1)	0.1	(0.2)	0.1
Single-family Guarantee[(1)]	—	—	—	—
Spread effect on comprehensive income (loss)	**$—**	**$0.1**	**($0.1)**	**$0.3**

(1) Represents spread exposure on certain STACR debt securities for which we have elected the fair value option.

LIQUIDITY AND CAPITAL RESOURCES

Our business activities require that we maintain adequate liquidity to meet our financial obligations as they come due and meet the needs of customers in a timely and cost-efficient manner. We also must maintain adequate capital resources to avoid being placed into receivership by FHFA. For further discussion of our liquidity framework and profile, see **MD&A - Liquidity and Capital Resources** in our 2018 Annual Report.

Liquidity

Primary Sources of Liquidity

The following table lists the sources of our liquidity, the balances as of June 30, 2019, and a brief description of their importance to Freddie Mac.

Table 27 - Sources of Liquidity

Source	Balance(1) (In billions)	Description
Liquidity		
• Other Investments Portfolio - Liquidity and Contingency Operating Portfolio	$55.8	• The liquidity and contingency operating portfolio, included within our other investments portfolio, is primarily used for short-term liquidity management.
• Liquid Portion of the Mortgage-Related Investments Portfolio	$123.7	• 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

The investments in our other investments portfolio are important to our cash flow, collateral management, asset and liability management, and ability to provide liquidity and stability to the mortgage market. The table below summarizes the balances in our other investments portfolio, which includes the liquidity and contingency operating portfolio.

Table 28 - Other Investments Portfolio

	June 30, 2019				December 31, 2018			
(In billions)	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio
Cash and cash equivalents	$2.8	$0.6	$—	$3.4	$6.7	$0.6	$—	$7.3
Securities purchased under agreements to resell	33.4	17.0	2.3	52.7	20.2	12.1	2.5	34.8
Non-mortgage related securities	19.6	—	4.0	23.6	16.8	—	2.4	19.2
Secured lending and other	—	—	3.5	3.5	—	—	1.8	1.8
Total	**$55.8**	**$17.6**	**$9.8**	**$83.2**	**$43.7**	**$12.7**	**$6.7**	**$63.1**

Our non-mortgage-related investments in the liquidity and contingency operating portfolio 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 $1.6 billion and $1.5 billion as of June 30, 2019 and December 31, 2018, respectively.

The liquidity and contingency operating portfolio also included collateral posted to us in the form of cash primarily by derivatives counterparties of $2.3 billion and $3.0 billion as of June 30, 2019 and December 31, 2018, respectively. We have 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.

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 single-class and multiclass agency securities, excluding certain structured agency securities collateralized by non-agency mortgage-related securities. Our ability to pledge certain of these assets as collateral or sell them enhances our liquidity profile, although the amount of cash we may be able to successfully raise in the event of a liquidity crisis or significant market disruption may be substantially less than the amount of mortgage-related assets we hold. See **Conservatorship and Related Matters** for additional details on the liquidity of our mortgage-related investments portfolio.

Primary Sources of Funding

The following table lists the sources and balances of our funding as of June 30, 2019 and a brief description of their importance to Freddie Mac.

Table 29 - Sources of Funding

Source	Balance[(1)] (In billions)	Description
Funding		
• Other Debt	$279.0	• Other debt is used to fund our business activities, including single-family guarantee activities not funded by debt securities of consolidated trusts.
• Debt Securities of Consolidated Trusts	$1,828.0	• Debt securities of consolidated trusts are 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 purchasing modified or seriously delinquent loans from the trusts.

(1) Represents UPB of debt balances.

Other Debt Activities

We issue other debt to fund our business activities. Competition for funding can vary with economic, financial market, and regulatory environments. We issue other debt based on a variety of factors, including market conditions and our liquidity requirements. We currently favor a mix of derivatives and shorter- and medium-term debt to fund our business and manage interest-rate risk. Generally, this funding mix is a less expensive method than relying more extensively on long-term debt.

The table below summarizes the par value and the average rate of other debt securities 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 securities from time to time for a variety of reasons, including managing our funding composition and supporting the liquidity of our debt securities.

Table 30 - Other Debt Activity

	2Q 2019				YTD 2019			
(Dollars in millions)	Short-term	Average Rate[1]	Long-term	Average Rate[1]	Short-term	Average Rate[1]	Long-term	Average Rate[1]
Discount notes and Reference Bills®								
Beginning balance	$45,854	2.46%	$—	—%	$28,787	2.36%	$—	—%
Issuances	90,615	2.30	—	—	185,501	2.32	—	—
Repurchases	—	—	—	—	—	—	—	—
Maturities	(101,107)	2.34	—	—	(178,926)	2.31	—	—
Ending Balance	**35,362**	**2.41**	**—**	**—**	**35,362**	**2.41**	**—**	**—**
Securities sold under agreements to repurchase								
Beginning balance	14,962	2.50	—	—	6,019	2.40	—	—
Additions	51,292	2.38	—	—	101,449	2.41	—	—
Repayments	(56,705)	2.46	—	—	(97,919)	2.45	—	—
Ending Balance	**9,549**	**2.30**	**—**	**—**	**9,549**	**2.30**	**—**	**—**
Callable debt								
Beginning balance	—	—	101,474	2.10	2,000	2.53	105,206	2.09
Issuances	12,590	2.49	31,546	2.65	12,590	2.49	45,666	2.75
Repurchases	—	—	—	—	—	—	—	—
Calls	—	—	(14,637)	3.02	(2,000)	2.78	(28,808)	3.06
Maturities	—	—	(4,989)	1.29	—	—	(8,670)	1.27
Ending Balance	**12,590**	**2.49**	**113,394**	**2.16**	**12,590**	**2.49**	**113,394**	**2.16**
Non-callable debt								
Beginning balance	16,509	2.29	75,696	2.62	14,440	2.04	80,789	2.56
Issuances	10,187	2.54	10,290	2.52	18,306	2.49	10,290	2.52
Repurchases	—	—	(553)	1.95	—	—	(774)	1.82
Maturities	(13,100)	2.26	(7,894)	1.48	(19,150)	2.14	(12,766)	2.01
Ending Balance	**13,596**	**2.50**	**77,539**	**2.75**	**13,596**	**2.50**	**77,539**	**2.75**
STACR and SCR Debt[2]								
Beginning balance	—	—	17,597	6.17	—	—	17,729	6.02
Issuances	—	—	—	—	—	—	280	2.48
Repurchases	—	—	—	—	—	—	—	—
Maturities	—	—	(626)	4.66	—	—	(1,038)	4.67
Ending Balance	**—**	**—**	**16,971**	**6.16**	—	—	**16,971**	**6.16**
Total other debt	**$71,097**	**2.43%**	**$207,904**	**2.41%**	**$71,097**	**2.43%**	**$207,904**	**2.41%**

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

(2) Includes STACR and SCR debt notes and certain multifamily other debt. STACR 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.

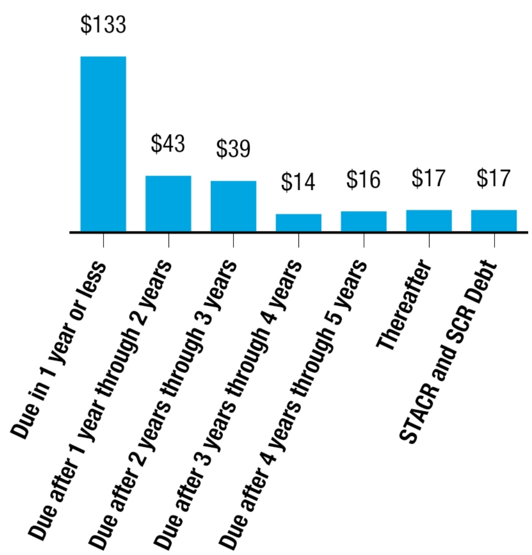
Our outstanding other debt balance increased during the 2019 periods, driven by an increase in the issuance of our callable debt primarily due to higher near-term cash needs for upcoming debt maturities and anticipated calls.

Maturity and Redemption Dates

The following graphs present our other debt 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.

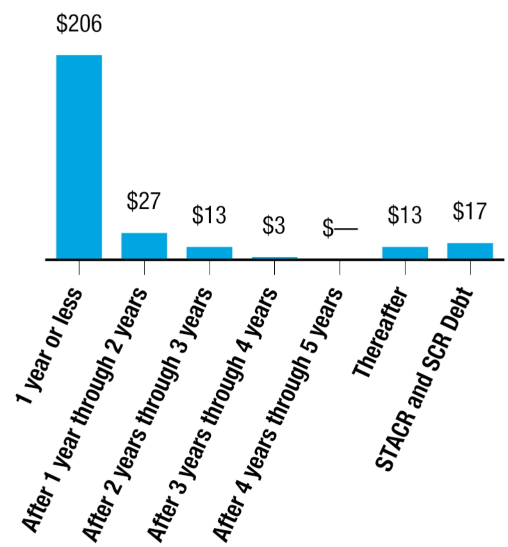
Contractual Maturity Date as of June 30, 2019[1]

(Par value in billions)



Earliest Redemption Date as of June 30, 2019[1]

(Par value in billions)



(1) STACR 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 graphs.

Debt Securities of Consolidated Trusts

The largest component of debt on our condensed consolidated balance sheets is debt securities of consolidated trusts, which relates to securitization transactions that we consolidated for accounting purposes. We issue this type of debt by securitizing mortgage loans primarily to fund the majority of our single-family guarantee activities. When we consolidate securitization trusts, we recognize the following on our condensed consolidated balance sheets:

- The assets held by the securitization trusts, the majority of which are mortgage loans. We recognized $1,879.8 billion and $1,842.9 billion of mortgage loans, which represented 88.5% and 89.3% of our total assets, as of June 30, 2019 and December 31, 2018, respectively.
- The debt securities issued by the securitization trusts, the majority of which are Level 1 securitizations that are pass-through securities, where the cash flows of the mortgage loans held by the securitization trust are passed through to the holders of the securities. We recognized $1,828.0 billion and $1,792.7 billion of debt securities of consolidated trusts, which represented 86.8% and 87.7% of our total debt, as of June 30, 2019 and December 31, 2018, respectively.

Debt securities of consolidated trusts are principally repaid from the cash flows of the mortgage loans held by the securitization trusts that issued the debt securities. In circumstances when the cash flows of the mortgage loans are not sufficient to repay the debt, we make up the shortfall because we have guaranteed the payment of principal and interest on the debt. In certain circumstances, we have the right and/or obligation to purchase the loan from the trust prior to its contractual maturity.

The table below shows the issuance and extinguishment activity for the debt securities of our consolidated trusts.

Table 31 - Activity for Debt Securities of Consolidated Trusts Held by Third Parties

(In millions)	2Q 2019	YTD 2019
Beginning balance	$1,760,027	$1,748,738
Issuances:		
New issuances to third parties	71,801	115,405
Additional issuances of securities	37,210	65,042
Total issuances	**109,011**	**180,447**
Extinguishments:		
Purchases of debt securities from third parties	(6,955)	(12,970)
Debt securities received in settlement of secured lending	(9,303)	(15,250)
Repayments of debt securities	(68,551)	(116,736)
Total extinguishments	**(84,809)**	**(144,956)**
Ending balance	**1,784,229**	**1,784,229**
Unamortized premiums and discounts	43,745	43,745
Debt securities of consolidated trusts held by third parties	**$1,827,974**	**$1,827,974**

Cash Flows

Cash and cash equivalents (including restricted cash and cash equivalents) decreased by $3.3 billion from June 30, 2018 to June 30, 2019, primarily driven by an increase in investments in securities purchased under agreements to resell during YTD 2019. The decrease in cash and cash equivalents (including restricted cash and cash equivalents) was partially offset by an increase in proceeds from the issuance of callable debt for upcoming maturities and anticipated calls of other debt.

Capital Resources

Primary Sources of Capital

The following table lists the sources and balances of our capital as of June 30, 2019 and a brief description of their importance to Freddie Mac.

Table 32 - Sources of Capital

Source	Balance[1] (In billions)	Description
Capital		
• Net Worth	$4.8	• GAAP net worth represents capital available prior to our dividend requirement to Treasury under the Purchase Agreement.
• Available Funding under Purchase Agreement	$140.2	• FHFA may request draws on our behalf from Treasury up to the amount of available funding under the Purchase Agreement.

(1) Represents carrying value of net worth.

Our entry into conservatorship resulted in significant changes to the assessment of our capital adequacy and our management of capital. Under the Purchase Agreement, Treasury made a commitment to provide us with equity funding, under certain conditions, to eliminate deficits in our net worth. At June 30, 2019, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. Based on our Net Worth Amount of $4.8 billion and the applicable Capital Reserve Amount of $3.0 billion, our dividend requirement to Treasury in September 2019 will be $1.8 billion. See **Note 2** for details of the support we receive from Treasury.

The table below presents activity related to our net worth during 2Q 2019 and YTD 2019.

Table 33 - Net Worth Activity

(In millions)	2Q 2019	YTD 2019
Beginning balance	$4,665	$4,477
Comprehensive income (loss)	1,826	3,491
Capital draw from Treasury	—	—
Senior preferred stock dividends declared	(1,665)	(3,142)
Total equity / net worth	**$4,826**	**$4,826**
Aggregate draws under Purchase Agreement	$71,648	$71,648
Aggregate cash dividends paid to Treasury	119,680	119,680

Conservatorship Capital Framework

In May 2017, FHFA, as Conservator, issued guidance to us to evaluate and manage our financial risk and to make economic business decisions, while in conservatorship, utilizing a newly-developed risk-based CCF, an economic capital system with detailed formulae provided by FHFA. The CCF also provides the foundation for the risk-based component of the proposed Enterprise Capital Rule published by FHFA in the Federal Register in July 2018.

We have adopted the CCF for internal capital measurement to evaluate business decisions and ensure the company makes such decisions prudently when pricing transactions and managing its businesses. This framework focuses on the profits earned versus an estimated cost of equity capital needed to support the risk assumed to generate those profits.

The existing regulatory capital requirements have been suspended by FHFA during conservatorship. Consequently, we refer to the capital needed under the CCF for analysis of transactions and businesses as "conservatorship capital."

Under the Purchase Agreement, we are not able to retain total equity, as calculated under GAAP, in excess of the $3.0 billion Capital Reserve Amount. As a result, we do not have capital sufficient to support our aggregate risk-taking activities. Instead, we rely upon the Purchase Agreement to maintain market confidence.

Return on Conservatorship Capital

The table below provides the ROCC, calculated as (1) annualized comprehensive income for the period divided by (2) average conservatorship capital during the period. Each quarter, we consider whether certain "significant items" occurred that should be excluded from comprehensive income for our calculation of ROCC. If we have identified significant items in any of the periods presented, we also include comprehensive income excluding significant items as well as an adjusted ROCC based on comprehensive income excluding significant items, both non-GAAP measures. We believe that these non-GAAP financial measures are useful to investors as they better reflect our on-going financial results.

All conservatorship capital figures presented below are based on the CCF in effect as of June 30, 2019, which was unchanged from the CCF as in effect on March 31, 2019. The CCF has previously been and may be further revised by FHFA from time to time, and may be revised specifically in connection with FHFA's consideration and adoption of a final Enterprise Capital Rule, which could possibly result in material changes in our conservatorship capital.

The ROCC shown in the table below is not based on our total equity and does not reflect actual returns on total equity. We do not believe that returns on total equity are meaningful because of the current $3.0 billion limit on the amount of total equity that we are able to retain under the Purchase Agreement.

Table 34 - Return on Conservatorship Capital

(Dollars in billions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
GAAP comprehensive income	$1.8	$2.4	$3.5	$4.6
Significant items:				
Non-agency mortgage-related securities judgment(1)	—	(0.3)	—	(0.3)
Tax effect related to judgment(1)	—	0.1	—	0.1
Total significant items(2)	—	(0.2)	—	(0.2)
Comprehensive income, excluding significant items(2)	$1.8	$2.2	$3.5	$4.4
Conservatorship capital (average during the period)(3)	$51.7	$57.7	$52.1	$58.0
ROCC, based on GAAP comprehensive income(3)	14.1%	16.9%	13.4%	15.8%
Adjusted ROCC, based on comprehensive income excluding significant items(2)(3)	14.1%	15.0%	13.4%	14.9%

(1) 2Q 2018 GAAP comprehensive income included a benefit of $334 million (pre-tax) from a final judgment against Nomura Holding America, Inc. in litigation involving certain of our non-agency mortgage-related securities. The tax effect related to this judgment was ($70) million.

(2) No significant items were identified for the 2019 periods. Numbers for the 2019 periods are included for comparison purposes only.

(3) 2Q 2018 and YTD 2018 conservatorship capital results have been revised to include capital for deferred tax assets.

Our ROCC and Adjusted ROCC for 2Q 2019 and YTD 2019 decreased compared to the returns for the 2018 periods, primarily driven by the decrease in comprehensive income, partially offset by the lower level of conservatorship capital needed, resulting from an increase in CRT activity in both our Single-family Guarantee and Multifamily segments, home price appreciation, and the efficient disposition of legacy assets.

We find the returns calculated above, as well as the returns calculated on specific transactions and individual business lines, to be a reasonable measure of return-versus-risk to support our decision-making while we remain in conservatorship. These returns may not be indicative of the returns that would be generated if we were to exit conservatorship, especially as the terms and timing of any such exit are not currently known and will depend upon future actions by the U.S. government. Our belief, should we leave conservatorship, is that returns at that time would most likely be below the levels calculated above, assuming the same portfolio of risk assets, as we expect that we would hold capital post-conservatorship above the minimum required regulatory capital. It is also likely that we would be required to pay fees for federal government support, thereby reducing our total comprehensive income.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into certain off-balance sheet arrangements related to our securitization activities involving guaranteed loans and mortgage-related securities, though most of our securitization activities are on-balance sheet. For a description of our off-balance sheet arrangements, see **MD&A - Off-Balance Sheet Arrangements** in our 2018 Annual Report. See **Note 3** and **Note 5** for more information on our off-balance sheet securitization and guarantee activities.

Our maximum potential off-balance sheet exposure to credit losses relating to these securitization activities and guarantees is primarily represented by the UPB of the underlying loans and securities, which was $270.8 billion and $254.9 billion at June 30, 2019 and December 31, 2018, respectively. The amount as of June 30, 2019 excludes Fannie Mae securities backing Freddie Mac resecuritization products discussed below.

With the implementation of the Single Security Initiative, we now 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 exposure as we do not have control over the Fannie Mae collateral.

As of June 30, 2019, the total amount of our off-balance sheet exposure related to Fannie Mae securities backing Freddie Mac resecuritization products was approximately $2.0 billion. We expect this exposure to increase over time.

CONSERVATORSHIP AND RELATED MATTERS

Managing Our Mortgage-Related Investments Portfolio

The table below presents the UPB of our mortgage-related investments portfolio. In February 2019, FHFA directed us to maintain this portfolio at or below $225 billion at all times.

Table 35 - Mortgage-Related Investments Portfolio Details

	June 30, 2019				December 31, 2018			
(Dollars in millions)	Liquid	Securitization Pipeline	Less Liquid	Total	Liquid	Securitization Pipeline	Less Liquid	Total
Capital Markets segment - Mortgage investments portfolio:								
Single-family unsecuritized loans								
Performing loans	$—	$16,093	$—	$16,093	$—	$8,955	$—	$8,955
Reperforming loans	—	—	33,983	33,983	—	—	39,402	39,402
Total single-family unsecuritized loans	**—**	**16,093**	**33,983**	**50,076**	**—**	**8,955**	**39,402**	**48,357**
Freddie Mac mortgage-related securities	113,439	—	2,817	116,256	109,880	—	3,108	112,988
Non-agency mortgage-related securities	—	—	1,814	1,814	—	—	2,122	2,122
Other Non-Freddie Mac agency mortgage-related securities	4,916	—	—	4,916	3,968	—	—	3,968
Total Capital Markets segment - Mortgage investments portfolio	**118,355**	**16,093**	**38,614**	**173,062**	**113,848**	**8,955**	**44,632**	**167,435**
Single-family Guarantee segment - Single-family unsecuritized seriously delinquent loans	—	—	8,295	8,295	—	—	8,473	8,473
Multifamily segment:								
Unsecuritized loans	—	21,409	10,121	31,530	—	23,203	11,584	34,787
Mortgage-related securities	5,351	—	748	6,099	6,570	—	815	7,385
Total Multifamily segment	**5,351**	**21,409**	**10,869**	**37,629**	**6,570**	**23,203**	**12,399**	**42,172**
Total mortgage-related investments portfolio	**$123,706**	**$37,502**	**$57,778**	**$218,986**	**$120,418**	**$32,158**	**$65,504**	**$218,080**
Percentage of total mortgage-related investments portfolio	57%	17%	26%	100%	55%	15%	30%	100%

While we continued to purchase new single-family seriously delinquent loans and certain multifamily unsecuritized loans, which are classified as held-for-investment, our active disposition of less liquid assets during YTD 2019 included the following:

- Sales of $3.6 billion in UPB of single-family reperforming loans and $0.2 billion in UPB of single-family non-agency mortgage-related securities;
- Securitizations of $1.0 billion in UPB of less liquid multifamily loans; and
- Transfers of $0.3 billion in UPB of less liquid multifamily loans to the securitization pipeline.

REGULATION AND SUPERVISION

In addition to our 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. 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

Affordable Housing Fund Allocations

The GSE Act requires us 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 this amount to certain housing funds. During 2Q 2019 and YTD 2019, we completed $119.4 billion and $202.2 billion, respectively, of new business purchases subject to this requirement and accrued $50 million and $85 million, respectively, of related expense. We are prohibited from passing through these costs to the originators of the loans that we purchase.

