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 March 31, 2018

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

FreddieMac

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)*

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 (Do not check if a smaller reporting company) ☐	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 April 17, 2018, there were 650,058,775 shares of the registrant's common stock outstanding.

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

This Quarterly Report on Form 10-Q includes forward-looking statements that are based on current expectations and 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** *sections of this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2017, or 2017 Annual Report, and the* **Business** *and* **Risk Factors** *sections of our 2017 Annual Report.*

Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the **Glossary** *of our 2017 Annual Report.*

You should read the following **MD&A** *in conjunction with our 2017 Annual Report and our condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2018 included in* **Financial Statements***. Throughout this Form 10-Q, we refer to the three months ended March 31, 2018, the three months ended December 31, 2017, the three months ended September 30, 2017, the three months ended June 30, 2017 and the three months ended March 31, 2017 as "1Q 2018," "4Q 2017," "3Q 2017," "2Q 2017" and "1Q 2017," 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. We also invest in mortgage loans and mortgage-related securities. We do not originate loans or lend money directly to mortgage borrowers.

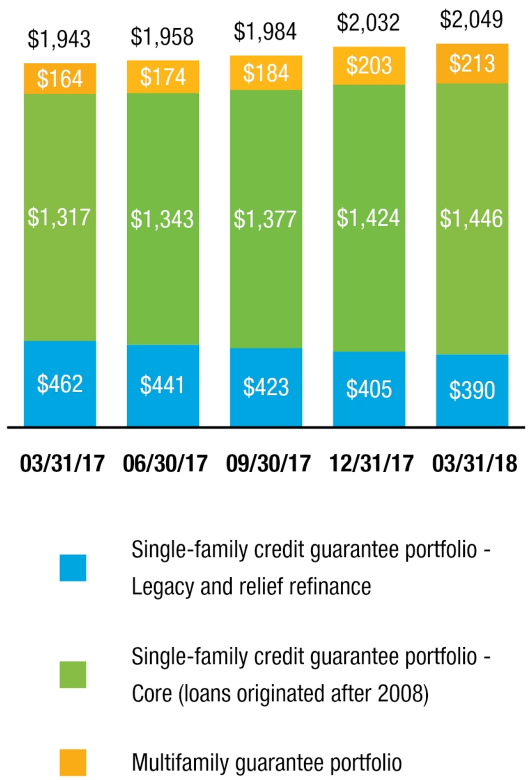
We support the U.S. housing market and the overall economy by enabling America's families to access mortgage loan funding with better terms and by providing consistent liquidity to the multifamily mortgage market. We have helped many distressed borrowers keep their homes or avoid foreclosure. We are working with FHFA, our customers and the industry to build a better housing finance system for the nation.

Business Results

Portfolio Balances

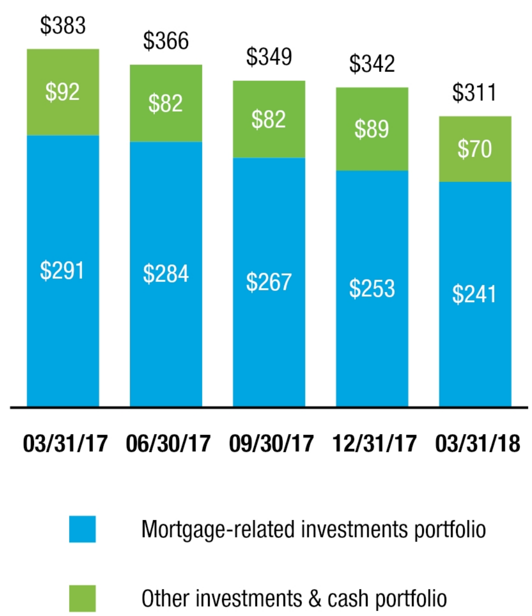
Guarantee Portfolios

(UPB in billions)



Investments Portfolios

(UPB in billions)



Total Guarantee Portfolio

- Our total guarantee portfolio grew $106 billion, or 5%, from March 31, 2017 to March 31, 2018, driven by a 3% increase in our single-family credit guarantee portfolio and a 30% increase in our multifamily guarantee portfolio.
  - The growth in our single-family credit guarantee portfolio was driven in part by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation. 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 an increase in U.S. multifamily mortgage debt outstanding due to strong multifamily market fundamentals and low interest rates, coupled with the growth in our share of new business volume due to our strategic pricing efforts, expansion of our new product offerings and an increase in purchase activity associated with certain targeted loans in underserved markets.

Total Investments Portfolio

- Our total investments portfolio declined $72 billion, or 19%, from March 31, 2017 to March 31, 2018, primarily due to repayments and the active disposition of less liquid assets.
  - We continue to reduce the mortgage-related investments portfolio as required by the Purchase Agreement and FHFA.

Consolidated Financial Results

Comprehensive income (loss) was $2.2 billion in 1Q 2018, relatively unchanged from 1Q 2017.

Key Drivers:

- Continued growth in our single-family credit guarantee portfolio was more than offset by the continued reduction in the balance of our mortgage-related investments portfolio and lower amortization of debt securities of consolidated trusts due to lower prepayments driven by higher interest rates, which resulted in lower net interest income.
- Benefit (provision) for credit losses was relatively unchanged.
- Market-related items had minimal impact as interest rate-related fair value losses were partially offset by spread-related fair value gains.
- Reduction in the statutory corporate income tax rate resulted in lower income tax expense.

Our total equity was $2.2 billion at March 31, 2018. Because our net worth was less than the $3.0 billion Capital Reserve Amount, we will not have a dividend obligation to Treasury in June 2018. Because our net worth was positive, we are not requesting a draw from Treasury under the Purchase Agreement for 1Q 2018. Our cumulative senior preferred stock dividend payments totaled $112.4 billion as of March 31, 2018.

At December 31, 2017, we had a net worth deficit of $312 million. As a result, FHFA, as Conservator, submitted a draw request, on our behalf, to Treasury. This draw request was funded in 1Q 2018, which increased the outstanding liquidation preference of the senior preferred stock at March 31, 2018 to $75.6 billion. In addition, the amount of available funding remaining under the Purchase Agreement was reduced to $140.2 billion and will be reduced by any future draws.

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.

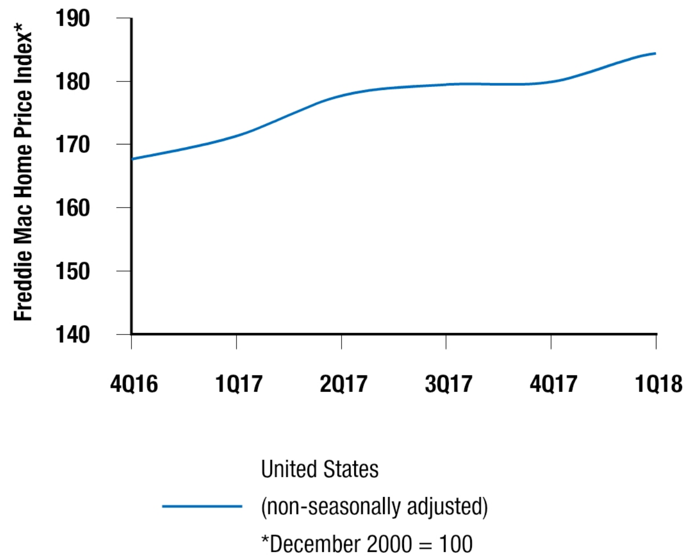
Under the August 2012 amendment to the Purchase Agreement, our dividend requirement each quarter is the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. Pursuant to the December 2017 Letter 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, but this would not affect our ability to draw funds from Treasury under the Purchase Agreement.

KEY ECONOMIC INDICATORS

The following graphs and related discussions present certain macroeconomic indicators that can significantly affect our business and financial results.