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 Guarantee, Multifamily, and Capital Markets segments of our business, our efforts to assist the housing market, our liquidity and capital management, economic and market conditions and trends, 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, and our results of operations and financial condition on a GAAP, Segment Earnings, and fair value basis. Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond our control. 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 of this Form 10-Q and our 2018 Annual Report, and:

- The actions the U.S. government (including FHFA, Treasury, and Congress) may take, or require us to take, including to support the housing markets or to implement FHFA's Conservatorship Scorecards and other objectives for us;
- The effect of the restrictions on our business due to the conservatorship and the Purchase Agreement, including our dividend requirement on the senior preferred stock;
- Changes in our Charter or in applicable legislative or regulatory requirements (including any legislation affecting the future status of our company);
- Changes in the fiscal and monetary policies of the Federal Reserve, including the balance sheet normalization program to reduce the Federal Reserve's holdings of mortgage-related securities;
- Changes in tax laws;
- Changes in accounting policies, practices, or guidance (e.g., FASB's accounting standards update related to the measurement of credit losses of financial instruments);
- Changes in economic and market conditions, including changes in employment rates, interest rates, spreads, and home 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 legacy and relief refinance single-family loan portfolio;
- The success of our strategy to transfer mortgage credit risk through STACR debt note, STACR Trust, 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;
- Our ability to effectively execute our business strategies, implement new initiatives, and improve efficiency;
- The adequacy of our risk management framework, including the adequacy of the CCF 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;
- 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;
- Changes or errors 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, as well as market acceptance of the UMBS;
- Changes in the practices of loan originators, servicers, investors, and other participants in the secondary mortgage market;
- The occurrence of a major natural or other disaster in areas in which our offices or significant portions of our total mortgage portfolio are located; and
- Other factors and assumptions described in this Form 10-Q and our 2018 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 Comprehensive Income (Loss) (Unaudited)

(In millions, except share-related amounts)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Interest income				
Mortgage loans	$17,358	$16,344	$35,304	$32,295
Investments in securities	684	730	1,373	1,540
Other	420	228	771	442
Total interest income	**18,462**	**17,302**	**37,448**	**34,277**
Interest expense	(15,535)	(14,299)	(31,368)	(28,256)
Net interest income	2,927	3,003	6,080	6,021
Benefit (provision) for credit losses	160	60	295	(3)
Net interest income after benefit (provision) for credit losses	3,087	3,063	6,375	6,018
Non-interest income (loss)				
Guarantee fee income	222	200	439	394
Mortgage loans gains (losses)	1,541	354	2,472	139
Investment securities gains (losses)	390	(349)	564	(581)
Debt gains (losses)	49	166	64	287
Derivative gains (losses)	(2,089)	416	(3,695)	2,246
Other income (loss)	209	438	243	569
Non-interest income (loss)	322	1,225	87	3,054
Non-interest expense				
Salaries and employee benefits	(328)	(303)	(650)	(589)
Professional services	(122)	(113)	(227)	(215)
Other administrative expense	(169)	(142)	(320)	(274)
Total administrative expense	**(619)**	**(558)**	**(1,197)**	**(1,078)**
Real estate owned operations expense	(81)	(15)	(114)	(49)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(399)	(366)	(789)	(725)
Other expense	(412)	(204)	(699)	(401)
Non-interest expense	(1,511)	(1,143)	(2,799)	(2,253)
Income (loss) before income tax (expense) benefit	1,898	3,145	3,663	6,819
Income tax (expense) benefit	(392)	(642)	(750)	(1,390)
Net income (loss)	1,506	2,503	2,913	5,429
Other comprehensive income (loss), net of taxes and reclassification adjustments:				
Changes in unrealized gains (losses) related to available-for-sale securities	304	(96)	550	(896)
Changes in unrealized gains (losses) related to cash flow hedge relationships	20	32	38	62
Changes in defined benefit plans	(4)	(4)	(10)	(10)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	**320**	**(68)**	**578**	**(844)**
Comprehensive income (loss)	**$1,826**	**$2,435**	**$3,491**	**$4,585**
Net income (loss)	$1,506	$2,503	$2,913	$5,429
Undistributed net worth sweep and senior preferred stock dividends	(1,826)	(1,585)	(3,491)	(1,585)
Net income (loss) attributable to common stockholders	**($320)**	**$918**	**($578)**	**$3,844**
Net income (loss) per common share — basic and diluted	($0.10)	$0.28	($0.18)	$1.19
Weighted average common shares outstanding (in millions) — basic and diluted	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)	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents (Notes 1, 3, 14) (includes $655 and $596 of restricted cash and cash equivalents)	$3,427	$7,273
Securities purchased under agreements to resell (Notes 3, 10)	52,698	34,771
Investments in securities, at fair value (Note 7)	69,639	69,111
Mortgage loans held-for-sale (Notes 3, 4) (includes $21,310 and $23,106 at fair value)	38,240	41,622
Mortgage loans held-for-investment (Notes 3, 4) (net of allowance for loan losses of $5,292 and $6,139)	1,926,450	1,885,356
Accrued interest receivable (Note 3)	6,784	6,728
Derivative assets, net (Notes 9, 10)	1,142	335
Deferred tax assets, net (Note 12)	6,416	6,888
Other assets (Notes 3, 18) (includes $4,400 and $3,929 at fair value)	19,704	10,976
Total assets	**$2,124,500**	**$2,063,060**
Liabilities and equity		
Liabilities		
Accrued interest payable (Note 3)	$6,874	$6,652
Debt, net (Notes 3, 8) (includes $4,837 and $5,112 at fair value)	2,105,335	2,044,950
Derivative liabilities, net (Notes 9, 10)	463	583
Other liabilities (Notes 3, 18)	7,002	6,398
Total liabilities	**2,119,674**	**2,058,583**
Commitments and contingencies (Notes 5, 9, 16)		
Equity (Note 11)		
Senior preferred stock (redemption value of $75,648 and $75,648)	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 650,059,033 shares and 650,058,775 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(78,489)	(78,260)
AOCI, net of taxes, related to:		
Available-for-sale securities (includes $250 and $221, related to net unrealized gains on securities for which other-than-temporary impairment has been recognized in earnings)	633	83
Cash flow hedge relationships	(277)	(315)
Defined benefit plans	87	97
Total AOCI, net of taxes	443	(135)
Treasury stock, at cost, 75,804,853 shares and 75,805,111 shares	(3,885)	(3,885)
Total equity *(See Note 11 for information on our dividend requirement to Treasury)*	**4,826**	**4,477**
Total liabilities and equity	**$2,124,500**	**$2,063,060**

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)	June 30, 2019	December 31, 2018
Consolidated Balance Sheet Line Item		
Assets: (Note 3)		
Mortgage loans held-for-investment	$1,879,802	$1,842,850
All other assets	31,722	20,237
Total assets of consolidated VIEs	**$1,911,524**	**$1,863,087**
Liabilities: (Note 3)		
Debt, net	$1,827,974	$1,792,677
All other liabilities	5,460	5,335
Total liabilities of consolidated VIEs	**$1,833,434**	**$1,798,012**

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

FREDDIE MAC

Condensed Consolidated Statements of Equity (Unaudited)

	Shares Outstanding										
(In millions)	Senior Preferred Stock	Preferred Stock	Common Stock	Senior Preferred Stock	Preferred Stock, at Redemption Value	Common Stock, at Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	AOCI, Net of Tax	Treasury Stock, at Cost	Total Equity
Balance at March 31, 2019	1	464	650	$72,648	$14,109	$—	$—	($78,330)	$123	($3,885)	$4,665
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	1,506	—	—	1,506
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	320	—	320
Comprehensive income (loss)	—	—	—	—	—	—	—	1,506	320	—	1,826
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(1,665)	—	—	(1,665)
Ending balance at June 30, 2019	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($78,489)**	**$443**	**($3,885)**	**$4,826**
Balance at March 31, 2018	1	464	650	$72,648	$14,109	$—	$—	($80,424)	($298)	($3,885)	$2,150
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	2,503	—	—	2,503
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	(68)	—	(68)
Comprehensive income (loss)	—	—	—	—	—	—	—	2,503	(68)	—	2,435
Ending balance at June 30, 2018	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($77,921)**	**($366)**	**($3,885)**	**$4,585**

	Shares Outstanding										
(In millions)	Senior Preferred Stock	Preferred Stock	Common Stock	Senior Preferred Stock	Preferred Stock, at Redemption Value	Common Stock, at Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	AOCI, Net of Tax	Treasury Stock, at Cost	Total Equity
Balance at December 31, 2018	1	464	650	$72,648	$14,109	$—	$—	($78,260)	($135)	($3,885)	$4,477
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	2,913	—	—	2,913
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	578	—	578
Comprehensive income (loss)	—	—	—	—	—	—	—	2,913	578	—	3,491
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(3,142)	—	—	(3,142)
Ending balance at June 30, 2019	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($78,489)**	**$443**	**($3,885)**	**$4,826**
Balance at December 31, 2017	1	464	650	$72,336	$14,109	$—	$—	($83,261)	$389	($3,885)	($312)
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	5,429	—	—	5,429
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	(844)	—	(844)
Comprehensive income (loss)	—	—	—	—	—	—	—	5,429	(844)	—	4,585
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	(89)	89	—	—
Increase in liquidation preference	—	—	—	312	—	—	—	—	—	—	312
Ending balance at June 30, 2018	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($77,921)**	**($366)**	**($3,885)**	**$4,585**

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 2019	YTD 2018
Net cash provided by (used in) operating activities	**$5,610**	**$3,494**
Cash flows from investing activities		
Purchases of trading securities	(49,153)	(64,979)
Proceeds from sales of trading securities	39,094	61,764
Proceeds from maturities and repayments of trading securities	5,786	3,007
Purchases of available-for-sale securities	(4,074)	(8,938)
Proceeds from sales of available-for-sale securities	6,864	10,750
Proceeds from maturities and repayments of available-for-sale securities	2,041	3,250
Purchases of held-for-investment mortgage loans	(85,212)	(71,978)
Proceeds from sales of mortgage loans held-for-investment	5,975	4,817
Repayments of mortgage loans held-for-investment	128,451	126,205
Advances under secured lending arrangements	(18,759)	(12,237)
Repayments of secured lending arrangements	488	—
Net proceeds from dispositions of real estate owned and other recoveries	599	752
Net (increase) decrease in securities purchased under agreements to resell	(17,927)	14,134
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	(7,418)	4,037
Other, net	(302)	(249)
Net cash provided by (used in) investing activities	**6,453**	**70,335**
Cash flows from financing activities		
Proceeds from issuance of debt securities of consolidated trusts held by third parties	93,610	96,888
Repayments and redemptions of debt securities of consolidated trusts held by third parties	(130,056)	(136,131)
Proceeds from issuance of other debt	373,249	279,522
Repayments of other debt	(349,517)	(317,477)
Increase in liquidation preference of senior preferred stock	—	312
Payment of cash dividends on senior preferred stock	(3,142)	—
Other, net	(53)	(2)
Net cash provided by (used in) financing activities	**(15,909)**	**(76,888)**
Net increase (decrease) in cash and cash equivalents (includes restricted cash and cash equivalents)	(3,846)	(3,059)
Cash and cash equivalents (includes restricted cash and cash equivalents) at beginning of year	7,273	9,811
Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period	**$3,427**	**$6,752**
Supplemental cash flow information		
Cash paid for:		
Debt interest	$34,715	$32,336
Income taxes	306	2,125
Non-cash investing and financing activities (Notes 4 and 7)		

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. Our public mission is 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. For more information on the roles of FHFA and Treasury, see **Note 2** in this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2018, or 2018 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 2018 Annual Report. Throughout this Form 10-Q, we refer to the three months ended June 30, 2019, the three months ended March 31, 2019, the three months ended December 31, 2018, the three months ended September 30, 2018, the three months ended June 30, 2018, and the three months ended March 31, 2018 as "2Q 2019," "1Q 2019," "4Q 2018," "3Q 2018," "2Q 2018," and "1Q 2018," respectively. We refer to the six months ended June 30, 2019 and the six months ended June 30, 2018 as "YTD 2019" and "YTD 2018," respectively.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2018 Annual Report.

Basis of Presentation

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. Certain amounts in prior periods' condensed consolidated financial statements have been reclassified to conform to the current presentation. In the opinion of management, our unaudited condensed consolidated financial statements contain all adjustments, which include only normal recurring adjustments, necessary for a fair statement of our results.

We evaluate the materiality of identified errors in the financial statements using both an income statement, or "rollover," and a balance sheet, or "iron curtain," approach, based on relevant quantitative and qualitative factors. Net income includes certain adjustments to correct immaterial errors related to previously reported periods.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, and losses during the reporting period. Management has made significant estimates in preparing the financial statements for establishing the allowance for credit losses and valuing financial instruments and other assets and liabilities. Actual results could be different from these estimates.

Recently Issued Accounting Guidance

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Condensed Consolidated Financial Statements
ASU 2016-02, Leases (Topic 842)	The amendment in this Update addresses the accounting for lease arrangements.	January 1, 2019	The adoption of the amendment did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	The amendments in this Update permit the OIS rate based on SOFR, as an eligible U.S. benchmark interest rate for purposes of applying hedge accounting under Topic 815.	January 1, 2019	The adoption of the amendment did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors	The amendments in this Update address certain ASU 2016-02 implementation issues including the recognition of taxes collected from lessees, lessor costs paid directly by a lessee, and recognition of variable payments for contracts with lease and non-lease components.	January 1, 2019	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.

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

Standard	Description	Date of Planned Adoption	Effect on Consolidated Financial Statements
ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	January 1, 2020	We have developed our models to estimate lifetime expected credit losses on our financial instruments measured at amortized cost primarily using a discounted cash flow methodology. These models are currently undergoing testing and validation, which includes executing our process for estimating the allowance for credit losses under the new standard in parallel with our existing process for estimating the allowance for credit losses under current GAAP and developing an appropriate governance process for our estimate of expected credit losses under the new standard. The amendments will be applied through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. While we continue to evaluate the effect that these amendments will have on our consolidated financial statements, we currently do not expect the impact at adoption of ASU 2016-13, Financial Instruments-Credit Losses, and related amendments to require us to request a draw from Treasury. However, the actual impact at adoption will depend upon the nature and characteristics of the portfolio at the adoption date, as well as macroeconomic conditions and forecasts at that time.
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurements, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. Certain disclosure requirements were either removed, modified, or added.	January 1, 2020	On October 1, 2018, we early adopted the amendments to remove or modify certain disclosures, which did not have a material effect on our consolidated financial statements. We are delaying adoption of the amendments to add certain disclosures until their effective date. We do not expect that the adoption of the additional disclosures will have a material effect on our consolidated financial statements.
ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The amendments in this Update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).	January 1, 2020	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.
ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	The amendments in this Update require that indirect interests held through related parties under common control be considered on a proportional basis when determining whether fees paid to decision makers or service providers are variable interests. These amendments align with the determination of whether a reporting entity within a related party group is the primary beneficiary of a VIE.	January 1, 2020	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.

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

Standard	Description	Date of Planned Adoption	Effect on Consolidated Financial Statements
ASU 2019-01, Leases (Topic 842): Narrow-Scope Improvements for Lessors	The amendments in this Update provide guidance for the: (1) lessor's fair value determination of the lease's underlying asset; (2) lessor's statement of cash flows presentation of cash received from sales-type and direct financing leases; and (3) removal of interim transition disclosure requirements related to changes in accounting principles.	January 1, 2020	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.
ASU 2019-04, Codification Improvements to Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825)	The amendments in this Update clarify certain aspects of Topic 326 guidance issued in ASU 2016-13 including the scope of the credit losses standard and issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. The other amendments in this update clarify certain aspects of Topic 815 and Topic 825.	January 1, 2020	We are assessing the impact of adopting the Topic 326 amendments as part of our assessment of the adoption impact of ASU 2016-13, Financial Instruments-Credit Losses. We do not expect that the adoption of the Topic 815 and Topic 825 amendments will have a material effect on our consolidated financial statements.
ASU 2019-05, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The amendments in this Update provides entities with transition relief upon the adoption of ASU 2016-13 by providing an option to elect fair value option on certain financial instruments measured at amortized cost.	January 1, 2020	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.

NOTE 2

Conservatorship and Related Matters

Business Objectives

We operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of FHFA, as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers, and privileges of Freddie Mac, and of any stockholder, officer, or director thereof, with respect to the company and its assets. The Conservator also succeeded to the title to all books, records, and assets of Freddie Mac held by any other legal custodian or third party. The Conservator provided for the Board of Directors to perform certain functions and to oversee management, and the Board delegated to management authority to conduct business operations so that the company can continue to operate in the ordinary course. The directors serve on behalf of, and perform such functions as provided by, the Conservator.

We are subject to certain constraints on our business activities under the Purchase Agreement. However, the support provided by Treasury pursuant to the Purchase Agreement currently enables us to maintain our access to the debt markets and to have adequate liquidity to conduct our normal business activities, although the costs of our debt funding could vary. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent.

Impact of Conservatorship and Related Developments on the Mortgage-Related Investments Portfolio

In February 2019, FHFA directed us to maintain the UPB of our mortgage-related investments portfolio at or below $225 billion at all times. The UPB of this portfolio was $219.0 billion at June 30, 2019. Our ability to acquire and sell mortgage assets continues to be significantly constrained by limitations imposed by the Purchase Agreement and FHFA.

Government Support for Our Business

We receive substantial support from Treasury and are dependent upon its continued support to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to:

- Keeping us solvent;
- Allowing us to focus on our primary business objectives under conservatorship; and
- Avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions.

At March 31, 2019, our assets exceeded our liabilities under GAAP; therefore, FHFA, as Conservator, did not request a draw on our behalf and, as a result, we did not receive any funding from Treasury under the Purchase Agreement during 2Q 2019. The amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

See **Note 8** and **Note 11** for more information on the conservatorship and the Purchase Agreement.

Related Parties As a Result of Conservatorship

We are deemed related parties with Fannie Mae as both we and Fannie Mae have the same relationships with FHFA and Treasury. CSS was formed in 2013 as a limited liability company equally-owned by Freddie Mac and Fannie Mae and is also deemed a related party. In connection with the formation of CSS, we entered into a limited liability company agreement with Fannie Mae. We and Fannie Mae have each appointed two executives to the CSS Board of Managers and signed governance and operating agreements for CSS, including an updated customer services agreement with Fannie Mae and CSS in May of 2019. In June of 2019, we entered into an agreement with Fannie Mae regarding the commingling of certain of our mortgage securities under the Single Security Initiative and related indemnification obligations. During YTD 2019, we contributed $62 million of capital to CSS, and we have contributed $526 million since the fourth quarter of 2014.

NOTE 3

Securitization Activities and Consolidation

Our primary business activities in our Single-family Guarantee and Multifamily segments involve the securitization of loans or other mortgage-related assets using trusts that are VIEs. These trusts issue beneficial interests in the loans or other mortgage-related assets that they own. We guarantee the principal and interest payments on some or all of the issued beneficial interests in substantially all of our securitization transactions. We consolidate VIEs when we have a controlling financial interest in the VIE and are therefore considered the primary beneficiary of the VIE. See **Note 5** for additional information on our guarantee activities.

Securitization Activities

With the implementation of Release 2 of the CSP and the Single Security Initiative on June 3, 2019, we began issuing new types of Level 1 securitization products (UMBS and 55-day MBS) and new types of single-class resecuritization products (Supers and Giant MBS). Our accounting policies for these new types of products are discussed below. These implementations did not affect our accounting for multiclass resecuritization products (REMICs and Strips). See **Note 3** in our 2018 Annual Report for more information on our accounting policies for securitization activities.

Level 1 Securitization Products

UMBS and 55-day MBS are similar to PCs, and our rights and obligations with respect to both UMBS and 55-day MBS are essentially the same as our rights and obligations with respect to PCs. As a result, similar to our conclusion for PCs, we have concluded that we are the primary beneficiary of, and therefore consolidate, the trusts we use to issue both UMBS and 55-day MBS, and we recognize the assets and liabilities of such trusts on our condensed consolidated balance sheets.

Similar to our accounting for PCs, we extinguish the outstanding debt securities of the related consolidated trust and recognize gains or losses on debt extinguishment for the difference between the consideration paid and the debt carrying value when we purchase UMBS and 55-day MBS as investments in our mortgage-related investments portfolio. Sales of UMBS and 55-day MBS previously held as investments in our mortgage-related investments portfolio are accounted for as debt issuances. Additionally, when existing PCs are exchanged for UMBS or 55-day MBS under our exchange program, we account for the exchange as a debt modification, as the terms of the securities exchanged are not substantially different and the exchange does not result in a change in the creditor. The float compensation we pay in conjunction with the exchange is deferred and amortized into interest expense over the life of the debt.

Resecuritization Products

Supers and Giant MBS are both single-class resecuritization products similar to Giant PCs, and our rights and obligations with respect to Supers and Giant MBS are essentially the same as our rights and obligations with respect to Giant PCs. As a result, similar to our conclusion for Giant PCs, we have concluded that we are not the primary beneficiary of, and therefore do not consolidate, the trusts used to issue either Supers or Giant MBS unless we have the unilateral ability to dissolve the trust.

We account for purchases of single-class resecuritization products that we issue that are substantially the same as the underlying collateral as debt extinguishments of a pro-rata portion of the underlying Level 1 securitization product. We account for purchases of single-class resecuritization products that we issue that are not considered substantially the same as the underlying collateral as investments in debt securities. Single-class resecuritization products that we issue that are backed entirely by Freddie Mac collateral are considered substantially the same as the underlying collateral, while commingled single-class resecuritization products that we issue are not considered substantially the same as the underlying collateral.