Single-Family Home Prices

National Home Prices

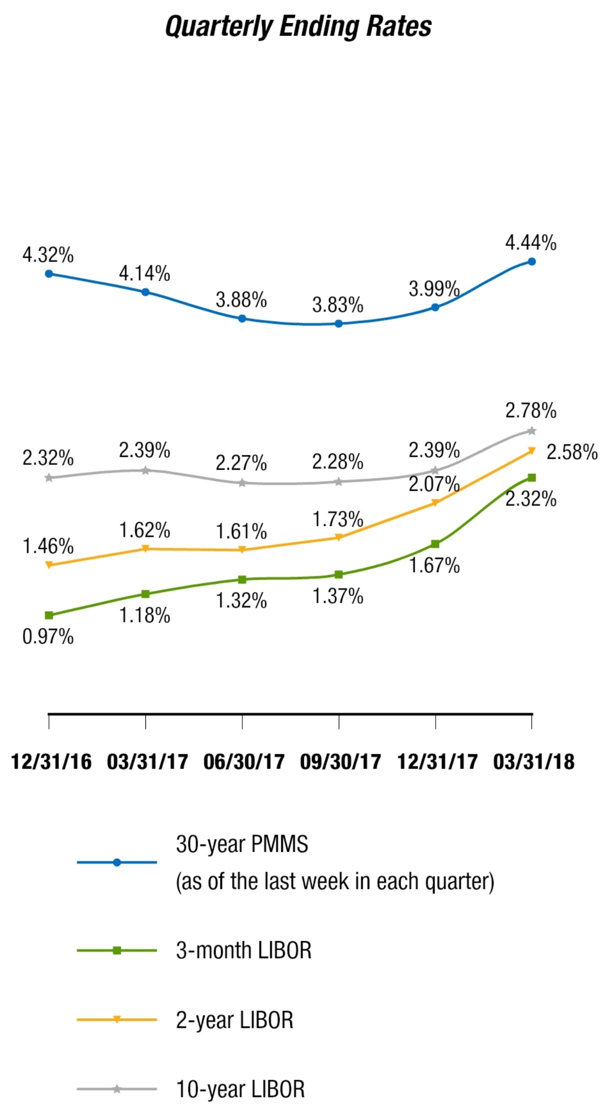


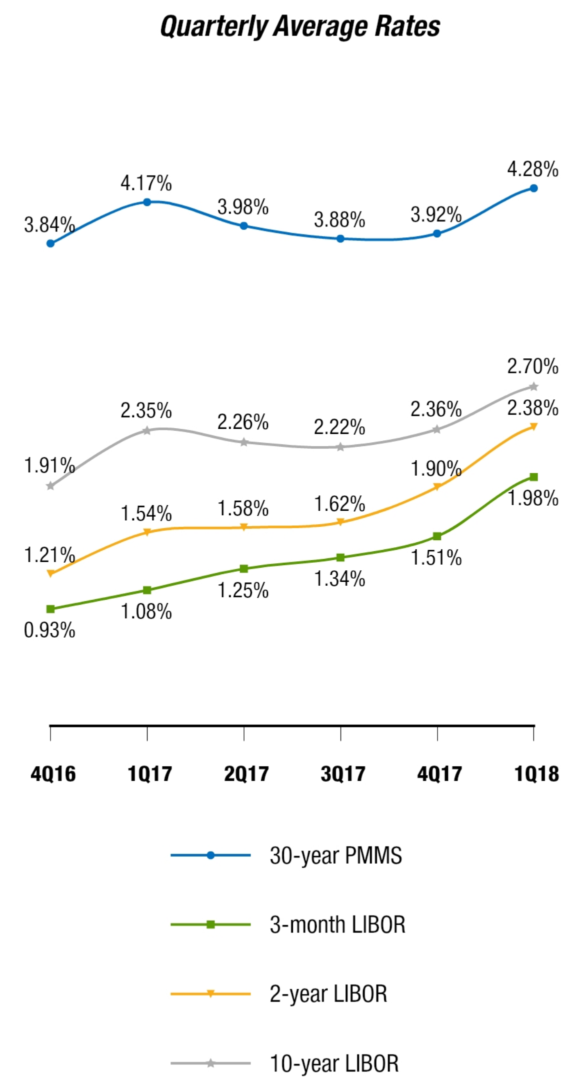
Commentary

- Home prices continued to appreciate, increasing by 2.5% and 2.2% during 1Q 2018 and 1Q 2017, respectively, based on our own non-seasonally adjusted price index of single-family homes funded by loans owned or guaranteed by us or Fannie Mae.
- We expect the rate of home price growth in 2018 will moderate, driven by a gradual increase in housing supply and higher mortgage interest rates.
- Increases in home prices typically result in lower delinquency rates and lower loss severity. Fewer loan delinquencies, loan workouts and foreclosure sales generally reduce estimated credit losses on our total mortgage portfolio.
- Higher single-family home prices may also contribute to an increase in potential multifamily renters.

Interest Rates

Key Market Interest Rates





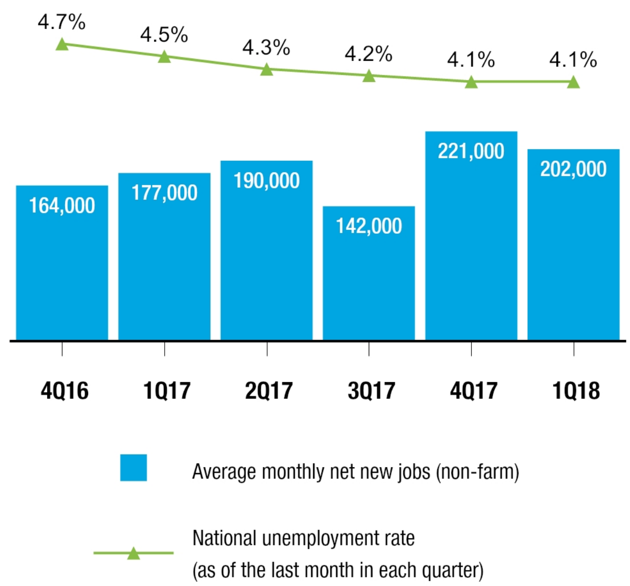
Commentary

- The quarterly ending and quarterly average 30-year Primary Mortgage Market Survey ("PMMS") interest rates were higher at March 31, 2018 than March 31, 2017. Increases in the PMMS rate typically result in decreases in refinance activity and U.S. single-family loan originations.
- The 10-year LIBOR and 2-year LIBOR quarterly ending interest rates increased more during 1Q 2018 than during 1Q 2017. Changes in the 10-year and 2-year LIBOR interest rates affect the fair value of certain of our assets and liabilities, including derivatives, measured at fair value. A larger interest rate fluctuation from period to period generally results in larger fair value gains and losses, while a smaller fluctuation from period to period generally results in smaller fair value gains and losses. However, the majority of these fair value changes are offset by our hedge accounting programs.

- The quarterly ending and quarterly average short-term interest rates, as indicated by the 3-month LIBOR rate, were higher at March 31, 2018 than March 31, 2017. An increase in short-term interest rates generally increases the interest earned on our short-term investments and interest expense on our short-term funding.
- For additional information on the effect of LIBOR rates on our financial results, see **Our Business Segments - Capital Markets - *Market Conditions***.

Unemployment Rate

Unemployment Rate and Job Creation[1]



Source: U.S. Bureau of Labor Statistics

(1) Excludes Puerto Rico and the U.S. Virgin Islands.

Commentary

- Average monthly net new jobs (non-farm) were higher in 1Q 2018 than 1Q 2017.
- The national unemployment rate was lower in 1Q 2018 than 1Q 2017.
- Changes in monthly net new jobs and 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.
- Decreases in the national unemployment rate typically result in lower levels of delinquencies, which generally result in a decrease in estimated credit losses on our total mortgage portfolio.

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.