Consolidated VIEs

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

Table 3.1 - Consolidated VIEs

(In millions)	As of June 30, 2019	As of December 31, 2018
Condensed Consolidated Balance Sheet Line Item		
Assets:		
Cash and cash equivalents (includes $610 and $566 of restricted cash and cash equivalents)	$611	$567
Securities purchased under agreements to resell	17,000	12,125
Investments in securities, at fair value	142	—
Mortgage loans held-for-investment	1,879,802	1,842,850
Accrued interest receivable	6,067	5,914
Other assets	7,902	1,631
Total assets of consolidated VIEs	**$1,911,524**	**$1,863,087**
Liabilities:		
Accrued interest payable	$5,459	$5,335
Debt, net	1,827,974	1,792,677
Other liabilities	1	—
Total liabilities of consolidated VIEs	**$1,833,434**	**$1,798,012**

Non-Consolidated VIEs

Our involvement with VIEs for which we are not the primary beneficiary takes one or both of two forms - purchasing an investment in these entities or providing a guarantee to these entities. As part of the Single Security Initiative, we have the ability to commingle TBA-eligible Fannie Mae collateral in certain of our resecuritization products that we do not consolidate. We extend our guarantee of these products to cover principal and interest that are payable from the underlying Fannie Mae collateral. See **Note 5** for additional information on our guarantee of Fannie Mae securities.

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our condensed consolidated balance sheets related to non-consolidated VIEs with which we were involved in the design and creation and have a significant continuing involvement, as well as our maximum exposure to loss and total assets of the VIEs. Our maximum exposure to loss includes the guaranteed UPB of assets held by the non-consolidated VIEs, the UPB of unguaranteed securities that we acquired from these securitization transactions, and the UPB of guarantor advances made to the holders of the guaranteed securities. Our maximum exposure to loss and total assets of non-consolidated VIEs excludes our investments in and obligations to non-consolidated Freddie Mac resecuritization trusts because we already consolidate the underlying Freddie Mac collateral of these trusts on our condensed consolidated balance sheets and for commingled resecuritization trusts, we view the likelihood of being required to perform on our guarantee of the underlying Fannie Mae collateral as remote. Our maximum exposure to loss also excludes our interest rate exposure on certain securitization activity and other mortgage-related guarantees measured at fair value where our interest rate exposure may be unlimited. We generally reduce our exposure to these guarantees with unlimited interest rate exposure through separate contracts with third parties.

We do not believe the maximum exposure to loss disclosed in the table below 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 enhancement arrangements. See **Note 6** for additional information on credit enhancement arrangements.

Table 3.2 - Non-Consolidated VIEs

(In millions)	As of June 30, 2019	As of December 31, 2018
Assets and Liabilities Recorded on our Condensed Consolidated Balance Sheets[(1)]		
Assets:		
Investments in securities, at fair value	$39,157	$44,020
Accrued interest receivable	211	235
Derivative assets, net	11	1
Other assets	3,431	3,119
Liabilities:		
Derivative liabilities, net	75	88
Other liabilities	3,235	3,049
Maximum Exposure to Loss	**255,840**	**241,055**
Total Assets of Non-Consolidated VIEs	**304,701**	**284,724**

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

We also obtain interests in various other VIEs created by third parties through the normal course of business. To the extent that we were not involved in the design and creation of these VIEs, they are excluded from the table 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.

NOTE 4

Mortgage Loans and Allowance for Credit Losses

The table below provides details of the loans on our condensed consolidated balance sheets as of June 30, 2019 and December 31, 2018.

Table 4.1 - Mortgage Loans

	June 30, 2019			December 31, 2018		
(In millions)	Held by Freddie Mac	Held by Consolidated Trusts	Total	Held by Freddie Mac	Held by Consolidated Trusts	Total
Held-for-sale:						
Single-family	$18,487	$—	$18,487	$20,946	$—	$20,946
Multifamily	21,855	—	21,855	23,959	—	23,959
Total UPB	**40,342**	**—**	**40,342**	**44,905**	**—**	**44,905**
Cost basis and fair value adjustments, net	(2,102)	—	(2,102)	(3,283)	—	(3,283)
Total held-for-sale loans, net	**38,240**	**—**	**38,240**	**41,622**	**—**	**41,622**
Held-for-investment:						
Single-family	39,885	1,845,300	1,885,185	35,885	1,814,008	1,849,893
Multifamily	9,675	4,728	14,403	10,828	4,220	15,048
Total UPB	**49,560**	**1,850,028**	**1,899,588**	**46,713**	**1,818,228**	**1,864,941**
Cost basis adjustments	(666)	32,820	32,154	(1,198)	27,752	26,554
Allowance for loan losses	(2,246)	(3,046)	(5,292)	(3,009)	(3,130)	(6,139)
Total held-for-investment loans, net	**46,648**	**1,879,802**	**1,926,450**	**42,506**	**1,842,850**	**1,885,356**
Total mortgage loans, net	**$84,888**	**$1,879,802**	**$1,964,690**	**$84,128**	**$1,842,850**	**$1,926,978**

The table below provides details of the UPB of loans we purchased, reclassified from held-for-investment to held-for-sale, and sold.

Table 4.2 - Loans Purchased, Reclassified from Held-for-Investment to Held-for-Sale, and Sold

(In billions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Single-family:				
Purchases				
Held-for-investment loans	$101.6	$84.4	$171.2	$149.9
Reclassified from held-for-investment to held-for-sale[(1)]	1.0	2.6	5.1	4.3
Sale of held-for-sale loans[(2)]	3.6	2.4	5.7	4.2
Multifamily:				
Purchases				
Held-for-investment loans	1.4	0.7	2.5	1.7
Held-for-sale loans	15.9	14.4	27.4	26.2
Reclassified from held-for-investment to held-for-sale[(1)]	0.3	0.2	0.8	0.5
Sale of held-for-sale loans[(3)]	15.2	14.2	29.9	30.4

(1) We reclassify loans from held-for-investment to held-for-sale when we no longer have the intent or ability to hold for the foreseeable future. For additional information regarding the fair value of our loans classified as held-for-sale, see **Note 15**.

(2) Our sales of single-family loans reflect the sale of seasoned single-family mortgage loans. The sale of seasoned single-family mortgage loans is part of our strategy to mitigate and reduce our holdings of less liquid assets.

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

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 the Enhanced Relief Refinance program) or to sell the property for an amount at or above the balance of the outstanding loan.

A second-lien loan also reduces the borrower's equity in the home, and has a similar negative effect on the borrower's ability to refinance or sell the property for an amount at or above the combined balances of the first and second loans. However, borrowers are free to obtain second-lien financing after origination, and we are not entitled to receive notification when a borrower does so. For further information about concentrations of risk associated with our single-family and multifamily loans, see **Note 14**.

The table below presents the recorded investment of single-family held-for-investment loans by current LTV ratios. Our current LTV ratios are estimates based on available data through the end of each respective period presented.

Table 4.3 - Recorded Investment of Single-Family Held-for-Investment Loans by Current LTV Ratios

	June 30, 2019				December 31, 2018			
	Current LTV Ratio			Total	Current LTV Ratio			Total
(In millions)	≤ 80	> 80 to 100	> 100(1)		≤ 80	> 80 to 100	> 100(1)	
20- and 30-year or more, amortizing fixed-rate	$1,377,717	$232,411	$5,021	$1,615,149	$1,336,310	$214,703	$6,654	$1,557,667
15-year amortizing fixed-rate	239,136	4,565	108	243,809	251,152	4,522	157	255,831
Adjustable-rate	40,172	1,756	6	41,934	42,117	1,883	7	44,007
Alt-A, interest-only, and option ARM	14,717	1,385	360	16,462	16,498	1,903	559	18,960
Total single-family loans	**$1,671,742**	**$240,117**	**$5,495**	**$1,917,354**	**$1,646,077**	**$223,011**	**$7,377**	**$1,876,465**

(1) The serious delinquency rate for the total of single-family held-for-investment mortgage loans with current LTV ratios in excess of 100% was 6.80% and 7.24% as of June 30, 2019 and December 31, 2018, respectively.

For reporting purposes:

- Loans within the Alt-A category continue to be presented in that category following modification, even though the borrower may have provided full documentation of assets and income to complete the modification and
- Loans within the option ARM category continue to be presented in that category following modification, even though the modified loan no longer provides for optional payment provisions.

Multifamily

The table below presents the recorded investment in 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.

Table 4.4 - Recorded Investment of Multifamily Held-for-Investment Loans by Credit Quality Indicator

(In millions)	June 30, 2019	December 31, 2018
Credit risk profile by internally assigned grade:(1)		
Pass	$14,168	$14,648
Special mention	80	201
Substandard	140	181
Doubtful	—	—
Total	**$14,388**	**$15,030**

(1) A loan categorized as: "Pass" is current and adequately protected by the current financial strength and debt service capacity of the borrower; "Special mention" has administrative issues that may affect future repayment prospects but does not have current credit weaknesses; "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.

Mortgage Loan Performance

The tables below present the recorded investment of our single-family and multifamily loans, held-for-investment, by payment status.

Table 4.5 - Recorded Investment of Held-for-Investment Loans by Payment Status

	June 30, 2019					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Non-accrual
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$1,587,187	$17,928	$3,863	$6,171	$1,615,149	$6,167
15-year amortizing fixed-rate	241,837	1,502	228	242	243,809	242
Adjustable-rate	41,442	332	59	101	41,934	101
Alt-A, interest-only, and option ARM	14,774	770	267	651	16,462	651
Total single-family	**1,885,240**	**20,532**	**4,417**	**7,165**	**1,917,354**	**7,161**
Total multifamily	**14,388**	**—**	**—**	**—**	**14,388**	**14**
Total single-family and multifamily	**$1,899,628**	**$20,532**	**$4,417**	**$7,165**	**$1,931,742**	**$7,175**

	December 31, 2018					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Non-accrual
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$1,532,499	$14,683	$3,602	$6,883	$1,557,667	$6,881
15-year amortizing fixed-rate	254,376	1,021	171	263	255,831	263
Adjustable-rate	43,549	287	58	113	44,007	113
Alt-A, interest-only, and option ARM	16,975	793	327	865	18,960	864
Total single-family	**1,847,399**	**16,784**	**4,158**	**8,124**	**1,876,465**	**8,121**
Total multifamily	**15,030**	**—**	**—**	**—**	**15,030**	**17**
Total single-family and multifamily	**$1,862,429**	**$16,784**	**$4,158**	**$8,124**	**$1,891,495**	**$8,138**

(1) Includes $2.3 billion and $2.9 billion of single-family loans that were in the process of foreclosure as of June 30, 2019 and December 31, 2018, respectively.

The table below summarizes the delinquency rates of loans within our single-family credit guarantee and multifamily mortgage portfolios.

Table 4.6 - Delinquency Rates

(Dollars in millions)	June 30, 2019	December 31, 2018
Single-family:		
Non-credit-enhanced portfolio		
Serious delinquency rate	0.76%	0.83%
Total number of seriously delinquent loans	45,805	51,197
Credit-enhanced portfolio:(1)		
Primary mortgage insurance:		
Serious delinquency rate	0.76%	0.86%
Total number of seriously delinquent loans	14,082	15,287
Other credit protection:(2)		
Serious delinquency rate	0.31%	0.31%
Total number of seriously delinquent loans	14,185	12,920
Total single-family:		
Serious delinquency rate	**0.63%**	**0.69%**
Total number of seriously delinquent loans	**69,840**	**75,649**
Multifamily:(3)		
Non-credit-enhanced portfolio:		
Delinquency rate	—%	—%
UPB of delinquent loans	$2	$2
Credit-enhanced portfolio:		
Delinquency rate	0.03%	0.01%
UPB of delinquent loans	$84	$28
Total multifamily:		
Delinquency rate	**0.03%**	**0.01%**
UPB of delinquent loans	**$86**	**$30**

(1) The credit-enhanced categories are not mutually exclusive, as a single loan may be covered by both primary mortgage insurance and other credit protection.

(2) Consists of single-family loans covered by financial arrangements (other than primary mortgage insurance) that are designed to reduce our credit risk exposure. See **Note 6** for additional information on our credit enhancements.

(3) Multifamily delinquency performance is based on the UPB of loans that are two monthly payments or more past due or those in the process of foreclosure.

Allowance for Credit Losses

The allowance for credit losses represents estimates of probable incurred credit losses which we recognize by recording a charge to the provision for credit losses on our condensed consolidated statements of comprehensive income. The allowance for credit losses includes:

- Our allowance for loan losses, which pertains to all single-family and multifamily loans classified as held-for-investment on our condensed consolidated balance sheets and
- Our reserve for guarantee losses, which pertains to single-family and multifamily loans underlying our senior subordinate securitization structures (non-consolidated), other securitization products, and other mortgage-related guarantees.

Table 4.7 - Details of Allowance for Credit Losses

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

	2Q 2019				2Q 2018			
	Allowance for Loan Losses		Reserve for Guarantee Losses	Total	Allowance for Loan Losses		Reserve for Guarantee Losses	Total
(In millions)	Held by Freddie Mac	Held By Consolidated Trusts			Held by Freddie Mac	Held By Consolidated Trusts		
Single-family:								
Beginning balance	$2,465	$3,071	$46	$5,582	$5,305	$3,524	$48	$8,877
Provision (benefit) for credit losses	(224)	62	1	(161)	(205)	144	3	(58)
Charge-offs	(229)	(14)	(1)	(244)	(581)	(16)	(2)	(599)
Recoveries	124	4	—	128	124	2	—	126
Transfers, net[1]	81	(81)	—	—	165	(165)	—	—
Other[2]	21	—	—	21	79	8	—	87
Single-family ending balance	**2,238**	**3,042**	**46**	**5,326**	**4,887**	**3,497**	**49**	**8,433**
Multifamily ending balance	**8**	**4**	**5**	**17**	**11**	**2**	**7**	**20**
Total ending balance	**$2,246**	**$3,046**	**$51**	**$5,343**	**$4,898**	**$3,499**	**$56**	**$8,453**

	YTD 2019				YTD 2018			
	Allowance for Loan Losses		Reserve for Guarantee Losses	Total	Allowance for Loan Losses		Reserve for Guarantee Losses	Total
(In millions)	Held by Freddie Mac	Held By Consolidated Trusts			Held by Freddie Mac	Held By Consolidated Trusts		
Single-family:								
Beginning balance	$3,003	$3,127	$46	$6,176	$5,251	$3,680	$48	$8,979
Provision (benefit) for credit losses	(425)	126	2	(297)	(107)	123	5	21
Charge-offs	(814)	(33)	(2)	(849)	(936)	(31)	(4)	(971)
Recoveries	227	7	—	234	219	3	—	222
Transfers, net[1]	188	(188)	—	—	291	(291)	—	—
Other[2]	59	3	—	62	169	13	—	182
Single-family ending balance	**2,238**	**3,042**	**46**	**5,326**	**4,887**	**3,497**	**49**	**8,433**
Multifamily ending balance	**8**	**4**	**5**	**17**	**11**	**2**	**7**	**20**
Total ending balance	**$2,246**	**$3,046**	**$51**	**$5,343**	**$4,898**	**$3,499**	**$56**	**$8,453**

(1) Relates to removal of delinquent loans from consolidated trusts and resecuritization after such removal.

(2) Primarily includes capitalization of past due interest on modified loans.

A significant number of unsecuritized single-family loans on our condensed consolidated balance sheets are individually evaluated for impairment while substantially all single-family loans held by our consolidated trusts are collectively evaluated for impairment. The allowance for loan losses associated with our held-for-investment unsecuritized loans represented approximately 4.6% and 6.6% of the recorded investment in such loans at June 30, 2019 and December 31, 2018, respectively, and a substantial portion of the allowance associated with these loans represented interest rate concessions provided to borrowers as part of loan modifications. The allowance for loan losses associated with loans held by our consolidated trusts represented approximately 0.2% of the recorded investment in such loans as of both June 30, 2019 and December 31, 2018.

The table below presents our allowance for loan losses and our recorded investment in loans, held-for-investment, by impairment evaluation methodology.

Table 4.8 - Net Investment in Loans

	June 30, 2019			December 31, 2018		
(In millions)	Single-family	Multifamily	Total	Single-family	Multifamily	Total
Recorded investment:						
Collectively evaluated	$1,874,795	$14,305	$1,889,100	$1,830,044	$14,945	$1,844,989
Individually evaluated	42,559	83	42,642	46,421	85	46,506
Total recorded investment	**1,917,354**	**14,388**	**1,931,742**	**1,876,465**	**15,030**	**1,891,495**
Ending balance of the allowance for loan losses:						
Collectively evaluated	(1,681)	(11)	(1,692)	(1,761)	(9)	(1,770)
Individually evaluated	(3,599)	(1)	(3,600)	(4,369)	—	(4,369)
Total ending balance of the allowance	**(5,280)**	**(12)**	**(5,292)**	**(6,130)**	**(9)**	**(6,139)**
Net investment in loans	**$1,912,074**	**$14,376**	**$1,926,450**	**$1,870,335**	**$15,021**	**$1,885,356**

Allowance for Loan Losses Determined on an Individual Basis

Impaired Loans

The tables below present the UPB, recorded investment, related allowance for loan losses, average recorded investment, and interest income recognized for individually impaired loans.

Table 4.9 - Individually Impaired Loans

	June 30, 2019			December 31, 2018		
(In millions)	UPB	Recorded Investment	Associated Allowance	UPB	Recorded Investment	Associated Allowance
Single-family:						
With no allowance recorded:[1]						
20- and 30-year or more, amortizing fixed-rate	$3,196	$2,540	N/A	$3,335	$2,666	N/A
15-year amortizing fixed-rate	20	19	N/A	23	22	N/A
Adjustable-rate	208	207	N/A	227	226	N/A
Alt-A, interest-only, and option ARM	1,085	920	N/A	1,286	1,083	N/A
Total with no allowance recorded	**4,509**	**3,686**	**N/A**	**4,871**	**3,997**	**N/A**
With an allowance recorded:[2]						
20- and 30-year or more, amortizing fixed-rate	34,483	33,999	($3,014)	37,579	36,959	($3,660)
15-year amortizing fixed-rate	669	678	(14)	703	713	(19)
Adjustable-rate	144	143	(7)	164	162	(8)
Alt-A, interest-only, and option ARM	4,274	4,053	(564)	4,867	4,590	(682)
Total with an allowance recorded	**39,570**	**38,873**	**(3,599)**	**43,313**	**42,424**	**(4,369)**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	37,679	36,539	(3,014)	40,914	39,625	(3,660)
15-year amortizing fixed-rate	689	697	(14)	726	735	(19)
Adjustable-rate	352	350	(7)	391	388	(8)
Alt-A, interest-only, and option ARM	5,359	4,973	(564)	6,153	5,673	(682)
Total single-family	**44,079**	**42,559**	**(3,599)**	**48,184**	**46,421**	**(4,369)**
Multifamily:						
With no allowance recorded[1]	70	66	N/A	89	82	N/A
With an allowance recorded	19	17	(1)	3	3	—
Total multifamily	**89**	**83**	**(1)**	**92**	**85**	**—**
Total single-family and multifamily	**$44,168**	**$42,642**	**($3,600)**	**$48,276**	**$46,506**	**($4,369)**

Referenced footnotes are included after the last table in the Impaired Loans section.

(In millions)	2Q 2019 Average Recorded Investment	2Q 2019 Interest Income Recognized	2Q 2019 Interest Income Recognized On Cash Basis[3]	2Q 2018 Average Recorded Investment	2Q 2018 Interest Income Recognized	2Q 2018 Interest Income Recognized On Cash Basis[3]
Single-family:						
With no allowance recorded:[1]						
20- and 30-year or more, amortizing fixed-rate	$2,582	$75	$1	$3,700	$91	$3
15-year amortizing fixed-rate	19	—	—	22	2	—
Adjustable rate	212	3	—	264	3	—
Alt-A, interest-only, and option ARM	934	18	—	1,427	24	1
Total with no allowance recorded	**3,747**	**96**	**1**	**5,413**	**120**	**4**
With an allowance recorded:[2]						
20- and 30-year or more, amortizing fixed-rate	34,196	498	34	48,070	509	82
15-year amortizing fixed-rate	669	6	1	882	6	3
Adjustable rate	141	2	—	219	—	1
Alt-A, interest-only, and option ARM	4,101	63	2	6,579	53	8
Total with an allowance recorded	**39,107**	**569**	**37**	**55,750**	**568**	**94**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	36,778	573	35	51,770	600	85
15-year amortizing fixed-rate	688	6	1	904	8	3
Adjustable rate	353	5	—	483	3	1
Alt-A, interest-only, and option ARM	5,035	81	2	8,006	77	9
Total single-family	**42,854**	**665**	**38**	**61,163**	**688**	**98**
Multifamily:						
With no allowance recorded[1]	66	1	—	115	1	—
With an allowance recorded	17	—	—	3	—	—
Total multifamily	**83**	**1**	**—**	**118**	**1**	**—**
Total single-family and multifamily	**$42,937**	**$666**	**$38**	**$61,281**	**$689**	**$98**

Referenced footnotes are included after the last table in the Impaired Loans section

(In millions)	YTD 2019 Average Recorded Investment	YTD 2019 Interest Income Recognized	YTD 2019 Interest Income Recognized On Cash Basis[3]	YTD 2018 Average Recorded Investment	YTD 2018 Interest Income Recognized	YTD 2018 Interest Income Recognized On Cash Basis[3]
Single-family —						
With no allowance recorded:[1]						
20- and 30-year or more, amortizing fixed-rate	$2,634	$148	$5	$3,506	$185	$10
15-year amortizing fixed-rate	20	—	—	21	3	—
Adjustable rate	218	6	—	264	6	—
Alt-A, interest-only, and option ARM	958	36	1	1,392	47	2
Total with no allowance recorded	**3,830**	**190**	**6**	**5,183**	**241**	**12**
With an allowance recorded:[2]						
20- and 30-year or more, amortizing fixed-rate	34,767	982	91	47,969	1,101	165
15-year amortizing fixed-rate	677	12	2	876	14	6
Adjustable rate	144	3	1	223	2	2
Alt-A, interest-only, and option ARM	4,213	125	9	6,707	133	17
Total with an allowance recorded	**39,801**	**1,122**	**103**	**55,775**	**1,250**	**190**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	37,401	1,130	96	51,475	1,286	175
15-year amortizing fixed-rate	697	12	2	897	17	6
Adjustable rate	362	9	1	487	8	2
Alt-A, interest-only, and option ARM	5,171	161	10	8,099	180	19
Total single-family	**43,631**	**1,312**	**109**	**60,958**	**1,491**	**202**
Multifamily:						
With no allowance recorded[1]	66	2	—	124	3	1
With an allowance recorded	16	—	—	3	—	—
Total multifamily	**82**	**2**	**—**	**127**	**3**	**1**
Total single-family and multifamily	**$43,713**	**$1,314**	**$109**	**$61,085**	**$1,494**	**$203**

(1) Individually impaired loans with no allowance primarily represent those loans for which the collateral value is sufficiently in excess of the loan balance to result in recovery of the entire recorded investment if the property were foreclosed upon or otherwise subject to disposition.