			Change	
(Dollars in millions)	1Q 2018	1Q 2017	$	%
Net interest income	$3,018	$3,795	($777)	(20)%
Benefit (provision) for credit losses	(63)	116	(179)	(154)
Net interest income after benefit (provision) for credit losses	**2,955**	**3,911**	**(956)**	**(24)**
Non-interest income (loss):				
Gains (losses) on extinguishment of debt	110	218	(108)	(50)
Derivative gains (losses)	1,830	(302)	2,132	706
Net impairment of available-for-sale securities recognized in earnings	—	(13)	13	100
Other gains (losses) on investment securities recognized in earnings	(232)	56	(288)	(514)
Other income (loss)	121	415	(294)	(71)
Total non-interest income (loss)	**1,829**	**374**	**1,455**	**389**
Non-interest expense:				
Administrative expense	(520)	(511)	(9)	(2)
REO operations expense	(34)	(56)	22	39
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(359)	(321)	(38)	(12)
Other expense	(197)	(76)	(121)	(159)
Total non-interest expense	**(1,110)**	**(964)**	**(146)**	**(15)**
Income (loss) before income tax (expense) benefit	**3,674**	**3,321**	**353**	11
Income tax (expense) benefit	(748)	(1,110)	362	33
Net income (loss)	**2,926**	**2,211**	**715**	32
Total other comprehensive income (loss), net of taxes and reclassification adjustments	(776)	23	(799)	(3,474)
Comprehensive income (loss)	**$2,150**	**$2,234**	**($84)**	**(4)%**

Net Interest Income

Net Interest Yield Analysis

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

	1Q 2018			1Q 2017		
(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	$7,015	$11	0.60 %	$12,053	$9	0.29 %
Securities purchased under agreements to resell	51,732	197	1.52	54,406	88	0.66
Advances to lenders and other secured lending	990	6	2.59	617	4	2.40
Mortgage-related securities:						
Mortgage-related securities	150,267	1,580	4.21	175,955	1,663	3.78
Extinguishment of PCs held by Freddie Mac	(90,814)	(843)	(3.71)	(88,539)	(820)	(3.71)
Total mortgage-related securities, net	**59,453**	**737**	**4.96**	**87,416**	**843**	**3.85**
Non-mortgage-related securities	14,775	73	1.97	21,061	71	1.36
Loans held by consolidated trusts[1]	1,776,708	14,859	3.35	1,708,039	14,599	3.42
Loans held by Freddie Mac[1]	103,451	1,092	4.22	124,217	1,366	4.40
Total interest-earning assets	**2,014,124**	**16,975**	**3.37**	**2,007,809**	**16,980**	**3.38**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	1,803,122	(13,356)	(2.96)	1,730,728	(12,541)	(2.90)
Extinguishment of PCs held by Freddie Mac	(90,814)	842	3.71	(88,539)	820	3.71
Total debt securities of consolidated trusts held by third parties	**1,712,308**	**(12,514)**	**(2.92)**	**1,642,189**	**(11,721)**	**(2.86)**
Other debt:						
Short-term debt	67,970	(229)	(1.35)	73,467	(96)	(0.52)
Long-term debt	228,981	(1,214)	(2.12)	279,519	(1,368)	(1.96)
Total other debt	**296,951**	**(1,443)**	**(1.94)**	**352,986**	**(1,464)**	**(1.66)**
Total interest-bearing liabilities	**2,009,259**	**(13,957)**	**(2.78)**	**1,995,175**	**(13,185)**	**(2.64)**
Impact of net non-interest-bearing funding	4,865	—	0.01	12,634	—	0.02
Total funding of interest-earning assets	**$2,014,124**	**($13,957)**	**(2.77)%**	**$2,007,809**	**($13,185)**	**(2.62)%**
Net interest income/yield		**$3,018**	**0.60 %**		**$3,795**	**0.76 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $574 million and $506 million for loans held by consolidated trusts and $22 million and $62 million for loans held by Freddie Mac during 1Q 2018 and 1Q 2017, respectively.

Components of Net Interest Income

The table below presents the components of net interest income.

(Dollars in millions)	1Q 2018	1Q 2017	Change $	Change %
Contractual net interest income:				
Guarantee fee income	$834	$792	$42	5 %
Guarantee fee income related to the Temporary Payroll Tax Cut Continuation Act of 2011	347	316	31	10
Other contractual net interest income	1,457	1,759	(302)	(17)
Total contractual net interest income	**2,638**	**2,867**	**(229)**	**(8)**
Net amortization - loans and debt securities of consolidated trusts	748	953	(205)	(22)
Net amortization - other assets and debt	5	18	(13)	(72)
Hedge accounting impact	(373)	(43)	(330)	(767)
Net interest income	**$3,018**	**$3,795**	**($777)**	**(20)%**

Key Drivers:

- **Guarantee fee income**
  - ***1Q 2018 vs. 1Q 2017 -*** increased during 1Q 2018 primarily due to higher average guarantee fee rates, as well as the continued growth in the size of the Core single-family loan portfolio. Average guarantee fee rates are generally higher on mortgage loans in our Core single-family loan portfolio compared to those in our Legacy and relief refinance single-family loan portfolio.
- **Other contractual net interest income**
  - ***1Q 2018 vs. 1Q 2017 -*** decreased during 1Q 2018 due to the continued 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 - *Reducing Our Mortgage-Related Investments Portfolio Over Time*** for a discussion of the key drivers of the decline in our mortgage-related investments portfolio.
- **Net amortization of loans and debt securities of consolidated trusts**
  - ***1Q 2018 vs. 1Q 2017 -*** decreased during 1Q 2018 primarily due to a decrease in amortization of debt securities of consolidated trusts driven by a decrease in prepayments as a result of higher interest rates, partially offset by an increase in amortization from higher upfront fees on mortgage loans.
- **Hedge Accounting Impact**
  - ***1Q 2018 vs. 1Q 2017 -*** losses increased primarily due to the inclusion of fair value hedge accounting results within net interest income in 1Q 2018 but not in 1Q 2017, due to our adoption of amended hedge accounting guidance in 4Q 2017. In 1Q 2017, this activity was included in other income and derivative gains (losses).

Benefit (Provision) for Credit Losses

Components of Benefit (Provision) for Credit Losses

The benefit (provision) for credit losses predominantly relates to single-family loans and includes components for both collectively and individually impaired loans.

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

			Change	
(Dollars in billions)	1Q 2018	1Q 2017	$	%
Benefit (provision) for newly impaired loans	($0.1)	($0.2)	$0.1	50 %
Amortization of interest rate concessions	0.1	0.2	(0.1)	(50)
Reclassifications between held-for-investment loans and held-for-sale loans	(0.1)	—	(0.1)	N/A
Other, including changes in estimated default probability and loss severity	—	0.1	(0.1)	(100)
Benefit (provision) for credit losses	**($0.1)**	**$0.1**	**($0.2)**	**(200)%**

Key Drivers:

- **1Q 2018 vs. 1Q 2017 -** remained relatively unchanged.

Derivative Gains (Losses)

Components of Derivative Gains (Losses)

We continue to align our derivative portfolio with the changing duration of our assets and liabilities so as to economically hedge their interest-rate risk. We manage our exposure to interest-rate risk on an economic basis to a low level as measured by our models. We believe the impact of derivatives on our GAAP financial results should be considered in the context of our overall interest-rate risk profile, including our PMVS and duration gap results. For more information about our interest-rate risk management activities and the sensitivity of reported earnings to those activities, see **Risk Management - Market Risk.**

Derivative gains (losses) includes the fair value changes and the accrual of periodic cash settlements for derivatives while not designated in qualifying hedge relationships. In addition, prior to our adoption of amended hedge accounting guidance in 4Q 2017, we included the accrual of periodic cash settlements on derivatives in qualifying hedge relationships in derivatives gains (losses).