(2) Consists primarily of loans classified as TDRs.

(3) Consists of income recognized during the period related to loans on non-accrual status.

Troubled Debt Restructurings (TDRs)

The table below presents the volume of single-family and multifamily loans that were newly classified as TDRs, based on the original product category of the loan before the loan was classified as a TDR. 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 4.10 - TDR Activity

	2Q 2019		2Q 2018		YTD 2019		YTD 2018	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family:[1]								
20- and 30-year or more, amortizing fixed-rate	6,301	$1,064	10,991	$1,763	13,760	$2,264	30,690	$5,068
15-year amortizing fixed-rate	725	69	1,469	139	1,671	161	4,285	431
Adjustable-rate	118	17	257	38	275	42	576	95
Alt-A, interest-only, and option ARM	717	92	641	111	1,046	145	1,880	314
Total single-family	**7,861**	**1,242**	**13,358**	**2,051**	**16,752**	**2,612**	**37,431**	**5,908**
Multifamily	**—**	**$—**	**1**	**$15**	**—**	**$—**	**1**	**$15**

(1) The pre-TDR recorded investment for single-family loans initially classified as TDR during 2Q 2019 and YTD 2019 was $1.2 billion and $2.6 billion, respectively, compared to $2.1 billion and $6.0 billion during 2Q 2018 and YTD 2018, respectively.

Of the single-family loans that were newly classified as TDRs during 2Q 2019, 2Q 2018, YTD 2019 and YTD 2018, respectively:

- 8%, 11%, 8%, and 14% involved interest rate reductions and, in certain cases, term extensions;
- 24%, 22%, 24%, and 25% involved principal forbearance in addition to interest rate reductions and, in certain cases, term extensions;
- The average term extension was 183, 116, 173, and 137 months; and
- The average interest rate reduction was 0.1%, 0.3%, 0.1%, and 0.3%.

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 applicable periods and had completed a modification during the year preceding the payment default. The table presents loans based on their original product category before modification.

Table 4.11 - Payment Defaults of Completed TDR Modifications

	2Q 2019		2Q 2018		YTD 2019		YTD 2018	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family:								
20- and 30-year or more, amortizing fixed-rate	3,421	$421	3,131	$480	7,277	$830	6,087	$923
15-year amortizing fixed-rate	108	8	149	11	233	15	319	26
Adjustable-rate	28	4	42	5	62	7	86	12
Alt-A, interest-only, and option ARM	199	28	250	45	509	72	525	99
Total single-family	**3,756**	**461**	**3,572**	**541**	**8,081**	**924**	**7,017**	**1,060**
Multifamily	**—**	**$—**	**—**	**$—**	**—**	**$—**	**—**	**$—**

In addition, loans may be initially classified as TDRs as a result of other loss mitigation activities (i.e., repayment plans, forbearance agreements, or loans in modification trial periods). During YTD 2019 and YTD 2018, 2,818 and 4,467, respectively, of such loans (with a post-TDR recorded investment of $0.3 billion and $0.6 billion, respectively) experienced a payment default within a year after the loss mitigation activity occurred.

Non-Cash Investing and Financing Activities

During YTD 2019 and YTD 2018, we acquired $91.0 billion and $80.9 billion, respectively, of loans held-for-investment in exchange for the issuance of debt securities of consolidated trusts in guarantor swap transactions. We received approximately $15.5 billion and $11.7 billion of loans from sellers in guarantor swap transactions and $1.3 billion and $0.1 billion of loans from sellers in cash execution transactions during YTD 2019 and YTD 2018, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets.

NOTE 5

Guarantee Activities

We generate revenue through our guarantee activities by agreeing to absorb the credit risk associated with certain financial instruments that are owned or held by third parties. In exchange for providing this guarantee, we receive an ongoing guarantee fee that is commensurate with the risks assumed and that will, over the long-term, provide us with cash flows that are expected to exceed the credit-related and administrative expenses of the underlying financial instruments. The profitability of our guarantee activities may vary and will be dependent on our guarantee fee and the actual credit performance of the underlying financial instruments that we have guaranteed.

The table below shows our maximum exposure, recognized liability, and maximum remaining term of our recognized guarantees to non-consolidated VIEs and other third parties. This table does not include our unrecognized guarantees, such as guarantees to consolidated VIEs or to resecuritization 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 related collateral liquidation, including possible recoveries under credit enhancement arrangements. See **Note 6** for additional information on our credit enhancement arrangements.

As part of the Single Security Initiative, we have the ability to commingle TBA-eligible Fannie Mae collateral in certain of our resecuritization products. We extend our guarantee of these products to cover principal and interest that are payable from the underlying Fannie Mae collateral. Because both Freddie Mac and Fannie Mae are under the common control of FHFA, and due to Fannie Mae's status as a GSE and the funding commitment available to it through its senior preferred stock purchase agreement with Treasury, we view the likelihood of being required to perform on our guarantee of Fannie Mae collateral as remote and do not charge an incremental guarantee fee to include Fannie Mae securities in our resecuritization products. Thus, we do not record a guarantee obligation with respect to Fannie Mae securities backing Freddie Mac resecuritization products, and we exclude from the following table approximately $2.0 billion of Fannie Mae securities backing Freddie Mac resecuritization products as of June 30, 2019.

Table 5.1 - Financial Guarantees

	June 30, 2019			December 31, 2018		
(Dollars in millions, terms in years)	Maximum Exposure[(1)]	Recognized Liability[(2)]	Maximum Remaining Term	Maximum Exposure[(1)]	Recognized Liability[(2)]	Maximum Remaining Term
Single-family:						
Securitization activity guarantees	$21,972	$282	40	$17,783	$220	40
Other mortgage-related guarantees	6,715	173	30	6,139	167	30
Total single-family	**$28,687**	**$455**		**$23,922**	**$387**	
Multifamily:						
Securitization activity guarantees	$231,826	$2,890	40	$221,245	$2,746	40
Other mortgage-related guarantees	10,244	441	35	9,779	428	35
Total multifamily	**$242,070**	**$3,331**		**$231,024**	**$3,174**	
Other guarantees measured at fair value	$29,333	$410	30	$16,251	$242	30

(1) The maximum exposure represents the contractual amounts that could be lost if counterparties or borrowers defaulted, without consideration of possible recoveries under credit enhancement arrangements, such as recourse provisions, third-party insurance contracts, or from collateral held or pledged. For other guarantees measured at fair value, this amount represents the notional value if it relates to our market value guarantees or guarantees of third-party derivative instruments or the UPB if it relates to a guarantee of a mortgage-related asset. For certain of our other guarantees measured at fair value, our exposure may be unlimited. We generally reduce our exposure to these guarantees with unlimited exposure through separate 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. This amount excludes our reserve for guarantee losses, which totaled $51 million and $52 million as of June 30, 2019 and December 31, 2018, respectively, and is included within other liabilities on our condensed consolidated balance sheets. For other guarantees measured at fair value, this amount represents the fair value of the contract.

NOTE 6

Credit Enhancements

In connection with many of our mortgage loans, securitization activity guarantees, other mortgage-related guarantees, and other credit risk transfer transactions, we obtain various forms of credit enhancements that reduce our exposure to credit losses. These credit enhancements may be associated with mortgage loans or guarantees recognized on our condensed consolidated balance sheets or embedded in debt instruments recognized on our condensed consolidated balance sheets.

Mortgage Loan Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to our mortgage loan credit enhancements. For information about counterparty credit risk associated with credit enhancement providers, see **Note 14**.

Table 6.1 - Mortgage Loan Credit Enhancements

	June 30, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage	Total Current and Protected UPB(1)	Maximum Coverage
Single-family:				
Primary mortgage insurance	$396,809	$101,737	$378,594	$96,996
ACIS transactions(2)	867,937	10,104	807,885	9,123
STACR Trust transactions	239,635	7,879	161,152	5,026
Other	20,628	5,734	18,136	5,389
Total mortgage loan credit enhancements		**$125,454**		**$116,534**

(1) Underlying loans may be covered by more than one form of credit enhancement.

(2) As of June 30, 2019 and December 31, 2018, our counterparties posted collateral on our ACIS transactions of $2.0 billion and $1.5 billion, respectively.

Guarantee Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to our single-family and multifamily guarantee credit enhancements.

Table 6.2 - Guarantee Credit Enhancements

	June 30, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Single-family:				
Subordination (non-consolidated VIEs)	$20,413	$3,626	$16,271	$2,933
Other	1,157	1,157	1,226	1,226
Total single-family		**4,783**		**4,159**
Multifamily:				
Subordination (non-consolidated VIEs)	231,470	37,355	220,733	35,661
Other	2,198	788	2,349	815
Total multifamily		**38,143**		**36,476**
Total guarantee credit enhancements		**$42,926**		**$40,635**

(1) Underlying loans may be covered by more than one form of credit enhancement. For subordination, total current and protected UPB includes the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities, and the UPB of guarantor advances made to the holders of the guaranteed securities.

(2) For subordination, maximum coverage represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties. For all other credit enhancements, maximum coverage represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements.

Debt with Embedded Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to debt with embedded credit enhancements.

Table 6.3 - Debt with Embedded Credit Enhancements

	June 30, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB[1]	Maximum Coverage[2]	Total Current and Protected UPB[1]	Maximum Coverage[2]
Single-family:				
STACR debt notes	$580,537	$16,843	$605,263	$17,596
Subordination (consolidated VIEs)	23,549	1,007	25,006	1,036
Total single-family		**17,850**		**18,632**
Multifamily:				
SCR notes	2,569	128	2,667	133
Subordination (consolidated VIEs)	2,700	280	2,700	280
Total multifamily		**408**		**413**
Total debt with embedded credit enhancements		**$18,258**		**$19,045**

(1) Underlying loans may be covered by more than one form of credit enhancement. For STACR debt notes and SCR notes, total current and protected UPB represents the UPB of the assets included in the reference pool. For subordination, total current and protected UPB represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities.

(2) For STACR debt notes and SCR notes, maximum coverage amount represents the outstanding balance of the STACR debt notes and SCR notes held by third parties. For subordination, maximum coverage amount represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

Other Credit Enhancements

The Multifamily segment also has other credit enhancements in the form of collateral posting requirements, indemnification, pool insurance, bond insurance, recourse, and other similar arrangements. These credit enhancements, along with the proceeds received from the sale of the underlying mortgage collateral, are designed to recover all or a portion of our losses on our mortgage loans or the amounts paid under our financial guarantee contracts. Our historical losses and related recoveries pursuant to these agreements have not been significant and therefore these other types of credit enhancements are excluded from the tables above.

NOTE 7

Investments in Securities

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

Table 7.1 - Investments in Securities

(In millions)	June 30, 2019	December 31, 2018
Trading securities	$39,951	$35,548
Available-for-sale securities	29,688	33,563
Total fair value of investments in securities	**$69,639**	**$69,111**

As of June 30, 2019 and December 31, 2018, we did not classify any securities as held-to-maturity, although we may elect to do so in the future.

Trading Securities

The table below presents the estimated 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 7.2 - Trading Securities

(In millions)	June 30, 2019	December 31, 2018
Mortgage-related securities:		
Freddie Mac	$12,084	$13,821
Other agency	4,217	2,551
Non-agency	1	1
Total mortgage-related securities	**16,302**	**16,373**
Non-mortgage-related securities	23,649	19,175
Total fair value of trading securities	**$39,951**	**$35,548**

For trading securities held at June 30, 2019, we recorded net unrealized gains (losses) of $373 million and $412 million during 2Q 2019 and YTD 2019, respectively. For trading securities held at June 30, 2018, we recorded net unrealized gains (losses) of ($177) million and ($402) million during 2Q 2018 and YTD 2018, respectively.

Available-for-Sale Securities

At June 30, 2019 and December 31, 2018, all available-for-sale securities were mortgage-related securities.

The tables below present the amortized cost, gross unrealized gains and losses, and fair value by major security type for our securities classified as available-for-sale.

Table 7.3 - Available-for-Sale Securities

	June 30, 2019				
			Gross Unrealized Losses		
(In millions)	Amortized Cost	Gross Unrealized Gains	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Fair Value
Available-for-sale securities:					
Freddie Mac	$26,613	$594	$—	($134)	$27,073
Other agency	1,079	25	—	(4)	1,100
Non-agency and other	1,195	320	—	—	1,515
Total available-for-sale securities	**$28,887**	**$939**	**$—**	**($138)**	**$29,688**

(In millions)	December 31, 2018				
			Gross Unrealized Losses		
	Amortized Cost	Gross Unrealized Gains	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Fair Value
Available-for-sale securities:					
Freddie Mac	$30,407	$320	$—	($528)	$30,199
Other agency	1,675	38	—	(7)	1,706
Non-agency and other	1,378	282	—	(2)	1,658
Total available-for-sale securities	**$33,460**	**$640**	**$—**	**($537)**	**$33,563**

(1) Represents the gross unrealized losses for securities for which we have previously recognized other-than-temporary impairment in earnings.

(2) Represents the gross unrealized losses for securities for which we have not previously recognized other-than-temporary impairment in earnings.

The fair value of our available-for-sale securities held at June 30, 2019 scheduled to contractually mature after ten years was $25.2 billion, with an additional $4.0 billion scheduled to contractually mature after five years through ten years.

Available-for-Sale Securities in a Gross Unrealized Loss Position

The tables below present available-for-sale securities in a gross unrealized loss position and whether such securities have been in an unrealized loss position for less than 12 months, or 12 months or greater.

Table 7.4 - Available-for-Sale Securities in a Gross Unrealized Loss Position

(In millions)	June 30, 2019			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$4,632	($76)	$4,149	($58)
Other agency	96	—	545	(4)
Non-agency and other	—	—	—	—
Total available-for-sale securities in a gross unrealized loss position	**$4,728**	**($76)**	**$4,694**	**($62)**

(In millions)	December 31, 2018			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$4,259	($38)	$14,751	($490)
Other agency	351	(1)	638	(6)
Non-agency and other	43	(1)	6	(1)
Total available-for-sale securities in a gross unrealized loss position	**$4,653**	**($40)**	**$15,395**	**($497)**

At June 30, 2019, the gross unrealized losses relate to 153 separate securities.

Realized Gains and Losses on Sales of Available-for-Sale Securities

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

Table 7.5 - Gross Realized Gains and Gross Realized Losses from Sales of Available-for-Sale Securities

(In millions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Gross realized gains	$38	$29	$101	$475
Gross realized losses	(5)	(50)	(34)	(101)
Net realized gains (losses)	**$33**	**($21)**	**$67**	**$374**

Non-Cash Investing and Financing Activities

During 2Q 2019, we purchased $0.5 billion and sold $0.3 billion of non-mortgage-related securities that were traded, but not settled. We settled our purchase and sale obligations during the third quarter of 2019.

NOTE 8

Debt Securities and Subordinated Borrowings

The table below summarizes the balances of total debt, net per our condensed consolidated balance sheets and the interest expense per our condensed consolidated statements of comprehensive income.

Table 8.1 - Total Debt, Net

	Balance, Net		Interest Expense			
(In millions)	June 30, 2019	December 31, 2018	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Debt securities of consolidated trusts held by third parties	$1,827,974	$1,792,677	$13,696	$12,655	$27,677	$25,169
Other debt:						
Short-term debt	70,893	51,080	484	242	920	471
Long-term debt	206,468	201,193	1,355	1,402	2,771	2,616
Total other debt	**277,361**	**252,273**	**1,839**	**1,644**	**3,691**	**3,087**
Total debt, net	**$2,105,335**	**$2,044,950**	**$15,535**	**$14,299**	**$31,368**	**$28,256**

As of June 30, 2019, our aggregate indebtedness was $279.7 billion, which was below the $300.0 billion debt cap limit imposed by the Purchase Agreement for 2019. Our aggregate indebtedness calculation primarily includes the par value of other short- and long-term debt.

Debt Securities of Consolidated Trusts Held by Third Parties

The table below summarizes the debt securities of consolidated trusts held by third parties based on underlying loan product type.

Table 8.2 - Debt Securities of Consolidated Trusts Held by Third Parties

	June 30, 2019				December 31, 2018			
(Dollars in millions)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)
Single-family:								
30-year or more, fixed-rate	2019 - 2057	$1,440,879	$1,478,214	3.72%	2019 - 2057	$1,389,113	$1,426,060	3.72%
20-year fixed-rate	2019 - 2039	69,083	70,803	3.43	2019 - 2039	70,547	72,354	3.43
15-year fixed-rate	2019 - 2034	227,828	231,705	2.90	2019 - 2034	240,310	244,587	2.89
Adjustable-rate	2019 - 2049	35,721	36,423	3.26	2019 - 2049	38,361	39,153	3.12
Interest-only	2026 - 2041	4,700	4,762	4.77	2026 - 2048	5,322	5,386	4.41
FHA/VA	2020 - 2046	670	685	4.74	2019 - 2046	720	736	4.78
Total single-family		**1,778,881**	**1,822,592**			**1,744,373**	**1,788,276**	
Multifamily	2019-2047	5,348	5,382	3.44	2019 - 2047	4,365	4,401	4.02
Total debt securities of consolidated trusts held by third parties		**$1,784,229**	**$1,827,974**			**$1,748,738**	**$1,792,677**	

(1) Includes $739 million and $755 million at June 30, 2019 and December 31, 2018, respectively, of debt of consolidated trusts that represents the fair value of debt securities with the fair value option elected.

(2) The effective interest rate for debt securities of consolidated trusts held by third parties was 2.94% and 3.07% as of June 30, 2019 and December 31, 2018, respectively.

Other Debt

The table below summarizes the balances and effective interest rates for other debt.

Table 8.3 - Total Other Debt

	June 30, 2019			December 31, 2018		
(Dollars in millions)	Par Value	Carrying Amount(1)	Weighted Average Effective Rate(2)	Par Value	Carrying Amount(1)	Weighted Average Effective Rate(2)
Other short-term debt:						
Discount notes and Reference Bills	$35,362	$35,160	2.41%	$28,787	$28,621	2.36%
Medium-term notes	26,186	26,184	2.50	16,440	16,440	2.10
Securities sold under agreements to repurchase	9,549	9,549	2.30	6,019	6,019	2.40
Total other short-term debt	**71,097**	**70,893**	**2.43**	**51,246**	**51,080**	**2.28**
Other long-term debt:						
Original maturities on or before December 31,						
2019	36,267	36,251	1.46	58,002	57,968	1.54
2020	52,220	52,205	2.03	42,296	42,275	1.78
2021	33,769	33,770	2.09	30,898	30,901	2.06
2022	28,219	28,194	2.47	20,802	20,775	2.46
2023	9,848	9,828	2.87	15,929	15,906	3.09
Thereafter	30,610	28,180	4.13	18,068	15,579	5.91
STACR and SCR debt(3)	16,971	17,185	6.22	17,729	18,004	6.04
Hedging-related basis adjustments	N/A	855		N/A	(215)	
Total other long-term debt	207,904	206,468	2.68	203,724	201,193	2.58
Total other debt(4)	**$279,001**	**$277,361**		**$254,970**	**$252,273**	

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes $4.1 billion and $4.4 billion at June 30, 2019 and December 31, 2018, respectively, of other long-term debt that represents the fair value of debt securities with the fair value option elected.

(2) Based on carrying amount.

(3) 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 pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty.

(4) Carrying amount for other debt includes callable debt of $126.0 billion and $107.2 billion at June 30, 2019 and December 31, 2018, respectively.

NOTE 9

Derivatives

Use of 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 on a daily basis 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 classify derivatives into three categories:

- Exchange-traded derivatives;
- Cleared derivatives; and
- OTC derivatives.

Exchange-traded derivatives include standardized interest-rate futures contracts and options on futures contracts. Cleared derivatives refer to those interest-rate swaps that the U.S. Commodity Futures Trading Commission has determined are subject to the central clearing requirement of the Dodd-Frank Act. OTC derivatives refer to those derivatives that are neither exchange-traded derivatives nor cleared derivatives.

Types of Derivatives

We principally use the following types of derivatives:

- LIBOR- and SOFR-based interest-rate swaps;
- LIBOR- and Treasury-based purchased options (including swaptions); and
- LIBOR-, Treasury-, and SOFR-based exchange-traded futures.