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

			Change	
(Dollars in millions)	1Q 2018	1Q 2017	$	%
Fair value change in interest-rate swaps	$1,514	$673	$841	125%
Fair value change in option-based derivatives	(455)	(430)	(25)	(6)
Fair value change in other derivatives	916	(78)	994	1,274
Accrual of periodic cash settlements	(145)	(467)	322	69
Derivative gains (losses)	**$1,830**	**($302)**	**$2,132**	**706%**

Key Drivers:

- ***1Q 2018 vs. 1Q 2017 -*** Derivative fair value gains increased as long-term interest rates increased more during 1Q 2018. The 10-year par swap rate increased 39 basis points during 1Q 2018 and 7 basis points during 1Q 2017. The larger interest rate increase in 1Q 2018 resulted in larger fair value gains in our pay-fixed interest rate swaps, forward commitments to issue PCs, and futures, partially offset by larger fair value losses in our receive-fixed swaps.

Other Income (Loss)

Components of Other Income (Loss)

The table below presents the components of other income (loss).

(Dollars in millions)	1Q 2018	1Q 2017	Change $	Change %
Other income (loss)				
Gains (losses) on loans[(1)]	($320)	$14	($334)	(2,386)%
Gains (losses) on held-for-sale loan purchase commitments[(1)]	105	224	(119)	(53)
Gains (losses) on debt[(1)]	11	(89)	100	112
All other	325	227	98	43
Fair value hedge accounting				
Change in fair value of derivatives in qualifying hedge relationships	N/A	65	(65)	N/A
Change in fair value of hedged items in qualifying hedge relationships	N/A	(26)	26	N/A
Total other income (loss)	**$121**	**$415**	**($294)**	**(71)%**

(1) Includes fair value gains (losses) on loans, held-for-sale loan purchase commitments and debt for which we have elected the fair value option.

Key Drivers:

- **1Q 2018 vs. 1Q 2017 - Other income (loss)** declined in 1Q 2018 compared to 1Q 2017 primarily driven by:
  - Greater interest rate-related fair value losses on multifamily mortgage loans and commitments for which we have elected the fair value option due to a larger increase in long-term interest rates, coupled with spread widening on certain K Certificate products that are issued with less frequency.
  - An accounting policy change effective beginning in 4Q 2017 resulted in fair value changes for derivatives and hedged items in qualifying hedge relationships no longer being recognized in other income (loss). See **Note 9** for more information.

  This decrease was partially offset by:
  - Decreased fair value losses on STACR debt notes as market spreads between STACR yields and LIBOR remained relatively unchanged in 1Q 2018, while spreads tightened in 1Q 2017.

Other Comprehensive Income (Loss)

Explanation of Key Drivers of Other Comprehensive Income (Loss)

The following table presents the attribution of total other comprehensive income (loss), net of taxes and reclassification adjustments reported in our condensed consolidated statements of comprehensive income.

			Change	
(Dollars in millions)	1Q 2018	1Q 2017	$	%
Other comprehensive income (loss), excluding certain items	($402)	$163	($565)	(347)%
Excluded items:				
Accretion due to significant increases in expected cash flows on previously impaired available-for-sale securities	(88)	(54)	(34)	(63)
Realized (gains) losses reclassified from AOCI	(286)	(86)	(200)	(233)
Total excluded items	**(374)**	**(140)**	**(234)**	**(167)**
Total other comprehensive income (loss)	**($776)**	**$23**	**($799)**	**(3,474)%**

Key Drivers:

- **Other comprehensive income, excluding certain items**
  - ***1Q 2018 vs. 1Q 2017 -*** decreased primarily due to higher fair value losses on agency and non-agency mortgage-related securities classified as available-for-sale as long-term interest rates increased more in 1Q 2018, coupled with smaller fair value gains from less market spread tightening on our agency mortgage-related securities.

Excluded items:

- **Realized (gains) losses reclassified from AOCI**
  - ***1Q 2018 vs. 1Q 2017 -*** reflected larger amounts of reclassified gains during 1Q 2018 due to spread tightening on sales of non-agency mortgage-related securities classified as available-for-sale.

Other Key Drivers

Explanation of Other Key Drivers

Key Drivers:

- **Gains (losses) on extinguishment of debt**
  - ***1Q 2018 vs. 1Q 2017 -*** declined primarily due to a decrease in the amount of debt securities of consolidated trusts (i.e., PCs) repurchased.
- **Other gains (losses) on investment securities recognized in earnings**
  - ***1Q 2018 vs. 1Q 2017 -*** decreased primarily driven by larger fair value losses on our mortgage and non-mortgage-related securities classified as trading as interest rates increased more during 1Q 2018, partially offset by larger fair value gains driven by spread tightening on our sales of non-agency mortgage-related securities classified as available-for-sale.
- **Other expense**
  - ***1Q 2018 vs. 1Q 2017 -*** increased primarily due to the recovery in 1Q 2017 of amounts previously recognized in other expense. This activity did not repeat in 1Q 2018.
- **Income tax (expense) benefit**
  - ***1Q 2018 vs. 1Q 2017 -*** decreased due to a reduction in the statutory corporate income tax rate.

CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized consolidated balance sheets.

			Change	
(Dollars in millions)	3/31/2018	12/31/2017	$	%
Assets:				
Cash and cash equivalents[1]	$8,617	$9,811	($1,194)	(12)%
Securities purchased under agreements to resell	41,828	55,903	(14,075)	(25)
Subtotal	**50,445**	**65,714**	**(15,269)**	**(23)**
Investments in securities, at fair value	75,501	84,318	(8,817)	(10)
Mortgage loans, net	1,868,351	1,871,217	(2,866)	—
Accrued interest receivable	6,381	6,355	26	—
Derivative assets, net	454	375	79	21
Deferred tax assets, net	8,313	8,107	206	3
Other assets	13,038	13,690	(652)	(5)
Total assets	**$2,022,483**	**$2,049,776**	**($27,293)**	**(1)%**
Liabilities and Equity:				
Liabilities:				
Accrued interest payable	$6,058	$6,221	($163)	(3)%
Debt, net	2,004,807	2,034,630	(29,823)	(1)
Derivative liabilities, net	345	269	76	28
Other liabilities	9,123	8,968	155	2
Total liabilities	**2,020,333**	**2,050,088**	**(29,755)**	**(1)**
Total equity	2,150	(312)	2,462	(789)
Total liabilities and equity	**$2,022,483**	**$2,049,776**	**($27,293)**	**(1)%**

(1) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance.

Key Drivers:

As of March 31, 2018 compared to December 31, 2017:

- **Cash and cash equivalents** and **securities purchased under agreements to resell** affect one another and changes in the balances should be viewed together (e.g., cash and cash equivalents can be invested in securities purchased under agreements to resell or other investments). The decrease in the combined balance was primarily due to lower near term cash needs for fewer upcoming maturities and anticipated calls of other debt.
- **Investments in securities, at fair value** decreased as we continued to reduce the mortgage-related investments portfolio during 2018 as required by the Purchase Agreement and FHFA.
- **Total equity** increased primarily as a result of higher comprehensive income in 1Q 2018 compared to 4Q 2017, combined with our ability to retain equity as a result of an increase in the applicable Capital Reserve Amount, which is $3.0 billion as of January 1, 2018.

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), treasury function, single-family securitization activities and interest-rate risk.