We also purchase swaptions on credit indices in order to obtain protection against adverse movements in multifamily spreads which may affect the profitability of our K Certificate or SB Certificate transactions.

In addition to swaps, futures, and purchased options, our derivative positions include written options and swaptions, commitments, and credit derivatives.

Hedge Accounting

Fair Value Hedges

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 (i.e., LIBOR), using LIBOR-based interest-rate swaps.

If a hedge relationship qualifies for fair value hedge accounting, all changes in fair value of the derivative hedging instrument, including interest accruals, are recognized in the same condensed consolidated statements of comprehensive income line item used to present the earnings effect of the hedged item. Therefore, changes in the fair value of the hedged item, mortgage loans and debt, attributable to the risk being hedged are recognized in interest income - mortgage loans and interest expense, respectively, along with the changes in the fair value of the respective derivative hedging instruments.

Cash Flow Hedges

There are amounts recorded in AOCI related to discontinued cash flow hedges which are recognized in earnings when the originally forecasted transactions affect earnings. Amounts reclassified from AOCI are recorded in interest expense. During YTD 2019 and YTD 2018, we reclassified from AOCI into earnings, pre-tax losses of $48 million and $75 million, respectively, related to closed cash flow hedges. See **Note 11** for information about future reclassifications of deferred net losses related to closed cash flow hedges to net income.

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 9.1 - Derivative Assets and Liabilities at Fair Value

	June 30, 2019			December 31, 2018		
	Notional or Contractual Amount	Derivatives at Fair Value		Notional or Contractual Amount	Derivatives at Fair Value	
(In millions)		Assets	Liabilities		Assets	Liabilities
Not designated as hedges						
Interest-rate swaps:						
Receive-fixed	$178,733	$2,074	($26)	$145,386	$1,380	($181)
Pay-fixed	182,578	23	(2,430)	170,899	476	(2,287)
Basis (floating to floating)	5,924	—	—	5,404	1	—
Total interest-rate swaps	**367,235**	**2,097**	**(2,456)**	**321,689**	**1,857**	**(2,468)**
Option-based:						
Call swaptions						
Purchased	57,775	2,788	—	43,625	2,007	—
Written	7,400	—	(305)	4,400	—	(133)
Put swaptions						
Purchased[1]	79,875	793	—	88,075	1,565	—
Written	9,250	—	(11)	1,750	—	(4)
Other option-based derivatives[2]	10,405	727	—	10,481	628	—
Total option-based	**164,705**	**4,308**	**(316)**	**148,331**	**4,200**	**(137)**
Futures	117,084	—	—	161,185	—	—
Commitments	117,840	147	(250)	36,044	90	(179)
Credit derivatives	1,932	—	(31)	2,030	—	(35)
Other	16,814	12	(91)	12,212	1	(103)
Total derivatives not designated as hedges	**785,610**	**6,564**	**(3,144)**	**681,491**	**6,148**	**(2,922)**
Designated as fair value hedges						
Interest-rate swaps:						
Receive-fixed	129,732	150	(165)	117,038	23	(935)
Pay-fixed	107,791	20	(2,684)	77,513	247	(571)
Total derivatives designated as fair value hedges	**237,523**	**170**	**(2,849)**	**194,551**	**270**	**(1,506)**
Derivative interest and other receivable (payable)		1,119	(1,019)		889	(1,096)
Netting adjustments[3]		(6,711)	6,549		(6,972)	4,941
Total derivative portfolio, net	**$1,023,133**	**$1,142**	**($463)**	**$876,042**	**$335**	**($583)**

(1) Includes swaptions on credit indices with a notional or contractual amount of $30.9 billion and $45.9 billion at June 30, 2019 and December 31, 2018, respectively, and a fair value of $13.0 million and $113.0 million at June 30, 2019 and December 31, 2018, respectively.

(2) Primarily consists of purchased interest-rate caps and floors.

(3) Represents counterparty netting and cash collateral netting.

See **Note 10** 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 comprehensive income as derivative gains (losses).

Table 9.2 - Gains and Losses on Derivatives

(In millions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Not designated as hedges				
Interest-rate swaps:				
Receive-fixed	$3,683	($979)	$5,520	($4,076)
Pay-fixed	(5,398)	1,560	(8,286)	6,201
Basis (floating to floating)	6	2	10	(28)
Total interest-rate swaps	**(1,709)**	**583**	**(2,756)**	**2,097**
Option-based:				
Call swaptions				
Purchased	1,129	(296)	1,583	(990)
Written	(178)	14	(234)	41
Put swaptions				
Purchased	(425)	61	(1,051)	388
Written	48	6	64	(21)
Other option-based derivatives[1]	74	(44)	99	(132)
Total option-based	**648**	**(259)**	**461**	**(714)**
Other:				
Futures	(779)	64	(1,021)	451
Commitments	(216)	85	(312)	603
Credit derivatives	(1)	(24)	(5)	(10)
Other	10	10	34	7
Total other	**(986)**	**135**	**(1,304)**	**1,051**
Accrual of periodic cash settlements:				
Receive-fixed interest-rate swaps	(20)	74	(71)	296
Pay-fixed interest-rate swaps	(58)	(118)	(94)	(486)
Other	36	1	69	2
Total accrual of periodic cash settlements	**(42)**	**(43)**	**(96)**	**(188)**
Total	**($2,089)**	**$416**	**($3,695)**	**$2,246**

(1) Primarily consists of purchased interest-rate caps and floors.

Fair Value Hedges

The tables below present the effects of fair value hedge accounting by condensed consolidated statements of comprehensive income line, 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 9.3 - Gains and Losses on Fair Value Hedges

	2Q 2019		2Q 2018	
(In millions)	Interest Income - Mortgage Loans	Interest Expense	Interest Income - Mortgage Loans	Interest Expense
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$17,358	($15,535)	$16,344	($14,299)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	2,851	—	(713)	—
Derivatives designated as hedging instruments	(2,778)	—	624	—
Interest accruals on hedging instruments	6	—	(110)	—
Discontinued hedge related basis adjustment amortization	(47)	—	32	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	(600)	—	132
Derivatives designated as hedging instruments	—	651	—	(87)
Interest accruals on hedging instruments	—	(87)	—	(109)
Discontinued hedge related basis adjustment amortization	—	16	—	(1)

	YTD 2019		YTD 2018	
(In millions)	Interest Income - Mortgage Loans	Interest Expense	Interest Income - Mortgage Loans	Interest Expense
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$35,304	($31,368)	$32,295	($28,256)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	4,393	—	(2,686)	—
Derivatives designated as hedging instruments	(4,021)	—	2,311	—
Interest accruals on hedging instruments	44	—	(277)	—
Discontinued hedge related basis adjustment amortization	(19)	—	48	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	(1,105)	—	810
Derivatives designated as hedging instruments	—	1,197	—	(678)
Interest accruals on hedging instruments	—	(212)	—	(123)
Discontinued hedge related basis adjustment amortization	—	25	—	(1)

Cumulative Basis Adjustments Due to Fair Value Hedging

The tables below present the hedged item cumulative basis adjustments due to qualifying fair value hedging and the related hedged item carrying amounts by their respective balance sheet line item.

Table 9.4 - Cumulative Basis Adjustments Due to Fair Value Hedging

	June 30, 2019		
		Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount	
(In millions)	Carrying Amount Assets / (Liabilities)	Total	Discontinued - Hedge Related
Mortgage loans held-for-investment	$213,657	$3,138	$3,138
Debt	(149,625)	(855)	(129)

	December 31, 2018		
		Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount	
(In millions)	Carrying Amount Assets / (Liabilities)	Total	Discontinued - Hedge Related
Mortgage loans held-for-investment	$193,547	($1,237)	($1,237)
Debt	(127,215)	216	(8)

NOTE 10

Collateralized Agreements and Offsetting Arrangements

Derivative Portfolio

Derivative Counterparties

Our use of cleared derivatives, exchange-traded derivatives, and OTC derivatives exposes us to counterparty credit risk. Our use of interest-rate swaps and option-based derivatives is subject to internal credit and legal reviews. On an ongoing basis, we review the credit fundamentals of all of our derivative counterparties, clearinghouses, and clearing members to confirm that they continue to meet our internal risk management standards.

Over-the-Counter Derivatives

We use master netting and collateral agreements to reduce our credit risk exposure to our OTC derivative counterparties. In the event that all of our counterparties for OTC derivatives were to default simultaneously on June 30, 2019, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately $11 million.

Cleared and Exchange-Traded Derivatives

The majority of our interest-rate swaps are subject to the central clearing requirement of the Dodd-Frank Act. A reduction in our credit ratings could cause the clearinghouses or clearing members we use for our cleared and exchange-traded derivatives to demand additional collateral.

Other Derivatives

We also execute forward purchase and sale commitments of loans and mortgage-related securities, including dollar roll transactions, that are treated as derivatives for accounting purposes. The total net exposure on our forward purchase and sale commitments, which are treated as derivatives, was $147 million and $90 million at June 30, 2019 and December 31, 2018, respectively.

Many of our transactions involving forward purchase and sale commitments of mortgage-related securities utilize the Mortgage Backed Securities Division of the Fixed Income Clearing Corporation ("MBSD/FICC") as a clearinghouse. As a clearing member of the clearinghouse, we post margin to the MBSD/FICC and are exposed to the counterparty credit risk of the organization (including its clearing members).

Securities Purchased Under Agreements to Resell

As an investor, we enter into arrangements to purchase securities under agreements to subsequently resell the identical or substantially the same securities to our counterparty. Our counterparties to these transactions are required to pledge the purchased securities as collateral for their obligation to repurchase those securities at a later date. While such transactions involve the legal transfer of securities, they are accounted for as secured financings because the transferor does not relinquish effective control over the securities transferred. These agreements may allow us to repledge all or a portion of the collateral pledged to us, and we may repledge such collateral periodically, although it is not typically our practice to repledge collateral that has been pledged to us.

We consider the types of securities being pledged to us as collateral when determining how much we lend in transactions involving securities purchased under agreements to resell. Additionally, we regularly review the market values of these securities compared to amounts loaned in an effort to manage our exposure to losses.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are effectively collateralized borrowings where we sell securities with an agreement to repurchase such securities at a future date. We are required to pledge the sold securities to the counterparties to these transactions as collateral for our obligation to repurchase these securities at a later date. Similar to the securities purchased under agreements to resell transactions, these transactions involve the legal transfer of securities. However, they are accounted for as secured financings because they require the identical or substantially the same securities to be subsequently repurchased. These agreements may allow our counterparties to repledge all or a portion of the collateral.

Offsetting of Financial Assets and Liabilities

At June 30, 2019 and December 31, 2018, all amounts of cash collateral related to derivatives with master netting and collateral agreements were offset against derivative assets, net or derivative liabilities, net, as applicable.

The tables below display 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. Securities sold under agreements to repurchase are included in debt, net on our condensed consolidated balance sheets.

Table 10.1 - Offsetting and Collateral Information of Financial Assets and Liabilities

	June 30, 2019					
		Amount Offset in the Consolidated Balance Sheets				
(In millions)	Gross Amount Recognized	Counterparty Netting	Cash Collateral Netting[1]	Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets[2]	Net Amount
Assets:						
Derivatives:						
OTC derivatives	$7,605	($5,305)	($1,527)	$773	($762)	$11
Cleared and exchange-traded derivatives	89	(3)	124	210	—	210
Other	159	—	—	159	—	159
Total derivatives	**7,853**	**(5,308)**	**(1,403)**	**1,142**	**(762)**	**380**
Securities purchased under agreements to resell[3]	52,698	—	—	52,698	(52,698)	—
Total	**$60,551**	**($5,308)**	**($1,403)**	**$53,840**	**($53,460)**	**$380**
Liabilities:						
Derivatives:						
OTC derivatives	($6,637)	$5,305	$1,241	($91)	$—	($91)
Cleared and exchange-traded derivatives	(3)	3	—	—	—	—
Other	(372)	—	—	(372)	—	(372)
Total derivatives	**(7,012)**	**5,308**	**1,241**	**(463)**	**—**	**(463)**
Securities sold under agreements to repurchase[3]	(9,549)	—	—	(9,549)	9,549	—
Total	**($16,561)**	**$5,308**	**$1,241**	**($10,012)**	**$9,549**	**($463)**

Referenced footnotes are included after the next table.

	December 31, 2018					
		Amount Offset in the Consolidated Balance Sheets				
(In millions)	Gross Amount Recognized	Counterparty Netting	Cash Collateral Netting(1)	Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets(2)	Net Amount
Assets:						
Derivatives:						
OTC derivatives	$7,213	($4,544)	($2,448)	$221	($173)	$48
Cleared and exchange-traded derivatives	3	—	20	23	—	23
Other	91	—	—	91	—	91
Total derivatives	**7,307**	**(4,544)**	**(2,428)**	**335**	**(173)**	**162**
Securities purchased under agreements to resell(3)	34,771	—	—	34,771	(34,771)	—
Total	**$42,078**	**($4,544)**	**($2,428)**	**$35,106**	**($34,944)**	**$162**
Liabilities:						
Derivatives:						
OTC derivatives	($4,963)	$4,544	$296	($123)	$—	($123)
Cleared and exchange-traded derivatives	(244)	—	101	(143)	—	(143)
Other	(317)	—	—	(317)	—	(317)
Total derivatives	**(5,524)**	**4,544**	**397**	**(583)**	**—**	**(583)**
Securities sold under agreements to repurchase(3)	(6,019)	—	—	(6,019)	6,019	—
Total	**($11,543)**	**$4,544**	**$397**	**($6,602)**	**$6,019**	**($583)**

(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. For cleared and exchange-traded derivatives, does not include non-cash collateral posted by us as initial margin with an aggregate fair value of $3.5 billion and $2.5 billion as of June 30, 2019 and December 31, 2018, respectively.

(3) Does not include the impacts of netting by central clearing organizations.

We primarily 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, either with the central clearing organization or with other counterparties. At June 30, 2019, and December 31, 2018, we had $32.9 billion and $20.1 billion, respectively, of securities pledged to us in these transactions. In addition, at June 30, 2019 and December 31, 2018, we had $2.3 billion and $2.5 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.

Collateral Pledged

Collateral Pledged to Freddie Mac

We have cash pledged to us as collateral primarily related to OTC derivative transactions. At June 30, 2019, we had $2.3 billion pledged to us as collateral that was invested as part of our liquidity and contingency operating portfolio.

Collateral Pledged by Freddie Mac

The tables below summarize 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 10.2 - Collateral in the Form of Securities Pledged

	June 30, 2019			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[3]	Total
Cash equivalents[1]	$—	$1,011	$—	$1,011
Debt securities of consolidated trusts[2]	293	—	139	432
Available-for-sale securities	—	—	23	23
Trading securities	3,163	8,314	198	11,675
Total securities pledged	**$3,456**	**$9,325**	**$360**	**$13,141**

	December 31, 2018			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[3]	Total
Cash equivalents[1]	$—	$2,595	$—	$2,595
Debt securities of consolidated trusts[2]	362	—	179	541
Available-for-sale securities	—	—	1	1
Trading securities	2,160	3,432	73	5,665
Total securities pledged	**$2,522**	**$6,027**	**$253**	**$8,802**

(1) Represents U.S. Treasury securities accounted for as cash equivalents.

(2) Represents debt securities of consolidated trusts held by us in our Capital Markets segment mortgage investments portfolio which are recorded as a reduction to debt securities of consolidated trusts held by third parties on our condensed consolidated balance sheets.

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

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 10.3 - Underlying Collateral Pledged

	June 30, 2019				
(In millions)	Overnight and continuous	30 days or less	After 30 days through 90 days	Greater than 90 days	Total
U.S. Treasury securities and other	$3,005	$5,918	$402	$—	$9,325

NOTE 11

Stockholders' Equity and Earnings Per Share

Accumulated Other Comprehensive Income

The tables below present changes in AOCI after the effects of our federal statutory tax rate of 21% for YTD 2019 and YTD 2018, related to available-for-sale securities, closed cash flow hedges, and our defined benefit plans.

Table 11.1 - Changes in AOCI by Component, Net of Taxes

	YTD 2019			
(In millions)	AOCI Related to Available-For-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	$83	($315)	$97	($135)
Other comprehensive income before reclassifications	603	—	(2)	601
Amounts reclassified from accumulated other comprehensive income	(53)	38	(8)	(23)
Changes in AOCI by component	**550**	**38**	**(10)**	**578**
Ending balance	**$633**	**($277)**	**$87**	**$443**

	YTD 2018			
(In millions)	AOCI Related to Available-For-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	$662	($356)	$83	$389
Other comprehensive income before reclassifications	(601)	—	(2)	(603)
Amounts reclassified from accumulated other comprehensive income	(295)	62	(8)	(241)
Changes in AOCI by component	**(896)**	**62**	**(10)**	**(844)**
Cumulative effect of change in accounting principle[1]	**143**	**(73)**	**19**	**89**
Ending balance	**($91)**	**($367)**	**$92**	**($366)**

(1) Includes the effect of adopting the accounting guidance on reclassification of stranded tax effects of the Tax Cuts and Jobs Act in 1Q 2018.

Reclassifications from AOCI to Net Income

The table below presents reclassifications from AOCI to net income, including the affected line item in our condensed consolidated statements of comprehensive income.

Table 11.2 - Reclassifications from AOCI to Net Income

(In millions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
AOCI related to available-for-sale securities				
Affected line items in the consolidated statements of comprehensive income:				
Investment securities gains (losses)	$33	($22)	$67	$373
Income tax (expense) or benefit	(7)	5	(14)	(78)
Net of tax	**26**	**(17)**	**53**	**295**
AOCI related to cash flow hedge relationships				
Affected line items in the consolidated statements of comprehensive income:				
Interest expense	(25)	(37)	(48)	(75)
Income tax (expense) or benefit	5	5	10	13
Net of tax	**(20)**	**(32)**	**(38)**	**(62)**
AOCI related to defined benefit plans				
Affected line items in the consolidated statements of comprehensive income:				
Salaries and employee benefits	5	5	10	10
Income tax (expense) or benefit	(1)	(1)	(2)	(2)
Net of tax	**4**	**4**	**8**	**8**
Total reclassifications in the period net of tax	**$10**	**($45)**	**$23**	**$241**

Future Reclassifications from AOCI to Net Income Related to Closed Cash Flow Hedges

The total AOCI related to derivatives designated as cash flow hedges was a loss of $0.3 billion and $0.4 billion at June 30, 2019 and June 30, 2018, respectively, composed of deferred net losses on closed cash flow hedges. Closed cash flow hedges involve derivatives that have been terminated or are no longer designated as cash flow hedges. Fluctuations in prevailing market interest rates have no effect on the deferred portion of AOCI relating to losses on closed cash flow hedges.

The previously deferred amount related to closed cash flow hedges remains in our AOCI balance and will be recognized into earnings over the expected time period for which the forecasted transactions affect earnings, unless it is deemed probable that the forecasted transactions will not occur. Over the next 12 months, we estimate that approximately $60 million, net of taxes, of the $0.3 billion of cash flow hedge losses in AOCI at June 30, 2019 will be reclassified into earnings. The maximum remaining length of time over which we have hedged the exposure related to the variability in future cash flows on forecasted transactions, primarily forecasted debt issuances, is 14 years.

Senior Preferred Stock

As of June 30, 2019, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. Based on our Net Worth Amount of $4.8 billion as of June 30, 2019 and the Capital Reserve Amount of $3.0 billion, our dividend requirement to Treasury in September 2019 will be $1.8 billion. See **Note 2** for additional information.

Upon the Conservator, acting as successor to the rights, titles, powers, and privileges of the Board of Directors, declaring a senior preferred stock dividend equal to our dividend requirement and directing us to pay it before September 30, 2019, we would pay a dividend of $1.8 billion by September 30, 2019. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full, the unpaid amount would be added to the liquidation preference and our applicable Capital Reserve Amount would thereafter be zero, but this would not affect our ability to draw funds from Treasury under the Purchase Agreement. Our cumulative senior preferred stock dividend payments totaled $119.7 billion as of June 30, 2019. The aggregate liquidation preference of the senior preferred stock owned by Treasury was $75.6 billion as of both June 30, 2019 and December 31, 2018.

Stock Issuances and Repurchases

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during 2Q 2019.

Earnings Per Share

We have participating securities related to restricted stock units with dividend equivalent rights that receive dividends as declared on an equal basis with common shares but are not obligated to participate in undistributed net losses. These participating securities consist of vested RSUs that earn dividend equivalents at the same rate when and as declared on common stock.

Consequently, in accordance with accounting guidance, we use the "two-class" method of computing earnings per common share. The "two-class" method is an earnings allocation formula that determines earnings per share for common stock and participating securities based on dividends declared and participation rights in undistributed earnings.

Basic earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding for the period. The weighted average common shares outstanding for the period includes the weighted average number of shares that are associated with the warrant for our common stock issued to Treasury pursuant to the Purchase Agreement. These shares are included since the warrant is unconditionally exercisable by the holder at a minimal cost.

Diluted earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding during the period adjusted for the dilutive effect of common equivalent shares outstanding. For periods with net income attributable to common stockholders, the calculation includes the effect of the weighted-average of RSUs.

During periods in which a net loss attributable to common stockholders has been incurred, potential common equivalent shares outstanding are not included in the calculation because it would have an antidilutive effect.

There were no stock options outstanding at both June 30, 2019 and June 30, 2018.

Dividends and Dividend Restrictions

No common dividends were declared during YTD 2019. At the direction of our Conservator, we paid dividends of $1.5 billion and $1.7 billion in cash on the senior preferred stock during 1Q 2019 and 2Q 2019, respectively. We did not declare or pay dividends on any other series of Freddie Mac preferred stock outstanding during YTD 2019.