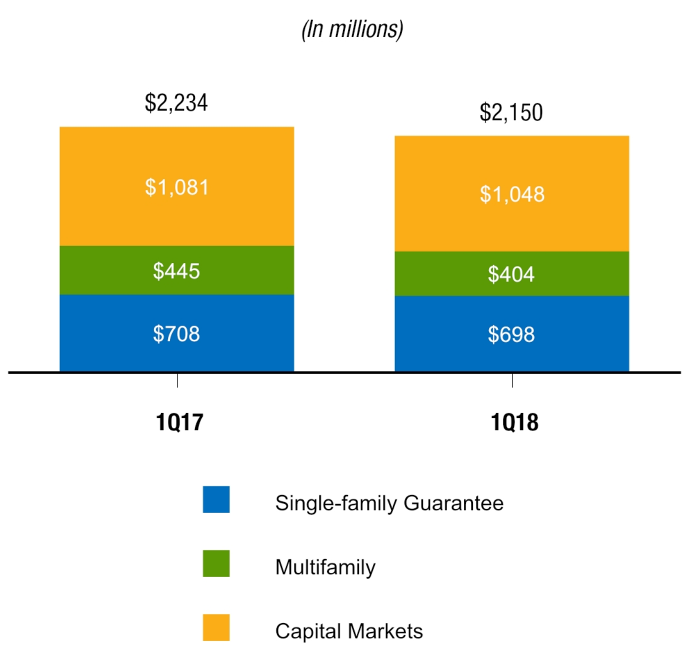
Certain activities that are not part of a reportable segment, such as material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments, are included in the **All Other** category.

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.

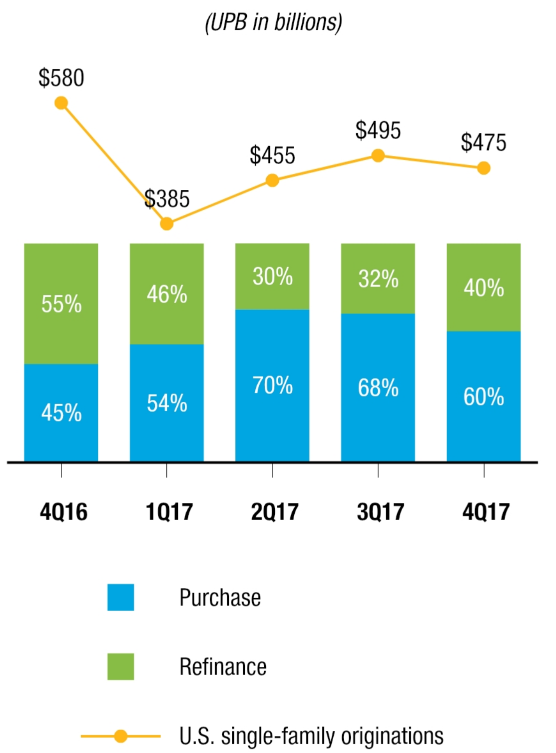


Single-Family Guarantee

Market Conditions

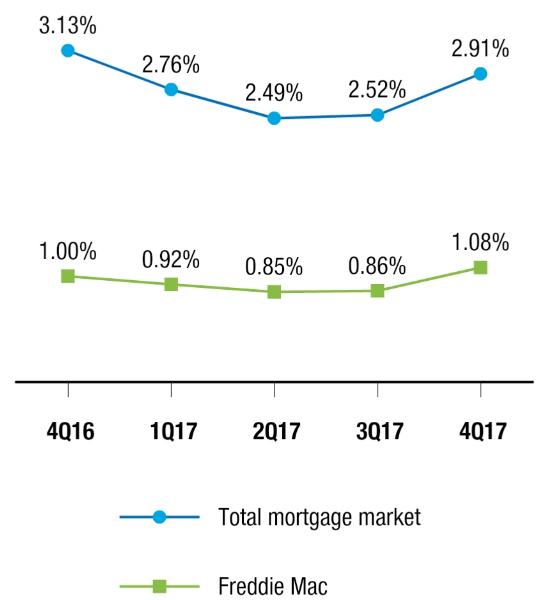
The graphs and related discussion below present certain market indicators that can significantly affect the business and financial results of our Single-family Guarantee segment.

U.S. Single-Family Originations



Source: Inside Mortgage Finance dated April 27, 2018 (latest available IMF purchase/refinance information).

Single-Family Serious Delinquency Rates



Source: National Delinquency Survey from the Mortgage Bankers Association. Data as of February 8, 2018 (latest available NDS information).

Commentary

- U.S. single-family loan origination volumes decreased to $375 billion in 1Q 2018 from $385 billion in 1Q 2017, driven by lower refinance volume as a result of higher mortgage interest rates in 1Q 2018. Mortgage origination data is from Inside Mortgage Finance as of April 27, 2018.
- We expect continued growth in U.S. single-family home purchase volume due to a gradual increase in housing supply, while a moderate increase in mortgage interest rates is expected to result in a lower refinance volume. Freddie Mac's single-family loan purchase volumes typically follow a similar trend.
- The single-family serious delinquency rate in the U.S. increased during 4Q 2017 due to the impact of the hurricanes in 3Q 2017. Freddie Mac's serious delinquency rate followed a similar trend resulting

in higher loan workout activities, which increased our expected credit losses on our total single-family credit guarantee portfolio.

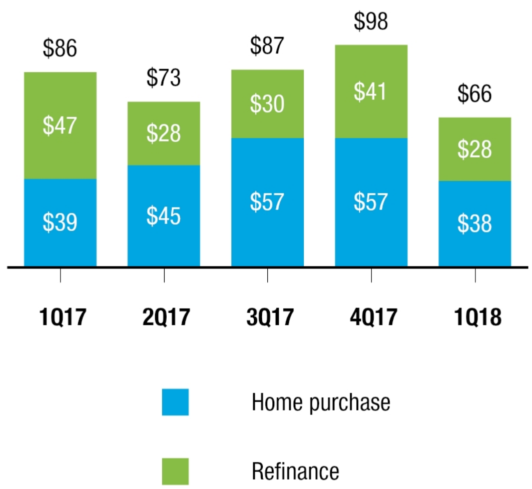
Business Results

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

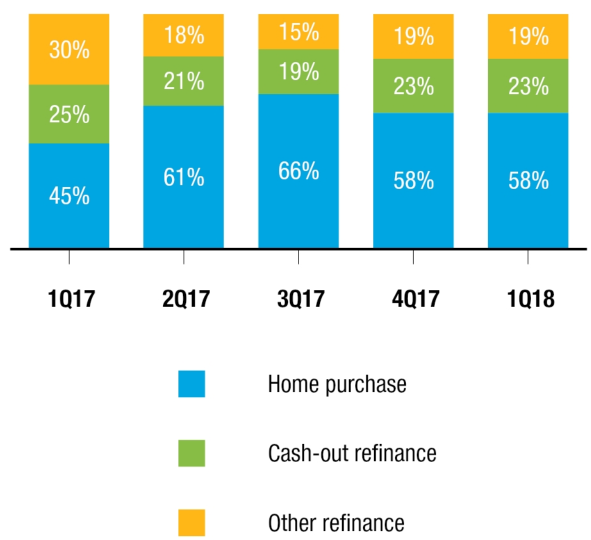
New Business Activity

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

(In billions)



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



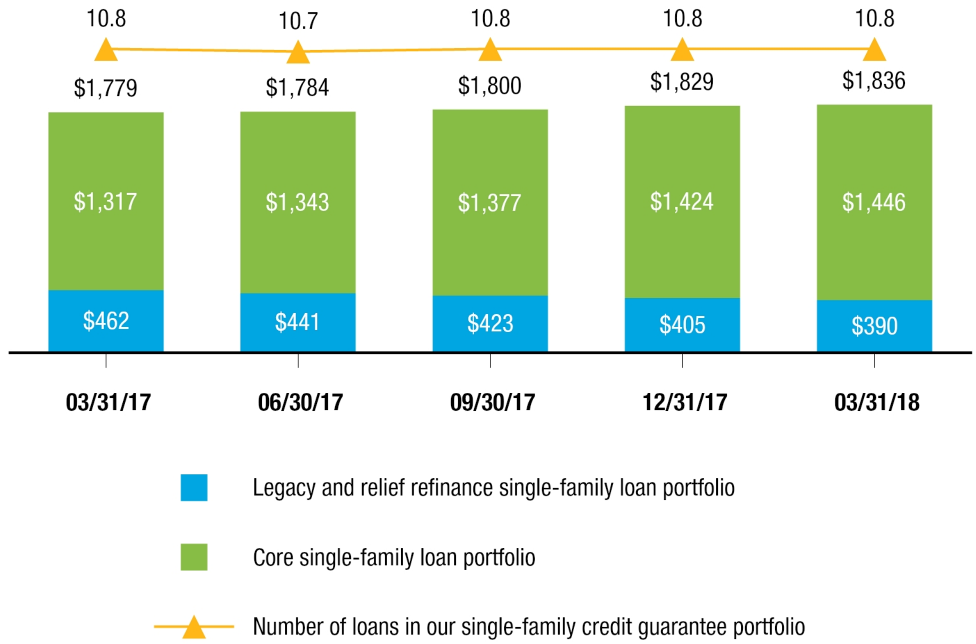
Commentary

- Our loan purchase and guarantee activity decreased in 1Q 2018 compared to 1Q 2017 primarily due to lower refinance volume driven by higher average mortgage interest rates.

Single-Family Credit Guarantee Portfolio

Single-Family Credit Guarantee Portfolio

(UPB in billions, number of loans in millions)



Commentary

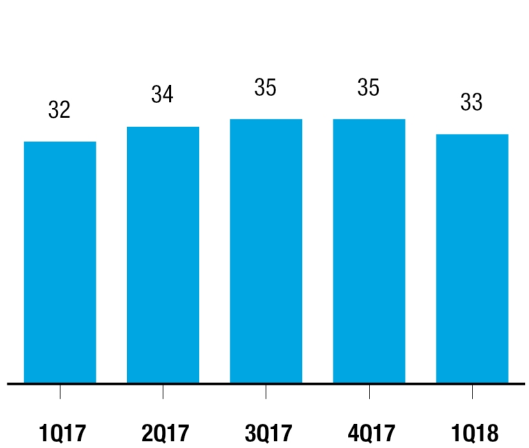
- The single-family credit guarantee portfolio increased from December 31, 2017 to March 31, 2018, driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
- The Core single-family loan portfolio grew to 79% of the single-family credit guarantee portfolio at March 31, 2018, compared to 78% at December 31, 2017.
- The Legacy and relief refinance single-family loan portfolio declined to 21% of the single-family credit guarantee portfolio at March 31, 2018, compared to 22% at December 31, 2017, driven primarily by liquidations.

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 2017 Annual Report for more information on our guarantee fees.

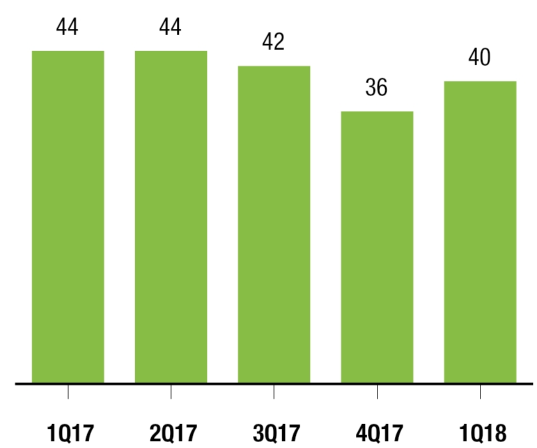
Average Portfolio Segment Earnings Guarantee Fee Rate[(1)(2)]

(In bps)



Average Guarantee Fee Rate[(1)] Charged on New Acquisitions

(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.

Commentary

- The average portfolio Segment Earnings guarantee fee rate increased slightly in 1Q 2018 compared to 1Q 2017 primarily due to older vintages being replaced by new loan acquisitions with higher guarantee fees.
- The average guarantee fee rate charged on new acquisitions decreased in 1Q 2018 compared to 1Q 2017 due to competitive pricing.

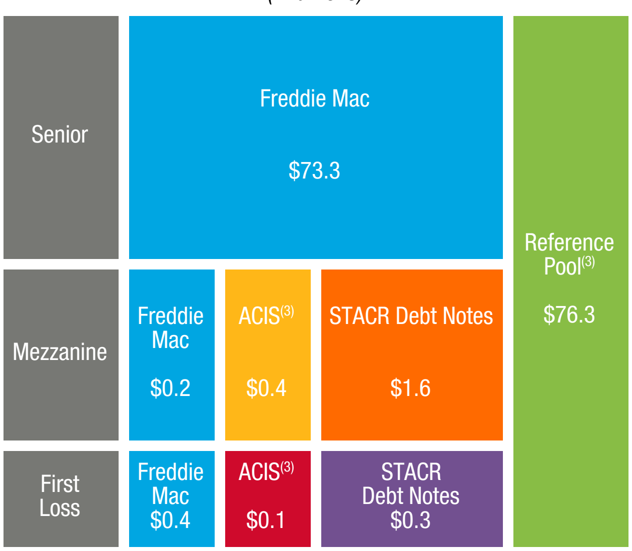
Credit Risk Transfer (CRT) Activities

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. In our STACR debt note and ACIS transactions, we pay interest to investors or premiums to insurers in exchange for their taking on a portion of the credit risk on the mortgage loans in the related reference pool. These payments effectively reduce our guarantee fee income from the PCs backed by the mortgage loans in the related reference pools. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Credit Risk Transfer Transactions*** in our 2017 Annual Report for more information on our CRT transactions.

The following charts present the issuance amounts for the STACR debt note and ACIS transactions that occurred during 1Q 2018 and the cumulative issuance amounts for all STACR debt note, ACIS and Deep MI CRT transactions as of March 31, 2018 by loss position and the party holding each loss position.

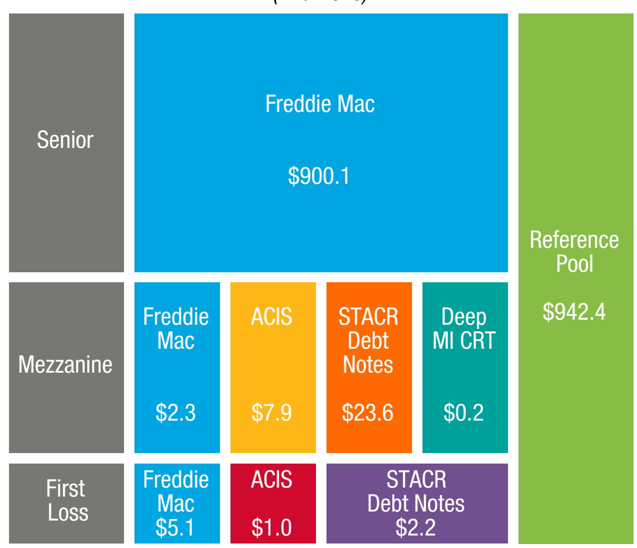
New STACR Debt Note and ACIS Transactions during 1Q 2018[1]

(In billions)



Cumulative STACR Debt Note, ACIS and Deep MI CRT Transactions as of March 31, 2018[1][2]

(In billions)



(1) The amounts represent the UPB upon issuance of STACR debt notes and execution of ACIS and Deep MI CRT transactions. There were no Deep MI CRT transactions in 1Q 2018.

(2) For the current outstanding coverage provided by our STACR debt note and ACIS transactions, see ***Credit Enhancements***.

(3) Excludes additional ACIS transactions of $1.0 billion related to reference pools in transactions executed in prior periods.

Commentary

- During 1Q 2018, we transferred a portion of credit risk associated with $81.6 billion in UPB of loans in our single-family credit guarantee portfolio through STACR debt note, ACIS and senior subordinate securitization structure transactions.
- As of March 31, 2018, we had transferred a significant portion of credit risk on 39% of our single-family credit guarantee portfolio.