Our payment of dividends on Freddie Mac common stock or any series of Freddie Mac preferred stock (other than senior preferred stock) is subject to certain restrictions as described in **Note 11** in our 2018 Annual Report.

NOTE 12

Income Taxes

Income Tax Expense

For 2Q 2019 and 2Q 2018, we reported income tax expense of $0.4 billion and $0.6 billion, respectively, resulting in effective tax rates of 20.7% and 20.4%, respectively. For YTD 2019 and YTD 2018, we reported income tax expense of $0.8 billion and $1.4 billion, respectively, resulting in effective tax rates of 20.5% and 20.4%, respectively. Our effective tax rates differed from the statutory tax rate of 21% in these periods primarily due to our recognition of low income housing tax credits.

Deferred Tax Assets, Net

We had net deferred tax assets of $6.4 billion and $6.9 billion as of June 30, 2019 and December 31, 2018, respectively. At June 30, 2019, our net deferred tax assets consisted primarily of basis differences related to derivative instruments and deferred fees.

Based on all positive and negative evidence available at June 30, 2019, we determined that it is more likely than not that our net deferred tax assets, except for a portion of the deferred tax asset related to our capital loss carryforward, will be realized. As of June 30, 2019, we have a $46 million valuation allowance recorded against our capital loss carryforward deferred tax asset.

Unrecognized Tax Benefits

We evaluated all income tax positions and determined that there were no uncertain tax positions that required reserves as of June 30, 2019.

NOTE 13

Segment Reporting

We have three reportable segments, which are based on the type of business activities each performs - Single-family Guarantee, Multifamily, and Capital Markets. Material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments are included in the All Other category. For more information, see our 2018 Annual Report.

Segment Earnings

We present Segment Earnings by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP condensed consolidated statements of comprehensive income and allocating certain revenues and expenses, including certain returns on assets, funding and hedging costs, and administrative expenses, to our three reportable segments.

We do not consider our assets by segment when evaluating segment performance or allocating resources. We operate our business in the United States 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 United States and its territories.

We evaluate segment performance and allocate resources based on a Segment Earnings approach, subject to the conduct of our business under the direction of the Conservator. See **Note 2** for information about the conservatorship.

The table below presents Segment Earnings by segment.

Table 13.1 - Segment Earnings

(In millions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Segment Earnings (loss), net of taxes:				
Single-family Guarantee	$955	$915	$1,695	$1,701
Multifamily	383	550	713	1,023
Capital Markets	168	1,038	505	2,705
All Other	—	—	—	—
Total Segment Earnings, net of taxes	**1,506**	**2,503**	**2,913**	**5,429**
Net income (loss)	**$1,506**	**$2,503**	**$2,913**	**$5,429**
Comprehensive income (loss) of segments:				
Single-family Guarantee	$953	$913	$1,689	$1,695
Multifamily	440	526	835	931
Capital Markets	433	996	967	1,959
All Other	—	—	—	—
Comprehensive income (loss) of segments	**1,826**	**2,435**	**3,491**	**4,585**
Comprehensive income (loss)	**$1,826**	**$2,435**	**$3,491**	**$4,585**

The tables below present detailed reconciliations between our GAAP condensed consolidated statements of comprehensive income and Segment Earnings for our reportable segments and All Other.

Table 13.2 - Segment Earnings and Reconciliations to GAAP Condensed Consolidated Statements of Comprehensive Income

	2Q 2019						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$266	$747	$—	$1,013	$1,914	$2,927
Guarantee fee income	1,889	222	—	—	2,111	(1,889)	222
Benefit (provision) for credit losses	79	(1)	—	—	78	82	160
Mortgage loans gains (losses)	—	1,091	—	—	1,091	450	1,541
Investment securities gains (losses)	—	27	367	—	394	(4)	390
Debt gains (losses)	83	(6)	(3)	—	74	(25)	49
Derivative gains (losses)	(6)	(1,085)	(990)	—	(2,081)	(8)	(2,089)
Other income (loss)	269	99	195	—	563	(354)	209
Administrative expense	(400)	(120)	(99)	—	(619)	—	(619)
REO operations (expense) income	(86)	—	—	—	(86)	5	(81)
Other non-interest (expense) income	(625)	(10)	(5)	—	(640)	(171)	(811)
Income tax (expense) benefit	(248)	(100)	(44)	—	(392)	—	(392)
Net income (loss)	**955**	**383**	**168**	**—**	**1,506**	**—**	**1,506**
Changes in unrealized gains (losses) related to available-for-sale securities	—	58	246	—	304	—	304
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	20	—	20	—	20
Changes in defined benefit plans	(2)	(1)	(1)	—	(4)	—	(4)
Total other comprehensive income (loss), net of taxes	**(2)**	**57**	**265**	**—**	**320**	**—**	**320**
Comprehensive income (loss)	**$953**	**$440**	**$433**	**$—**	**$1,826**	**$—**	**$1,826**

	YTD 2019						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$513	$1,505	$—	$2,018	$4,062	$6,080
Guarantee fee income	3,522	438	—	—	3,960	(3,521)	439
Benefit (provision) for credit losses	87	(2)	—	—	85	210	295
Mortgage loans gains (losses)	—	1,822	—	—	1,822	650	2,472
Investment securities gains (losses)	—	10	562	—	572	(8)	564
Debt gains (losses)	62	23	(10)	—	75	(11)	64
Derivative gains (losses)	(47)	(1,857)	(1,657)	—	(3,561)	(134)	(3,695)
Other income (loss)	518	203	432	—	1,153	(910)	243
Administrative expense	(774)	(232)	(191)	—	(1,197)	—	(1,197)
REO operations (expense) income	(124)	—	—	—	(124)	10	(114)
Other non-interest (expense) income	(1,113)	(21)	(6)	—	(1,140)	(348)	(1,488)
Income tax (expense) benefit	(436)	(184)	(130)	—	(750)	—	(750)
Net income (loss)	**1,695**	**713**	**505**	**—**	**2,913**	**—**	**2,913**
Changes in unrealized gains (losses) related to available-for-sale securities	—	124	426	—	550	—	550
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	38	—	38	—	38
Changes in defined benefit plans	(6)	(2)	(2)	—	(10)	—	(10)
Total other comprehensive income (loss), net of taxes	**(6)**	**122**	**462**	**—**	**578**	**—**	**578**
Comprehensive income (loss)	**$1,689**	**$835**	**$967**	**$—**	**$3,491**	**$—**	**$3,491**

(In millions)	2Q 2018 Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$295	$794	$—	$1,089	$1,914	$3,003
Guarantee fee income	1,666	204	—	—	1,870	(1,670)	200
Benefit (provision) for credit losses	120	2	—	—	122	(62)	60
Mortgage loans gains (losses)	—	130	—	—	130	224	354
Investment securities gains (losses)	—	(98)	(225)	—	(323)	(26)	(349)
Debt gains (losses)	26	7	126	—	159	7	166
Derivative gains (losses)	(6)	224	309	—	527	(111)	416
Other income (loss)	124	37	393	—	554	(116)	438
Administrative expense	(363)	(106)	(89)	—	(558)	—	(558)
REO operations (expense) income	(20)	1	—	—	(19)	4	(15)
Other non-interest (expense) income	(400)	(6)	—	—	(406)	(164)	(570)
Income tax (expense) benefit	(232)	(140)	(270)	—	(642)	—	(642)
Net income (loss)	**915**	**550**	**1,038**	**—**	**2,503**	**—**	**2,503**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(23)	(73)	—	(96)	—	(96)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	32	—	32	—	32
Changes in defined benefit plans	(2)	(1)	(1)	—	(4)	—	(4)
Total other comprehensive income (loss), net of taxes	**(2)**	**(24)**	**(42)**	**—**	**(68)**	**—**	**(68)**
Comprehensive income (loss)	**$913**	**$526**	**$996**	**$—**	**$2,435**	**$—**	**$2,435**

(In millions)	YTD 2018 Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$566	$1,565	$—	$2,131	$3,890	$6,021
Guarantee fee income	3,256	399	—	—	3,655	(3,261)	394
Benefit (provision) for credit losses	161	18	—	—	179	(182)	(3)
Mortgage loans gains (losses)	—	(216)	—	—	(216)	355	139
Investment securities gains (losses)	—	(256)	(188)	—	(444)	(137)	(581)
Debt gains (losses)	60	17	231	—	308	(21)	287
Derivative gains (losses)	(12)	879	1,611	—	2,478	(232)	2,246
Other income (loss)	205	101	362	—	668	(99)	569
Administrative expense	(699)	(206)	(173)	—	(1,078)	—	(1,078)
REO operations (expense) income	(59)	1	—	—	(58)	9	(49)
Other non-interest (expense) income	(779)	(19)	(6)	—	(804)	(322)	(1,126)
Income tax (expense) benefit	(432)	(261)	(697)	—	(1,390)	—	(1,390)
Net income (loss)	**1,701**	**1,023**	**2,705**	**—**	**5,429**	**—**	**5,429**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(90)	(806)	—	(896)	—	(896)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	62	—	62	—	62
Changes in defined benefit plans	(6)	(2)	(2)	—	(10)	—	(10)
Total other comprehensive income (loss), net of taxes	**(6)**	**(92)**	**(746)**	**—**	**(844)**	**—**	**(844)**
Comprehensive income (loss)	**$1,695**	**$931**	**$1,959**	**$—**	**$4,585**	**$—**	**$4,585**

NOTE 14

Concentration of Credit and Other Risks

Single-Family Credit Guarantee Portfolio

The table below summarizes the concentration by loan portfolio and geographic area of the approximately $1.9 trillion UPB of our single-family credit guarantee portfolio as of both June 30, 2019 and December 31, 2018. See **Note 4** and **Note 7** for more information about credit risk associated with loans and mortgage-related securities that we hold or guarantee.

Table 14.1 - Concentration of Credit Risk of Our Single-Family Credit Guarantee Portfolio

	June 30, 2019		December 31, 2018		Percent of Credit Losses	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate	YTD 2019	YTD 2018
Core single-family loan portfolio	83%	0.23%	82%	0.22%	13%	9%
Legacy and relief refinance single-family loan portfolio	17	1.82	18	1.93	87	91
Total	**100%**	**0.63**	**100%**	**0.69**	**100%**	**100%**
Region(1)						
West	30%	0.36	30%	0.38	13%	14%
Northeast	24	0.90	24	0.96	39	45
North Central	16	0.60	16	0.63	18	18
Southeast	16	0.76	16	0.90	24	17
Southwest	14	0.51	14	0.57	6	6
Total	**100%**	**0.63**	**100%**	**0.69**	**100%**	**100%**
State(2)						
Florida	6%	0.83	6%	1.01	16%	9%
New York	5	1.28	5	1.37	12	14
New Jersey	3	1.12	3	1.24	10	12
Illinois	4	0.82	5	0.86	10	9
California	18	0.33	18	0.35	8	8
All other	64	0.59	63	0.64	44	48
Total	**100%**	**0.63%**	**100%**	**0.69%**	**100%**	**100%**

(1) 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).

(2) States presented based on those with the highest percentage of credit losses during YTD 2019.

Credit Performance of Certain Higher Risk Single-Family Loan Categories

Participants in the mortgage market have characterized single-family loans based upon their overall credit quality at the time of origination, including as prime or subprime. Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between their prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. Although we discontinued new purchases of loans with lower documentation standards beginning March 1, 2009, we continued to purchase certain amounts of these loans in cases where the loan was either:

- Purchased pursuant to a previously issued other mortgage-related guarantee;
- Part of our relief refinance initiative; or
- In another refinance loan initiative and the pre-existing loan (including Alt-A loans) was originated under less than full documentation standards.

In the event we purchase a refinance loan and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as Alt-A in the table below because the new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred.

Although we do not categorize single-family loans we purchase or guarantee as prime or subprime, we recognize that there are a number of loan types with certain characteristics that indicate a higher degree of credit risk.

For example, a borrower's credit score is a useful measure for assessing the credit quality of the borrower. Statistically, borrowers with higher credit scores are more likely to repay or have the ability to refinance than those with lower scores.

Presented below is a summary of the serious delinquency rates of certain higher-risk categories (based on characteristics of the loan at origination) of loans in our single-family credit guarantee portfolio. The table includes a presentation of each higher-risk category in isolation. A single loan may fall within more than one category (for example, an interest-only loan may also have an original LTV ratio greater than 90%). Loans with a combination of these attributes will have an even higher risk of delinquency than those with an individual attribute.

Table 14.2 - Certain Higher Risk Categories in Our Single-Family Credit Guarantee Portfolio

	Percentage of Portfolio(1)		Serious Delinquency Rate(1)	
(Percentage of portfolio based on UPB)	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Interest-only	1%	1%	3.06%	3.43%
Alt-A	1	1	3.94	4.13
Original LTV ratio greater than 90%(2)	18	18	0.93	1.04
Lower credit scores at origination (less than 620)	2	2	4.23	4.59

(1) Excludes loans underlying certain other securitization products for which data was not available.

(2) Includes HARP loans, which we purchased as part of our participation in the MHA Program.

Sellers and Servicers

Sellers

We acquire a significant portion of our single-family and multifamily loan purchase volume from several large sellers. The tables below summarize the concentration of single-family and multifamily sellers who provided 10% or more of our purchase volume during YTD 2019 or YTD 2018.

Table 14.3 - Seller Concentration

Single-family Sellers(1)	YTD 2019	YTD 2018
JPMorgan Chase Bank, N.A.	16%	5%
United Shore Financial Services, LLC	10	3
Wells Fargo Bank, N.A.	8	13
Other top 10 sellers	23	28
Top 10 single-family sellers	**57%**	**49%**

Multifamily Sellers(1)	YTD 2019	YTD 2018
CBRE Capital Markets, Inc.	19%	16%
Berkadia Commercial Mortgage LLC	15	11
Holliday Fenoglio Fowler, L.P.	8	11
Other top 10 sellers	38	41
Top 10 multifamily sellers	**80%**	**79%**

(1) Sellers presented based on those with the highest percentage of purchase volume during YTD 2019.

In recent years, there has been a shift in our single-family purchase volume from depository institutions to non-depository and smaller depository financial institutions. Some of these non-depository sellers have grown in recent years, and we purchase a significant share of our loans from them. Our top five non-depository sellers provided approximately 27% and 22% of our single-family purchase volume during YTD 2019 and YTD 2018, respectively.

Servicers

Significant portions of our single-family and multifamily loans are serviced by several large servicers. The tables below summarize the concentration of single-family and multifamily servicers who serviced 10% or more of our single-family credit guarantee portfolio and our multifamily mortgage portfolio as of June 30, 2019 or December 31, 2018. For purposes of determining the concentration of servicers in the tables below, our multifamily mortgage portfolio excludes loans underlying multifamily securitizations where we are not in first loss position, primarily K Certificates and SB Certificates.

Table 14.4 - Servicer Concentration

Single-family Servicers[(2)]	June 30, 2019[(1)]	December 31, 2018[(1)]
Wells Fargo Bank, N.A.	16%	17%
Other top 10 servicers	40	39
Top 10 single-family servicers	**56%**	**56%**

Multifamily Servicers[(2)]	June 30, 2019	December 31, 2018
Wells Fargo Bank, N.A.	15%	14%
Berkadia Commercial Mortgage LLC	12	11
CBRE Capital Markets, Inc.	12	14
Other top 10 servicers	38	36
Top 10 multifamily servicers	**77%**	**75%**

(1) Percentage of servicing volume is based on the total single-family credit guarantee portfolio, which includes loans where we do not exercise servicing control. However, loans where we do not exercise servicing control are not included for purposes of determining the concentration of servicers who serviced more than 10% of our single-family credit guarantee portfolio because we do not know which entity serves as the primary servicer for such loans.

(2) Servicers presented based on those with the highest percentage of servicing volume as of June 30, 2019.

In recent years, there has been a shift in our single-family servicing from depository institutions to non-depository servicers. Some of these non-depository servicers have grown in recent years and now service a large share of our loans. As of June 30, 2019 and December 31, 2018, approximately 17% and 16%, respectively, of our single-family credit guarantee portfolio was serviced by our top five non-depository servicers. We actively manage the performance of our largest non-depository servicers. Additionally, as part of our efforts on home ownership retention and loss mitigation, we have been consolidating a portion of our default servicing with Freddie Mac selected specialty servicers.

Credit Enhancement Providers

We have counterparty credit risk relating to the potential insolvency of, or non-performance by, mortgage insurers that insure single-family loans we purchase or guarantee. We also have similar exposure to insurers and reinsurers through our ACIS transactions where we purchase insurance policies as part of our CRT activities.

In March 2019, we implemented a set of revised Private Mortgage Insurer Eligibility Requirements (PMIERs) with enhancements to the risk-based capital requirements for mortgage insurers. In addition, we revised master policies with mortgage insurers which provide contract certainty and improve our ability to collect claims for mortgage insurance obligations. These policies were approved by FHFA and are expected to become effective during 2020.

We evaluate the recovery and collectability from mortgage insurers as part of the estimate of our allowance for credit losses. See **Note 4** for additional information. As of June 30, 2019, mortgage insurers provided coverage with maximum loss limits of $101.8 billion, for $396.9 billion of UPB, in connection with our single-family credit guarantee portfolio. These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected loan is covered under both primary and pool insurance.

The table below summarizes the concentration of mortgage insurer counterparties who provided 10% or more of our overall mortgage insurance coverage. On October 23, 2016, Genworth Financial, Inc. announced that it had entered into an agreement to be acquired by China Oceanwide Holdings Group Co., Ltd. Because Genworth Mortgage Insurance Corporation, a subsidiary of Genworth Financial, Inc., is an approved mortgage insurer, Freddie Mac has evaluated the planned acquisition and approved China Oceanwide Holdings Group's control of Genworth Mortgage Insurance Corporation. Regulatory and other approvals of the acquisition are still pending.

Table 14.5 - Mortgage Insurer Concentration

		Mortgage Insurance Coverage[(2)]	
Mortgage Insurer	Credit Rating[(1)]	June 30, 2019	December 31, 2018
Arch Mortgage Insurance Company	A-	23%	24%
Radian Guaranty Inc.	BBB	20	20
Mortgage Guaranty Insurance Corporation	BBB	18	19
Genworth Mortgage Insurance Corporation	BB+	15	14
Essent Guaranty, Inc.	BBB+	15	14
Total		**91%**	**91%**

(1) Ratings are for the corporate entity to which we have the greatest exposure. Latest rating available as of June 30, 2019. Represents the lower of S&P and Moody's credit ratings stated in terms of the S&P equivalent.

(2) Includes primary mortgage insurance and pool insurance. Coverage amounts may include coverage provided by affiliates and subsidiaries of the counterparty.

During both YTD 2019 and YTD 2018, we received proceeds of $0.1 billion from our primary and pool mortgage insurance policies for recovery of losses on our single-family loans. We had outstanding receivables from mortgage insurers of $0.1 billion (excluding deferred payment obligations associated with unpaid claim amounts) as of both June 30, 2019 and December 31, 2018. The balance of these receivables, net of associated reserves, was approximately $0.1 billion at both June 30, 2019 and December 31, 2018.

PMI Mortgage Insurance Co. and Triad Guaranty Insurance Corp. are both under the control of their state regulators and are in run-off. A substantial portion of their claims is recorded by us as deferred payment obligations. As of both June 30, 2019 and December 31, 2018, we had cumulative unpaid deferred payment obligations of $0.5 billion from these insurers. We have reserved substantially all of these unpaid amounts as collectability is uncertain. It is not clear how the regulators of these companies will administer their respective deferred payment plans in the future, nor when or if those obligations will be paid.

As part of our ACIS and other CRT transactions, we regularly obtain insurance coverage from insurers and reinsurers. These transactions incorporate several features designed to increase the likelihood that we will recover on the claims we file with the insurers and reinsurers, including the following:

- In each transaction, we require the individual insurers and reinsurers to post collateral to cover portions of their exposure, which helps to promote certainty and timeliness of claim payment and
- While private mortgage insurance companies are required to be monoline (i.e., to participate solely in the mortgage insurance business, although the holding company may be a diversified insurer), many of our insurers and reinsurers in these transactions participate in multiple types of insurance business, which helps diversify their risk exposure.

Other Investments Counterparties

We are exposed to the non-performance of counterparties relating to other investments (including non-mortgage-related securities and cash equivalents) transactions, including those entered into on behalf of our securitization trusts. Our policies require that the counterparty be evaluated using our internal counterparty rating model prior to our entering into such transactions. We monitor the financial strength of our counterparties to these transactions and may use collateral maintenance requirements to manage our exposure to individual counterparties. The permitted term and dollar limits for each of these transactions are also based on the counterparty's financial strength.

Our other investments (including non-mortgage-related securities and cash equivalents) counterparties are primarily major financial institutions, including other GSEs, Treasury, the Federal Reserve Bank of New York, GSD/FICC, highly-rated supranational institutions, depository and non-depository institutions, brokers and dealers, and government money market funds. As of June 30, 2019 and December 31, 2018, including amounts related to our consolidated VIEs, the balance in our other investments was $83.2 billion and $63.1 billion, respectively. The balances consist primarily of cash and securities purchased under agreements to resell invested with counterparties, U.S. Treasury securities, cash deposited with the Federal Reserve Bank of New York, and secured lending activities. As of June 30, 2019, all of our securities purchased under agreements to resell were fully collateralized. As of June 30, 2019 and December 31, 2018, $2.3 billion and $2.5 billion of our securities purchased under agreements to resell were used to provide financing to investors in Freddie Mac securities to increase liquidity and expand the investor base for those securities. These transactions differ from the securities purchased under agreements to resell that we use for liquidity purposes as the counterparties we face may not be major financial institutions and we are exposed to the counterparty risk of these institutions.