  - Calculated as the current balance of single-family CRT reference pool UPB divided by the single-family credit guarantee portfolio UPB.
- We expect to reduce by approximately 60% the modeled capital required for credit risk on the quarter's $66 billion of new originations.
  - Calculated as modeled credit capital expected to be released from the underlying single-family CRT reference pool divided by total modeled credit capital on quarterly new originations.
  - The modeled capital requirement is per FHFA's Conservatorship Capital Framework (CCF) and internal methods that use stress scenarios which are generally consistent with the 2017 Dodd-Frank Act Stress Test (DFAST) "severely adverse" scenario.
- Our expected guarantee fee income on the PCs related to the STACR debt note and ACIS reference pools has been effectively reduced by approximately 29%, on average, for all transactions executed through March 31, 2018.
- As of March 31, 2018, we had experienced minimal write-downs on our STACR debt notes and have filed minimal claims for reimbursement of losses under our ACIS transactions. We expect losses may increase on loans in the reference pools in our existing CRT transactions as a result of the hurricanes in 3Q 2017.

We continue to evaluate our credit risk transfer strategy and to make changes depending on market conditions and our business strategy. The aggregate cost of our credit risk transfer activity will continue to increase as we continue to transfer risk on new originations.

Credit Enhancements

The table below provides information on the total current and protected UPB and maximum coverage associated with credit enhanced loans in our single-family credit guarantee portfolio as of March 31, 2018 and December 31, 2017, respectively. The table includes all types of single-family credit enhancements. See **Note 6** for additional information about our single-family credit enhancements.

	March 31, 2018		December 31, 2017	
(In millions)	Total Current and Protected UPB[1]	Maximum Coverage[2]	Total Current and Protected UPB[1]	Maximum Coverage[2]
Primary mortgage insurance	$338,457	$86,622	$334,189	$85,429
STACR debt note[3]	661,399	19,183	604,356	17,788
ACIS transactions[4]	650,420	7,148	617,730	6,736
Senior subordinate securitization structures	16,986	2,211	12,283	1,913
Other[5]	15,641	6,362	15,975	6,479
Less: UPB with more than one type of credit enhancement	**(842,161)**	—	(775,751)	—
Single-family credit guarantee portfolio with credit enhancement	840,742	121,526	808,782	118,345
Single-family credit guarantee portfolio without credit enhancement	995,217	—	1,020,098	—
Total	**$1,835,959**	**$121,526**	**$1,828,880**	**$118,345**

(1) Except for the majority of our STACR debt notes and ACIS transactions, our credit enhancements generally provide protection for the first, or initial, credit losses associated with the related loans. For subordination, total current and protected UPB represents the UPB of the guaranteed securities. For STACR debt notes and ACIS transactions, total current and protected UPB represents the UPB of the assets included in the reference pool.

(2) Except for subordination, this represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements. For subordination, this represents the UPB of the securities that are subordinate to our guarantee and held by third parties, which could provide protection by absorbing first losses.

(3) Maximum coverage amounts represent the outstanding balance of STACR debt notes held by third parties.

(4) Maximum coverage amounts represent the remaining aggregate limit of insurance purchased from third parties in ACIS transactions.

(5) Includes seller indemnification, Deep MI CRT, lender recourse and indemnification agreements, pool insurance, HFA indemnification and other credit enhancements.

Commentary

- We had coverage remaining of $121.5 billion and $118.3 billion on our single-family credit guarantee portfolio as of March 31, 2018 and December 31, 2017, respectively. Credit risk transfer transactions provided 23.5% and 22.4% of the coverage remaining at those dates, respectively.

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.

	March 31, 2018								
	CLTV ≤ 80		CLTV > 80 to 100		CLTV > 100		All Loans		
(Credit score)	% Portfolio	SDQ Rate(1)	% Portfolio	SDQ Rate(1)	% Portfolio	SDQ Rate(1)	% Portfolio	SDQ Rate(1)	% Modified
Core single-family loan portfolio:									
< 620	0.2%	2.62%	—%	NM	—%	NM	0.2%	2.85%	3.3%
620 to 659	1.9	1.45	0.3	1.74%	—	NM	2.2	1.48	1.5
≥ 660	67.4	0.25	8.9	0.43	—	NM	76.3	0.27	0.2
Not available	0.1	1.87	—	NM	—	NM	0.1	3.49	3.6
Total	**69.6%**	**0.29%**	**9.2%**	**0.50%**	**—%**	**NM**	**78.8%**	**0.32%**	**0.3%**
Legacy and relief refinance single-family loan portfolio:									
< 620	1.2%	5.12%	0.3%	9.63%	0.1%	15.55%	1.6%	6.10%	23.5%
620 to 659	1.9	3.83	0.4	7.71	0.2	12.99	2.5	4.59	20.3
≥ 660	14.6	1.38	1.8	4.15	0.6	6.62	17.0	1.69	7.3
Not available	0.1	5.40	—	NM	—	NM	0.1	5.80	18.2
Total	**17.8%**	**1.97%**	**2.5%**	**5.34%**	**0.9%**	**8.95%**	**21.2%**	**2.41%**	**10.1%**

(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 $1.0 billion and $1.1 billion of security collateral underlying our other securitization products at March 31, 2018 and December 31, 2017, respectively, were identified as subprime based on information provided to us when we entered into these transactions.

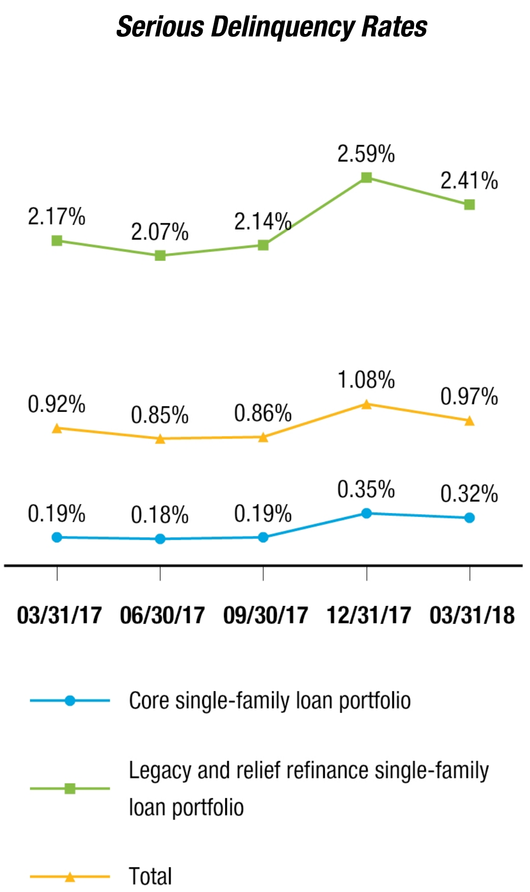
Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between the prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, 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 March 31, 2018, we have purchased approximately $36.1 billion of relief refinance loans that were previously categorized as Alt-A loans in our portfolio, including $0.2 billion in 1Q 2018.

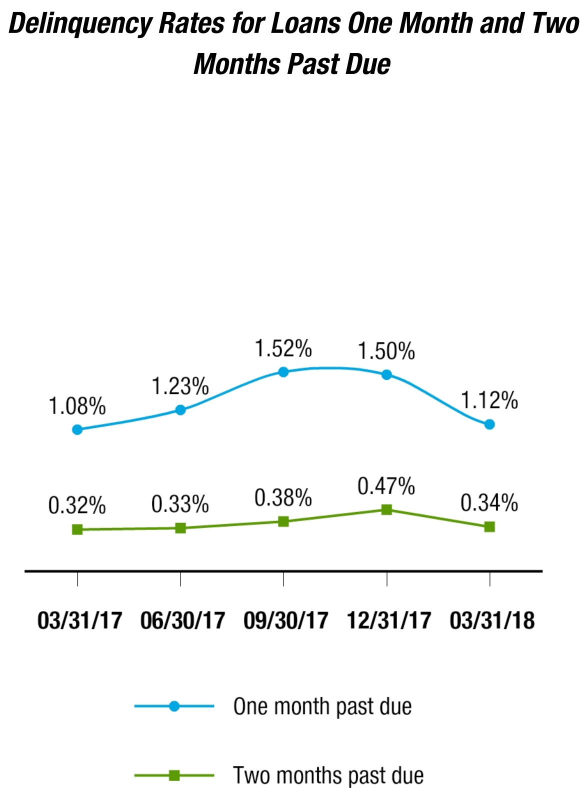
The table below contains information on Alt-A loans in our single-family credit guarantee portfolio.

	March 31, 2018				December 31, 2017			
(Dollars in billions)	UPB	CLTV	% Modified	SDQ Rate	UPB	CLTV	% Modified	SDQ Rate
Alt-A	$26.3	65%	24.2%	5.40%	$27.1	67%	24.1%	5.62%

The UPB of Alt-A loans in our single-family credit guarantee portfolio declined during 1Q 2018 primarily due to borrowers refinancing into other mortgage products, foreclosure sales and other liquidation events. Significant portions of the Alt-A loans in our portfolio are concentrated in Arizona, California, Florida and Nevada.

Single-Family Loan Performance





Commentary

- Serious delinquency rates on our single-family credit guarantee portfolio were higher as of March 31, 2018 compared to March 31, 2017 due to the impact of the hurricanes in 3Q 2017. As a result, we expect an increase in our loan workout activities as well as our expected credit losses. Outside of the areas affected by the hurricanes, our single-family serious delinquency rates declined due to our continued loss mitigation efforts and sales of certain seriously delinquent loans, as well as home price appreciation and a low unemployment rate. This improvement was also driven by the continued shift in the single-family credit guarantee portfolio mix, as the Legacy and relief refinance loan portfolio runs off and we add high credit quality loans to our Core single-family loan portfolio.
- Delinquency rates increased for both loans one month past due and loans two months past due as of March 31, 2018 compared to March 31, 2017. These increases were due to the impact of the hurricanes in 3Q 2017.

Credit Performance

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

(Dollars in millions)	1Q 2018	1Q 2017
Charge-offs, gross	$372	$740
Recoveries	(96)	(97)
Charge-offs, net	276	643
REO operations expense	34	56
Total credit losses	**$310**	**$699**
Total credit losses (in bps)	6.7	15.6

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.

	March 31, 2018		March 31, 2017	
(Dollars in millions)	Loan Count	Amount	Loan Count	Amount
TDRs, at January 1	364,704	$54,415	485,709	$78,869
New additions	23,699	3,800	10,838	1,486
Repayments and reclassifications to held-for-sale	(8,908)	(1,522)	(15,881)	(3,290)
Foreclosure sales and foreclosure alternatives	(2,083)	(282)	(2,774)	(373)
TDRs, at March 31	377,412	56,411	477,892	76,692
Loans impaired upon purchase	4,364	290	7,165	485
Total impaired loans with an allowance recorded	**381,776**	**56,701**	**485,057**	**77,177**
Allowance for loan losses		(6,968)		(11,268)
Net investment, at March 31		**$49,733**		**$65,909**

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

(In millions)	March 31, 2018	December 31, 2017
TDRs on accrual status	$53,271	$51,644
Non-accrual loans	15,962	17,748
Total TDRs and non-accrual loans	**$69,233**	**$69,392**
Allowance for loan losses associated with:		
TDRs on accrual status	$5,457	$5,257
Non-accrual loans	1,933	1,883
Total	**$7,390**	**$7,140**

(In millions)	1Q 2018	1Q 2017
Foregone interest income on TDRs and non-accrual loans[1]	$446	$554

(1) Represents the amount of interest income that we would have recognized for loans outstanding at the end of each period had the loans performed according to their original contractual terms.

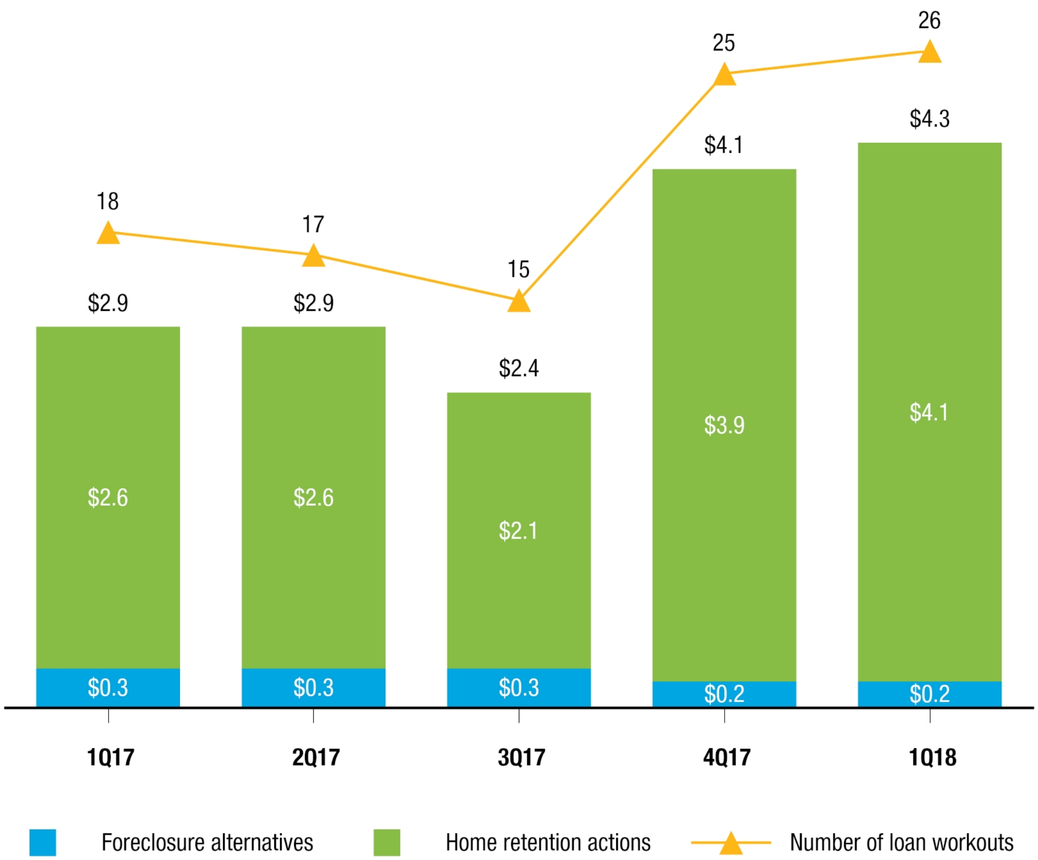
Commentary

- As of March 31, 2018, 50% 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 March 31, 2018.
- 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[1]

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



(1) Foreclosure alternatives consist of short sales and deeds in lieu of foreclosure. Home retention actions consist of forbearance agreements, repayment plans and loan modifications.

Commentary

- Our loan workout activity increased in 1Q 2018 compared to 1Q 2017, consistent with the increase in the number of delinquent loans in the single-family credit guarantee portfolio due to the impact of the hurricanes in 3Q 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.

	1Q 2018		1Q 2017	
(Dollars in millions)	Number of Properties	Amount	Number of Properties	Amount
Beginning balance — REO	8,299	$900	11,418	$1,215
Additions	2,620	246	3,545	346
Dispositions	(3,201)	(306)	(4,025)	(399)
Ending balance — REO	**7,718**	**840**	**10,938**	**1,162**
Beginning balance, valuation allowance		(14)		(17)
Change in valuation allowance		5		(2)
Ending balance, valuation allowance		**(9)**		**(19)**
Ending balance — REO, net		**$831**		**$1,143**

Commentary

- Our REO ending inventory declined in 1Q 2018 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.

			Change	
(Dollars in millions)	1Q 2018	1Q 2017	$	%
Guarantee fee income	$1,513	$1,418	$95	7 %
Benefit (provision) for credit losses	28	39	(11)	(28)
Other non-interest income (loss)	94	319	(225)	(71)
Administrative expense	(336