NOTE 15

Fair Value Disclosures

The accounting guidance for fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value, and sets forth disclosure requirements regarding fair value measurements. This guidance applies whenever other accounting guidance requires or permits assets or liabilities to be measured at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

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.

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures establishes a three-level fair value hierarchy that prioritizes the inputs into the valuation techniques used to measure fair value. The levels of the fair value hierarchy are defined as follows in priority order:

- Level 1 - inputs to the valuation techniques are based on quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs to the valuation techniques are based on observable inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3 - one or more inputs to the valuation technique are unobservable and significant to the fair value measurement.

We use quoted market prices and valuation techniques that seek to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs. Our inputs are based on the assumptions a market participant would use in valuing the asset or liability. Assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present 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 15.1 - Assets and Liabilities Measured at Fair Value on a Recurring Basis

	June 30, 2019				
(In millions)	Level 1	Level 2	Level 3	Netting Adjustment[1]	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$—	$24,329	$2,744	$—	$27,073
Other agency	—	1,064	36	—	1,100
Non-agency and other	—	21	1,494	—	1,515
Total available-for-sale securities, at fair value	**—**	**25,414**	**4,274**	**—**	**29,688**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	9,056	3,028	—	12,084
Other agency	—	4,212	5	—	4,217
All other	—	—	1	—	1
Total mortgage-related securities	**—**	**13,268**	**3,034**	**—**	**16,302**
Non-mortgage-related securities	21,162	2,487	—	—	23,649
Total trading securities, at fair value	**21,162**	**15,755**	**3,034**	**—**	**39,951**
Total investments in securities	**21,162**	**41,169**	**7,308**	**—**	**69,639**
Mortgage loans:					
Held-for-sale, at fair value	—	21,310	—	—	21,310
Derivative assets, net:					
Interest-rate swaps	—	2,267	—	—	2,267
Option-based derivatives	—	4,308	—	—	4,308
Other	—	142	17	—	159
Subtotal, before netting adjustments	**—**	**6,717**	**17**	**—**	**6,734**
Netting adjustments[1]	—	—	—	(5,592)	(5,592)
Total derivative assets, net	**—**	**6,717**	**17**	**(5,592)**	**1,142**
Other assets:					
Guarantee asset, at fair value	—	—	3,941	—	3,941
Non-derivative held-for-sale purchase commitments, at fair value	—	333	—	—	333
All other, at fair value	—	—	126	—	126
Total other assets	**—**	**333**	**4,067**	**—**	**4,400**
Total assets carried at fair value on a recurring basis	**$21,162**	**$69,529**	**$11,392**	**($5,592)**	**$96,491**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$8	$733	$—	$741
Other debt, at fair value	—	3,967	129	—	4,096
Derivative liabilities, net:					
Interest-rate swaps	—	5,305	—	—	5,305
Option-based derivatives	—	316	—	—	316
Other	—	315	57	—	372
Subtotal, before netting adjustments	**—**	**5,936**	**57**	**—**	**5,993**
Netting adjustments[1]	—	—	—	(5,530)	(5,530)
Total derivative liabilities, net	**—**	**5,936**	**57**	**(5,530)**	**463**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	4	—	—	4
Total liabilities carried at fair value on a recurring basis	**$—**	**$9,915**	**$919**	**($5,530)**	**$5,304**

Referenced footnote is included after the next table.

	December 31, 2018				
(In millions)	Level 1	Level 2	Level 3	Netting Adjustment[1]	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$—	$26,102	$4,097	$—	$30,199
Other agency	—	1,668	38	—	1,706
Non-agency and other	—	18	1,640	—	1,658
Total available-for-sale securities, at fair value	**—**	**27,788**	**5,775**	**—**	**33,563**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	10,535	3,286	—	13,821
Other agency	—	2,544	7	—	2,551
All other	—	—	1	—	1
Total mortgage-related securities	**—**	**13,079**	**3,294**	**—**	**16,373**
Non-mortgage-related securities	15,885	3,290	—	—	19,175
Total trading securities, at fair value	**15,885**	**16,369**	**3,294**	**—**	**35,548**
Total investments in securities	**15,885**	**44,157**	**9,069**	**—**	**69,111**
Mortgage loans:					
Held-for-sale, at fair value	—	23,106	—	—	23,106
Derivative assets, net:					
Interest-rate swaps	—	2,127	—	—	2,127
Option-based derivatives	—	4,200	—	—	4,200
Other	—	90	1	—	91
Subtotal, before netting adjustments	**—**	**6,417**	**1**	**—**	**6,418**
Netting adjustments[1]	—	—	—	(6,083)	(6,083)
Total derivative assets, net	**—**	**6,417**	**1**	**(6,083)**	**335**
Other assets:					
Guarantee asset, at fair value	—	—	3,633	—	3,633
Non-derivative held-for-sale purchase commitments, at fair value	—	159	—	—	159
All other, at fair value	—	—	137	—	137
Total other assets	**—**	**159**	**3,770**	**—**	**3,929**
Total assets carried at fair value on a recurring basis	**$15,885**	**$73,839**	**$12,840**	**($6,083)**	**$96,481**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$27	$728	$—	$755
Other debt, at fair value	—	4,223	134	—	4,357
Derivative liabilities, net:					
Interest-rate swaps	—	3,974	—	—	3,974
Option-based derivatives	—	137	—	—	137
Other	—	225	92	—	317
Subtotal, before netting adjustments	**—**	**4,336**	**92**	**—**	**4,428**
Netting adjustments[1]	—	—	—	(3,845)	(3,845)
Total derivative liabilities, net	**—**	**4,336**	**92**	**(3,845)**	**583**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	17	—	—	17
Total liabilities carried at fair value on a recurring basis	**$—**	**$8,603**	**$954**	**($3,845)**	**$5,712**

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

Level 3 Fair Value Measurements

The tables below present 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 tables also present gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized on our condensed consolidated statements of comprehensive income for Level 3 assets and liabilities.

Table 15.2 - Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs

	2Q 2019											
		Realized and unrealized gains (losses)										
(In millions)	Balance, April 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2019	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$3,563	$8	$23	$31	$—	$—	($707)	($91)	$—	($52)	$2,744	$—
Other agency	36	—	—	—	—	—	—	—	—	—	36	—
Non-agency and other	1,633	22	(15)	7	—	—	(88)	(58)	—	—	1,494	4
Total available-for-sale mortgage-related securities	**5,232**	**30**	**8**	**38**	**—**	**—**	**(795)**	**(149)**	**—**	**(52)**	**4,274**	**4**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	3,051	(15)	—	(15)	360	—	(509)	162	—	(21)	3,028	15
Other agency	7	—	—	—	—	—	(2)	—	—	—	5	—
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**3,059**	**(15)**	**—**	**(15)**	**360**	**—**	**(511)**	**162**	**—**	**(21)**	**3,034**	**15**
Other assets:												
Guarantee asset	3,795	24	—	24	—	284	—	(162)	—	—	3,941	24
All other, at fair value	150	(10)	—	(10)	—	8	(20)	(2)	—	—	126	(15)
Total other assets	**$3,945**	**$14**	**$—**	**$14**	**$—**	**$292**	**($20)**	**($164)**	**$—**	**$—**	**$4,067**	**$9**

		Realized and unrealized (gains) losses										
	Balance, April 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2019	Unrealized (gains) losses still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$730	$3	$—	$3	$—	$—	$—	$—	$—	$—	$733	$3
Other debt, at fair value	214	—	—	—	—	1	—	(5)	—	(81)	129	—
Net derivatives[2]	48	(6)	—	(6)	—	—	—	(2)	—	—	40	(11)
All other, at fair value	1	(1)	—	(1)	—	—	—	—	—	—	—	—

Referenced footnotes are included after the prior period tables.

(In millions)	YTD 2019											
		Realized and unrealized gains (losses)										
	Balance, January 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2019	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$4,097	($10)	$95	$85	$—	$—	($1,193)	($187)	$—	($58)	$2,744	($1)
Other agency	38	—	1	1	—	—	—	(3)	—	—	36	—
Non-agency and other	1,640	26	35	61	—	—	(87)	(120)	—	—	1,494	8
Total available-for-sale mortgage-related securities	**5,775**	**16**	**131**	**147**	**—**	**—**	**(1,280)**	**(310)**	**—**	**(58)**	**4,274**	**7**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	3,286	(73)	—	(73)	372	—	(515)	138	—	(180)	3,028	(39)
Other agency	7	—	—	—	—	—	(2)	—	—	—	5	—
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**3,294**	**(73)**	**—**	**(73)**	**372**	**—**	**(517)**	**138**	**—**	**(180)**	**3,034**	**(39)**
Other assets:												
Guarantee asset	3,633	60	—	60	—	565	—	(317)	—	—	3,941	60
All other, at fair value	137	(43)	—	(43)	51	17	(32)	(4)	—	—	126	(48)
Total other assets	**$3,770**	**$17**	**$—**	**$17**	**$51**	**$582**	**($32)**	**($321)**	**$—**	**$—**	**$4,067**	**$12**

		Realized and unrealized (gains) losses										
	Balance, January 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2019	Unrealized (gains) losses still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$728	$5	$—	$5	$—	$—	$—	$—	$—	$—	$733	$5
Other debt, at fair value	134	—	—	—	—	1	—	(6)	—	—	129	—
Net derivatives[2]	91	(42)	—	(42)	—	—	—	(9)	—	—	40	(52)
All other, at fair value	—	(3)	—	(3)	3	—	—	—	—	—	—	—

Referenced footnotes are included after the prior period tables.

	2Q 2018											
		Realized and unrealized gains (losses)										
(In millions)	Balance, April 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$6,770	($7)	($48)	($55)	$91	$—	($312)	($320)	$—	($170)	$6,004	($4)
Other agency	44	—	—	—	239	—	—	(13)	—	—	270	—
Non-agency and other	2,690	46	(18)	28	—	—	(33)	(150)	—	—	2,535	14
Total available-for-sale mortgage-related securities	**9,504**	**39**	**(66)**	**(27)**	**330**	**—**	**(345)**	**(483)**	**—**	**(170)**	**8,809**	**10**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	3,038	(125)	—	(125)	651	—	(425)	(28)	645	(45)	3,711	(116)
Other agency	9	(1)	—	(1)	30	—	(21)	—	—	—	17	(1)
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**3,048**	**(126)**	**—**	**(126)**	**681**	**—**	**(446)**	**(28)**	**645**	**(45)**	**3,729**	**(117)**
Other assets:												
Guarantee asset	3,285	(36)	—	(36)	—	255	—	(141)	—	—	3,363	(36)
All other, at fair value	88	23	—	23	(2)	(6)	—	—	—	—	103	11
Total other assets	**$3,373**	**($13)**	**$—**	**($13)**	**($2)**	**$249**	**$—**	**($141)**	**$—**	**$—**	**$3,466**	**($25)**

		Realized and unrealized gains (losses)										
	Balance, April 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized gains (losses) still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$629	$—	$—	$—	$—	$—	$—	$—	$—	$—	$629	$—
Other debt, at fair value	135	—	—	—	—	—	—	—	—	—	135	—
Net derivatives[2]	40	13	—	13	—	(4)	—	(7)	—	—	42	7

Referenced footnotes are included after the following table.

(In millions)	YTD 2018											
	Balance, January 1, 2018	Realized and unrealized gains (losses)			Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized gains (losses) still held[3]
		Included in earnings	Included in other comprehensive income	Total								
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$6,751	($10)	($198)	($208)	$91	$—	($56)	($574)	$—	$—	$6,004	($10)
Other agency	46	—	—	$—	239	—	—	(15)	—	—	270	—
Non-agency and other	4,291	494	(472)	$22	—	—	(1,500)	(278)	—	—	2,535	28
Total available-for-sale mortgage-related securities	**11,088**	**484**	**(670)**	**(186)**	**330**	**—**	**(1,556)**	**(867)**	**—**	**—**	**8,809**	**18**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	2,907	(247)	—	(247)	1,225	—	(681)	(47)	586	(32)	3,711	(231)
Other agency	9	(1)	—	(1)	30	—	(21)	—	—	—	17	(1)
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**2,917**	**(248)**	**—**	**(248)**	**1,255**	**—**	**(702)**	**(47)**	**586**	**(32)**	**3,729**	**(232)**
Other assets:												
Guarantee asset	3,171	(20)	—	(20)	—	490	—	(278)	—	—	3,363	(20)
All other, at fair value	45	29	—	29	41	(12)	—	—	—	—	103	14
Total other assets	**$3,216**	**$9**	**$—**	**$9**	**$41**	**$478**	**$—**	**($278)**	**$—**	**$—**	**$3,466**	**($6)**

	Balance, January 1, 2018	Realized and unrealized gains (losses)			Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized gains (losses) still held[3]
		Included in earnings	Included in other comprehensive income	Total								
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$630	($1)	$—	($1)	$—	$—	$—	$—	$—	$—	$629	($1)
Other debt, at fair value	137	—	—	—	—	—	—	(2)	—	—	135	—
Net derivatives[2]	57	23	—	23	—	(26)	—	(12)	—	—	42	13

(1) Transfers out of Level 3 during 2Q 2019 and YTD 2019 and 2Q 2018 and YTD 2018 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 Freddie Mac securities are classified as Level 3 at issuance and generally are classified as Level 2 when they begin trading. Transfers into Level 3 during 2Q 2019 and YTD 2019 and 2Q 2018 and YTD 2018 consisted primarily of certain mortgage-related securities due to a decrease in market activity and the availability of relevant price quotes from dealers and third-party pricing services.

(2) Amounts are the net of derivative assets and liabilities prior to counterparty netting, cash collateral netting, net trade/settle receivable or payable, and net derivative interest receivable or payable.

(3) 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 June 30, 2019 and June 30, 2018, respectively. Included in these amounts are other-than temporary impairments recorded on available-for-sale securities.

The tables below provide 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 15.3 - Quantitative Information about Recurring Level 3 Fair Value Measurements

	June 30, 2019				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$2,274	Discounted cash flows	OAS	30 - 261 bps	107 bps
	470	Other			
Non-agency and other	1,093	Median of external sources	External pricing sources	$68.0 - $74.0	$70.6
	202	Single external source	External pricing sources	$100.0 - $117.3	$101.3
	199	Other			
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	2,131	Single external source	External pricing sources	$0.0 - $101.0	$37.2
	897	Discounted cash flows	OAS	(21,904) - 6,613 bps	(84) bps
Guarantee asset, at fair value	3,691	Discounted cash flows	OAS	17 - 198 bps	45
	251	Other			
Insignificant Level 3 assets[(1)]	167				
Total level 3 assets	**$11,375**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	$733	Single External Source	External Pricing Sources	$99.2 - $103.4	$100.4
Insignificant Level 3 liabilities[(1)]	169				

Referenced footnote is included after the next table.

(**Dollars in millions**, except for certain unobservable inputs as shown)	December 31, 2018				
	Level 3 Fair Value	Predominant Valuation Technique(s)	Unobservable Inputs		
			Type	Range	Weighted Average
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$2,838	Discounted cash flows	OAS	30 - 325 bps	81 bps
	1,259	Single external source	External pricing sources	$96.1 - $104.1	$102.3
Non-agency and other	1,403	Median of external sources	External pricing sources	$64.3 - $71.1	$67.3
	237	Single external source	External pricing sources	$93.1 - $110.7	$100.7
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	1,587	Single external source	External pricing sources	$0.0 - $99.2	$56.6
	1,178	Discounted cash flows	OAS	(21,945) - 6,639 bps	90 bps
	521	Other			
Guarantee asset, at fair value	3,391	Discounted cash flows	OAS	17-198 bps	49 bps
	242	Other			
Insignificant Level 3 assets[(1)]	184				
Total level 3 assets	**$12,840**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	$728	Single External Source	External Pricing Sources	$97.4 - $101.1	$99.6
Insignificant Level 3 liabilities[(1)]	226				

(1) Represents the aggregate amount of Level 3 assets or 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 after our initial recognition. 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 the 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 15.4 - Assets Measured at Fair Value on a Non-Recurring Basis

	June 30, 2019				December 31, 2018			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a non-recurring basis:								
Mortgage loans[1]	$—	$21	$3,267	$3,288	$—	$24	$7,519	$7,543

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

The tables below provide 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 15.5 - Quantitative Information about Non-Recurring Level 3 Fair Value Measurements

	June 30, 2019				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$3,267				
		Internal model	Historical sales proceeds	$3,300 - $782,100	$178,569
		Internal model	Housing sales index	45 - 348 bps	109 bps
		Median of external sources	External pricing sources	$36.4 - $95.1	$84.0

	December 31, 2018				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$7,519				
		Internal model	Historical sales proceeds	$3,000 - $750,500	$177,725
		Internal model	Housing sales index	44 - 480 bps	108 bps
		Median of external sources	External pricing sources	$36.2 - $94.6	$82.5

Fair Value of Financial Instruments

The tables below present 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 other, and certain debt, the carrying value on our GAAP balance sheets approximates fair value, as these assets and liabilities are short-term in nature and have limited fair value volatility.

Table 15.6 - Fair Value of Financial Instruments

	June 30, 2019						
			Fair Value				
(In millions)	GAAP Measurement Category(1)	GAAP Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustments(2)	Total
Financial Assets							
Cash and cash equivalents	Amortized cost	$3,427	$3,426	$1	$—	$—	$3,427
Securities purchased under agreements to resell	Amortized cost	52,698	—	52,698	—	—	52,698
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	29,688	—	25,414	4,274	—	29,688
Trading, at fair value	FV - NI	39,951	21,162	15,755	3,034	—	39,951
Total investments in securities		**69,639**	**21,162**	**41,169**	**7,308**	**—**	**69,639**
Mortgage loans:							
Loans held by consolidated trusts		1,879,802	—	1,682,904	216,147	—	1,899,051
Loans held by Freddie Mac		84,888	—	39,027	48,703	—	87,730
Total mortgage loans	**Various(3)**	**1,964,690**	**—**	**1,721,931**	**264,850**	**—**	**1,986,781**
Derivative assets, net	FV - NI	1,142	—	6,717	17	(5,592)	1,142
Guarantee asset	FV - NI	3,941	—	—	3,949	—	3,949
Non-derivative purchase commitments, at fair value	FV - NI	333	—	333	10	—	343
Secured lending and other	Amortized cost	3,460	—	870	1,705	—	2,575
Total financial assets		**$2,099,330**	**$24,588**	**$1,823,719**	**$277,839**	**($5,592)**	**$2,120,554**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,827,974	$—	$1,843,114	$3,067	$—	$1,846,181
Other debt		277,361	—	277,697	3,923	—	281,620
Total debt, net	**Various(4)**	**2,105,335**	**—**	**2,120,811**	**6,990**	**—**	**2,127,801**
Derivative liabilities, net	FV - NI	463	—	5,936	57	(5,530)	463
Guarantee obligation	Amortized cost	3,786	—	—	4,179	—	4,179
Non-derivative purchase commitments, at fair value	FV - NI	4	—	4	55	—	59
Total financial liabilities		**$2,109,588**	**$—**	**$2,126,751**	**$11,281**	**($5,530)**	**$2,132,502**

(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 June 30, 2019, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were $1.9 trillion, $16.9 billion, and $21.3 billion, respectively.

(4) As of June 30, 2019, the GAAP carrying amounts measured at amortized cost and FV - NI were $2.1 trillion and $4.8 billion, respectively.

(In millions)	GAAP Measurement Category[(1)]	GAAP Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustments[(2)]	Total
			December 31, 2018				
			Fair Value				
Financial Assets							
Cash and cash equivalents	Amortized cost	$7,273	$7,273	$—	$—	$—	$7,273
Securities purchased under agreements to resell	Amortized cost	34,771	—	34,771	—	—	34,771
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	33,563	—	27,788	5,775	—	33,563
Trading, at fair value	FV - NI	35,548	15,885	16,369	3,294	—	35,548
Total investments in securities		**69,111**	**15,885**	**44,157**	**9,069**	**—**	**69,111**
Mortgage loans:							
Loans held by consolidated trusts		1,842,850	—	1,605,874	209,542	—	1,815,416
Loans held by Freddie Mac		84,128	—	33,946	52,212	—	86,158
Total mortgage loans	**Various[(3)]**	**1,926,978**	**—**	**1,639,820**	**261,754**	**—**	**1,901,574**
Derivative assets, net	FV - NI	335	—	6,417	1	(6,083)	335
Guarantee asset	FV - NI	3,633	—	—	3,642	—	3,642
Non-derivative purchase commitments, at fair value	FV - NI	159	—	159	2	—	161
Secured lending and other	Amortized cost	1,805	—	195	873	—	1,068
Total financial assets		**$2,044,065**	**$23,158**	**$1,725,519**	**$275,341**	**($6,083)**	**$2,017,935**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,792,677	$—	$1,759,911	$2,698	$—	$1,762,609
Other debt		252,273	—	251,543	3,629	—	255,172
Total debt, net	**Various[(4)]**	**2,044,950**	**—**	**2,011,454**	**6,327**	**—**	**2,017,781**
Derivative liabilities, net	FV - NI	583	—	4,336	92	(3,845)	583
Guarantee obligation	Amortized cost	3,561	—	—	4,146	—	4,146
Non-derivative purchase commitments, at fair value	FV - NI	17	—	17	11	—	28
Total financial liabilities		**$2,049,111**	**$—**	**$2,015,807**	**$10,576**	**($3,845)**	**$2,022,538**

(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, 2018, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were $1.9 trillion, $18.5 billion, and $23.1 billion, respectively.

(4) As of December 31, 2018, the GAAP carrying amounts measured at amortized cost and FV - NI were $2.0 trillion and $5.1 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 certain long-term debt.

The table below presents the fair value and UPB related to certain loans and long-term debt for which we have elected the fair value option. This table does not include interest-only securities related to debt securities of consolidated trusts and other debt held by third parties with a fair value of $72 million and $26 million and multifamily held-for-sale loan purchase commitments with a fair value of $329 million and $142 million, as of June 30, 2019 and December 31, 2018, respectively.

Table 15.7 - Difference between Fair Value and UPB for Certain Financial Instruments with Fair Value Option Elected

	June 30, 2019			December 31, 2018		
(In millions)	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties
Fair value	$21,310	$4,031	$733	$23,106	$4,357	$728
UPB	20,138	3,725	730	22,693	3,998	730
Difference	$1,172	$306	$3	$413	$359	($2)

Changes in Fair Value Under the Fair Value Option Election

The table below presents the changes in fair value included in non-interest income (loss) in our condensed consolidated statements of comprehensive income, related to items for which we have elected the fair value option.

Table 15.8 - Changes in Fair Value Under the Fair Value Option Election

	2Q 2019	2Q 2018	YTD 2019	YTD 2018
(In millions)	Gains (Losses)		Gains (Losses)	
Multifamily held-for-sale loans	$477	($54)	$818	($512)
Multifamily held-for-sale loan purchase commitments	613	192	1,003	297
Other debt - long term	69	19	67	28
Debt securities of consolidated trusts held by third parties	(3)	—	(5)	2

Changes in fair value attributable to instrument-specific credit risk were not material for 2Q 2019 and YTD 2019 and for 2Q 2018 and YTD 2018 for any assets or liabilities for which we elected the fair value option.

NOTE 16

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. On July 20, 2016, the Court of Appeals reversed the District Court's dismissal and remanded the case to the District Court for further proceedings. On August 14, 2018, the District Court denied the plaintiff's motion for class certification. On January 23, 2019, the Court of Appeals denied plaintiff's petition for leave to appeal that decision.

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: pre-trial litigation is inherently uncertain; while the District Court denied plaintiff's motion for class certification, this denial may be appealed upon the entry of final judgment; and the District Court has not yet ruled upon motions for summary judgment. In particular, 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. On March 31, 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. Subsequently, 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.

On December 20, 2016, after briefing and argument on the defendants' renewed motions to dismiss on personal jurisdiction and efficient enforcer grounds, the District Court denied defendants' motions in part and granted them in part. 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. Then, in an order issued February 2, 2017, the District Court effectively dismissed Freddie Mac's remaining antitrust claim against HSBC USA, N.A. At present, Freddie Mac's breach of contract actions against Bank of America, N.A., Barclays Bank, Citibank, N.A., Credit Suisse, Deutsche Bank, Royal Bank of Scotland, and UBS AG are its only claims remaining in the District Court.

On February 23, 2018, the Second Circuit reversed the District Court's dismissal of certain plaintiffs' state law fraud and unjust enrichment claims on statutes of limitations grounds. While Freddie Mac was not a party to the appeal, this decision could have the effect of reinstating Freddie Mac's fraud claims against the above-named defendants. 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 amended its complaint on April 16, 2019.

Litigation Concerning the Purchase Agreement

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

In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations. This case is the result of the consolidation of three putative class action lawsuits: *Cacciapelle and Bareiss vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 29, 2013; *American European Insurance Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 30, 2013; and *Marneu Holdings, Co. vs. FHFA, Treasury, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation*, filed on September 18, 2013. (The Marneu case was also filed as a shareholder derivative lawsuit.) A consolidated amended complaint was filed in December 2013. In the consolidated amended complaint, plaintiffs allege, among other items, that the August 2012 amendment to the Purchase Agreement breached Freddie Mac's and Fannie Mae's respective contracts with the holders of junior preferred stock and common stock and the covenant of good faith and fair dealing inherent in such contracts. Plaintiffs sought unspecified damages, equitable and injunctive relief, and costs and expenses, including attorney and expert fees.

The Cacciapelle and American European Insurance Company lawsuits were filed purportedly on behalf of a class of purchasers of junior preferred stock issued by Freddie Mac or Fannie Mae who held stock prior to, and as of, August 17, 2012. The Marneu lawsuit was filed purportedly on behalf of a class of purchasers of junior preferred stock and purchasers of common stock issued by Freddie Mac or Fannie Mae over a not-yet-defined period of time.

Arrowood Indemnity Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, FHFA, and Treasury. This case was filed on September 20, 2013. The allegations and demands made by plaintiffs in this case were generally similar to those made by the plaintiffs in the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case described above. Plaintiffs in the Arrowood lawsuit also requested that, if injunctive relief were not granted, the Arrowood plaintiffs be awarded damages against the defendants in an amount to be determined including, but not limited to, the aggregate par value of their junior preferred stock, the total of which they stated to be approximately $42 million.

American European Insurance Company, Cacciapelle, and Miller vs. Treasury and FHFA. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on July 30, 2014. The complaint alleged that, through the August 2012 amendment to the Purchase Agreement, Treasury and FHFA breached their respective fiduciary duties to Freddie Mac, causing Freddie Mac to suffer damages. The plaintiffs asked that Freddie Mac be awarded compensatory damages and disgorgement, as well as attorneys' fees, costs, and other expenses.

FHFA, joined by Freddie Mac and Fannie Mae, moved to dismiss the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case and the other related cases in January 2014. Treasury filed a motion to dismiss the same day. In September 2014, the District Court granted the motions and dismissed the plaintiffs' claims. All plaintiffs appealed that decision, and on February 21, 2017, the U.S. Court of Appeals for the District of Columbia Circuit affirmed in part and remanded in part the decision granting the motions to dismiss. The Court of Appeals affirmed dismissal of all claims except certain claims seeking monetary damages for breach of contract and breach of implied duty of good faith and fair dealing. In March 2017, certain institutional and class plaintiffs filed petitions for panel rehearing with respect to certain claims. On July 17, 2017, the Court of Appeals granted the petitions for rehearing and issued a modified decision, which permitted the institutional plaintiffs to pursue the breach of contract and breach of implied duty of good faith and fair dealing claims that had been remanded. The Court of Appeals also removed language related to the standard to be applied to the implied duty claims, leaving that issue for the District Court to determine on remand. On October 16, 2017, certain institutional and class plaintiffs filed petitions for a writ of certiorari in the U.S. Supreme Court challenging whether HERA's prohibition on injunctive relief against FHFA bars judicial review of the net worth sweep dividend provisions of the August 2012 amendment to the Purchase Agreement, as well as whether HERA bars shareholders from pursuing derivative litigation where they allege the conservator faces a conflict of interest. The Supreme Court denied the petitions on February 20, 2018. On November 1, 2017, certain institutional and class plaintiffs and plaintiffs in another case in which Freddie Mac was not originally a defendant, *Fairholme Funds, Inc. v. FHFA, Treasury, and Federal National Mortgage Association*, filed proposed amended complaints in the District Court. Each of the proposed amended complaints names Freddie Mac as a defendant for breach of contract and breach of the covenant of good faith and fair dealing claims as well as for new claims alleging breach of fiduciary duty and breach of Virginia corporate law. On January 10, 2018, FHFA, Freddie Mac, and Fannie Mae moved to dismiss the amended complaints. On August 16, 2018, plaintiffs in the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case filed a motion for class certification in the District Court. On September 28, 2018, the District Court dismissed all of the claims except those alleging breach of the implied covenant of good faith and fair dealing. Discovery is ongoing.

Angel vs. The Federal Home Loan Mortgage Corporation et al. This case was filed pro se on May 21, 2018 against Freddie Mac, Fannie Mae, certain current and former directors of Freddie Mac and Fannie Mae, and FHFA as a nominal defendant. The complaint alleged, among other things, breach of contract, breach of the implied covenant of good faith and fair dealing, and that defendants aided and abetted the government's "avoidance" of plaintiff's dividend rights. On March 6, 2019, the U.S. District Court for the District of Columbia granted the defendants' motion to dismiss the case. On March 18, 2019, Mr. Angel filed a motion seeking to alter or amend the judgment and for leave to file an amended complaint. On May 24, 2019, the District Court denied Mr. Angel's motion, and on June 19, 2019, Mr. Angel filed a notice of appeal to the U.S. Court of Appeals for the District of Columbia Circuit.

Litigation in the U.S. Court of Federal Claims

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. Defendants filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018.

Rafter, Rattien and Pershing Square Capital Management vs. the United States of America et al. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on August 14, 2014. The complaint alleges 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, and the U.S. government breached an implied-in-fact contract with Freddie Mac. In September 2015, plaintiffs filed an amended complaint, which contains one claim involving Freddie Mac. The amended complaint alleges that Freddie Mac's charter is a contract with its common stockholders, and that, through the August 2012 amendment to the Purchase Agreement, the U.S. government breached the implied covenant of good faith and fair dealing inherent in such contract. Plaintiffs ask that they be awarded damages or other appropriate relief for the alleged breach of contract as well as attorneys' fees, costs, and expenses. Plaintiffs filed a further amended complaint under seal on March 8, 2018, and a redacted public version on April 20, 2018. The amended complaint no longer lists Freddie Mac as a nominal defendant.

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. Defendants filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018.

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 plaintiffs ask that plaintiffs, 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. The proceedings have been stayed pending a ruling on defendants' motion to dismiss in the Fairholme Funds, Inc. litigation.

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 outcome of any appeal) 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 matters due to a number of factors, including the inherent uncertainty of pre-trial litigation. In addition, with respect to the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case, the plaintiffs have not demanded a stated amount of damages they believe are due, and the Court has not certified a class.

NOTE 17

Regulatory Capital

In October 2008, FHFA announced that it was suspending capital classification of us during conservatorship in light of the Purchase Agreement. FHFA continues to monitor our capital levels, but the existing statutory and FHFA regulatory capital requirements are not binding during conservatorship.

We continue to provide quarterly submissions to FHFA on minimum capital. The table below summarizes our minimum capital requirements and deficits and net worth.

Table 17.1 - Net Worth and Minimum Capital

(In millions)	June 30, 2019	December 31, 2018
GAAP net worth (deficit)	$4,826	$4,477
Core capital (deficit)(1)(2)	(68,265)	(68,036)
Less: Minimum capital requirement(1)	18,433	17,553
Minimum capital surplus (deficit)(1)	**($86,698)**	**($85,589)**

(1) Core capital and minimum capital figures are estimates and represent amounts submitted to FHFA. FHFA is the authoritative source for our regulatory capital.

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

In May 2017, FHFA, as Conservator, issued guidance to us to evaluate and manage our financial risk and to make economic business decisions, while in conservatorship, utilizing a newly-developed risk-based CCF, an economic capital system with detailed formulae provided by FHFA. We use the CCF to measure risk for making economically effective decisions. We are required to submit quarterly reports to FHFA related to the CCF requirements.

NOTE 18

Selected Financial Statement Line Items

The table below presents the significant components of other income (loss) on our condensed consolidated statements of comprehensive income (loss).

Table 18.1 - Significant Components of Other Income (Loss)

(In millions)	2Q 2019	2Q 2018	YTD 2019	YTD 2018
Other income (loss):				
Non-agency mortgage-related securities settlements and judgments	$26	$334	$26	$334
Income on guarantee obligation	195	177	387	348
All other	(12)	(73)	(170)	(113)
Total other income (loss)	**$209**	**$438**	**$243**	**$569**

The table below presents the significant components of other assets and other liabilities on our condensed consolidated balance sheets.

Table 18.2 - Significant Components of Other Assets and Other Liabilities

(In millions)	June 30, 2019	December 31, 2018
Other assets:		
Real estate owned, net	$660	$769
Accounts and other receivables[1]	9,105	2,447
Guarantee asset	3,941	3,633
Secured lending and other	3,460	1,805
All other	2,538	2,322
Total other assets	**$19,704**	**$10,976**
Other liabilities:		
Guarantee obligation	$3,786	$3,561
All other	3,216	2,837
Total other liabilities	**$7,002**	**$6,398**

(1) Primarily consists of servicer receivables and other non-interest receivables.

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 16** in this Form 10-Q and our 2018 Annual Report.

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 2018 Annual Report. Freddie Mac is not a party to any of these lawsuits.

RISK FACTORS

This Form 10-Q should be read together with the **Risk Factors** section in our 2018 Annual Report, which describes various risks and uncertainties to which we are or may become subject. This section updates that discussion.

These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies, and/or prospects.

A significant decline in the price performance of or demand for our UMBS could have an adverse effect on the volume and/or profitability of our new single-family guarantee business.

Historically, the price performance of our Gold PCs (the predecessor to the UMBS) relative to comparable Fannie Mae-issued securities had been one of Freddie Mac's more significant risks and competitive issues. On June 3, 2019, in connection with the implementation of the Single Security Initiative, we ceased issuing Gold PCs and commenced issuing UMBS. While the Single Security Initiative and the UMBS (which may be issued by Freddie Mac or Fannie Mae) are intended to reduce the pricing disparity between our securities and Fannie Mae's securities, there can be no assurance they will do so. For example, in certain cases, the pricing disparity has not been reduced, primarily due to differences in pool composition.

Our UMBS are an integral part of our loan purchase program. Our competitiveness in purchasing single-family loans from our sellers and the volume and profitability of our new single-family guarantee business are directly affected by the price performance of our UMBS relative to comparable Fannie Mae-issued UMBS. If our UMBS were to trade at a discount relative to comparable Fannie Mae securities, such a difference in relative pricing could create an economic incentive for sellers to conduct a disproportionate share of their single-family business with Fannie Mae.

It is possible that a liquid market for our UMBS may not be sustained over the short- or long-term, which could adversely affect their price performance and our single-family market share. A significant reduction in our market share, and thus in the volume of loans that we securitize, or a reduction in the trading volume of our UMBS could reduce the liquidity of our UMBS. While we may decide to employ various strategies to support the liquidity and price performance of our UMBS, any such strategies may fail or adversely affect our business. We may cease any such activities at any time, or FHFA could require us to do so, which could adversely affect the liquidity and price performance of our UMBS.

Liquidity-related price differences could occur between our UMBS and comparable Fannie Mae-issued UMBS due to factors that are largely outside of our control. For example, the level of the Federal Reserve's purchases and sales of agency mortgage-related securities, including the balance sheet normalization program to reduce the Federal Reserve's holdings of mortgage-related securities, could affect the demand for and values of our UMBS. Therefore, any strategies we employ to reduce any liquidity-related price differences may not reduce or eliminate any such price differences over the long term.

We may decide to compensate sellers for any difference in price between our UMBS and comparable Fannie Mae-issued UMBS by reducing our guarantee fees, which could adversely affect the profitability of our single-family guarantee business. We could also incur costs in connection with any efforts to support the liquidity and price performance of our UMBS, including by engaging in transactions that yield less than our target rate of return. For more information, see **MD&A - Our Business Segments - Capital Markets Segment - *Business Overview - Products and Activities*** in our 2018 Annual Report.

Implementation of the Single Security Initiative presents increased operational and counterparty risk. If this initiative is not successfully implemented or if the UMBS does not receive widespread market acceptance, the liquidity and price performance of our single-family mortgage-related securities and our market share and profitability could be adversely affected.

Implementation of the Single Security Initiative is complex and requires significant changes to trading processes and systems of key market participants. It is possible that we could experience a disruption in the liquidity of Freddie Mac mortgage-related securities during the period in which we transition to the UMBS and other aspects of the Single Security Initiative. Although we expect to employ various strategies as needed to support the transition to and liquidity of the UMBS, these strategies may fail or adversely affect our business, and they may be discontinued at any time. We have been required by FHFA to align certain of our single-family mortgage purchase offerings, servicing, and securitization programs, policies and practices with Fannie Mae to achieve market acceptance of the UMBS and other aspects of the Single Security Initiative, but there can be no assurance that the UMBS will reduce the pricing disparities discussed above. These alignment activities may adversely affect our business and our ability to compete with Fannie Mae. We may be required to further align our business processes with those of Fannie Mae. Uncertainty concerning the extent of the alignment between Freddie Mac's and Fannie Mae's mortgage purchase, servicing, and securitization programs, policies and practices may affect the degree to which the UMBS and other aspects of the Single Security Initiative receive widespread market acceptance.

It is possible that uncertainty surrounding the implementation and overall impact of the UMBS could contribute to declines in the liquidity or market value of our single-family mortgage-related securities. The industry has expressed concerns that Freddie Mac and Fannie Mae UMBS may not be truly fungible. If investors do not accept the fungibility of Freddie Mac and Fannie Mae UMBS or if investors prefer Fannie Mae UMBS over Freddie Mac UMBS, it could have a significant adverse impact on our business, liquidity, financial condition, net worth, and results of operations, and could adversely affect the liquidity or market value of our single-family mortgage-related securities.

We are offering an optional exchange program for security holders to exchange certain existing 45-day payment delay fixed-rate Gold PCs and Giant PCs for new 55-day payment delay Freddie Mac securities. As part of this program, we pay exchanging security holders a one-time payment for the 10 additional days of payment delay, based on float compensation rates we calculate. We do not expect the return from this additional float to fully offset our payments to the security holders. In addition, we could enter into transactions to facilitate these exchanges, such as, for example, purchasing and selling agency securities, including Freddie Mac mortgage-related securities through our mortgage-related investments portfolio; any such transactions may result in accounting losses.

The Single Security Initiative will also cause us to have counterparty credit exposure to Fannie Mae. As a result of the implementation of the Single Security Initiative on June 3, 2019, investors are now able to commingle certain Freddie Mac and Fannie Mae securities in resecuritizations. When we resecuritize Fannie Mae securities, our guarantee of timely principal and interest extends to the underlying Fannie Mae securities. In the event Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, Freddie Mac would be responsible for making the payment. We do not control or limit the amount of resecuritized Fannie Mae securities that we could be required to guarantee. We are dependent on FHFA, Fannie Mae, and Treasury (pursuant to Fannie Mae's and our respective Purchase Agreements with Treasury) to avoid a liquidity event or default. We are not planning to modify our liquidity strategies to address the possibility of non-timely payment by Fannie Mae.

We and Fannie Mae both rely on the Federal Reserve Banks to make payments on our respective mortgage-backed securities. As noted above, in the event Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, Freddie Mac would be responsible for providing the Federal Reserve Banks with the funds to make the payment. If we failed to provide the Federal Reserve Banks with all funds to make such payment on such resecuritized Fannie Mae securities, the Federal Reserve Banks would not make any payment on any of our outstanding Freddie Mac-issued UMBS, Supers, REMICs, or other securities to be paid on that payment date, regardless of whether such Freddie Mac-issued securities were backed by Fannie Mae-issued securities.

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. However, grants outstanding as of the date of the Purchase Agreement remain in effect in accordance with their terms.

Information About Certain Securities Issuances by Freddie Mac

We make available, free of charge through our website at **www.freddiemac.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) 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.freddiemac.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 notes is available at **crt.freddiemac.com** and **mf.freddiemac.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.freddiemac.com/mbs**. From this address, 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 segments, which can be found at **www.freddiemac.com/singlefamily**, **mf.freddiemac.com**, and **www.freddiemac.com/capital-markets**.

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 June 30, 2019. 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 June 30, 2019, 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 2Q 2019

We evaluated the changes in our internal control over financial reporting that occurred during 2Q 2019 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 June 30, 2019 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, 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 external press releases, statements, and certain speeches 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 2Q 2019 have been prepared in conformity with GAAP.

Exhibit Index

Exhibit	Description*
10.1	PC Master Trust Agreement, dated May 16, 2019
10.2	UMBS and MBS Master Trust Agreement, dated April 30, 2019
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Executive Vice President —Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Executive Vice President —Chief Financial Officer pursuant to 18 U.S.C. Section 1350

* 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.

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/ David M. Brickman

David M. Brickman

Chief Executive Officer

Date: July 31, 2019

By: /s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer

(Principal Financial Officer)

Date: July 31, 2019

Form 10-Q Index

Freddie Mac

Exhibit 10.1

PC MASTER TRUST AGREEMENT

THIS PC MASTER TRUST AGREEMENT is entered into as of May 16, 2019, 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 May 16, 2019, 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 15th of the month preceding the related Payment Date for Gold PCs and (B) ending on the 15th 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 May 16, 2019, 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 require or permit a Mortgage seller or servicer to repurchase from the related PC Pool 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.

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/ Amy Moorhus Baumgardner
Authorized Signatory

FEDERAL HOME LOAN MORTGAGE CORPORATION, in its corporate capacity as Depositor, Administrator and Guarantor

/s/ Mark D. Hanson
Authorized Signatory

Freddie Mac

Exhibit 10.2

UMBS AND MBS MASTER TRUST AGREEMENT

THIS UMBS AND MBS MASTER TRUST AGREEMENT is entered into as of April 30, 2019, 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 April 30, 2019, 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 1st 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 April 30, 2019, 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 require or permit a Mortgage seller or servicer to repurchase from the related Pool a 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(d), 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) 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/ Amy Moorhus Baumgardner
Authorized Signatory

FEDERAL HOME LOAN MORTGAGE CORPORATION, in its corporate capacity as Depositor, Administrator and Guarantor

/s/ Mark D. Hanson
Authorized Signatory

Exhibit 31.1

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, David M. Brickman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 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: July 31, 2019

/s/ David M. Brickman

David M. Brickman

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, James G. Mackey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 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: July 31, 2019

/s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer

Exhibit 32.1

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 June 30, 2019 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David M. Brickman, 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: July 31, 2019

/s/ David M. Brickman

David M. Brickman
Chief Executive Officer

Exhibit 32.2

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 June 30, 2019 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James G. Mackey, Executive Vice President – 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: July 31, 2019

/s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer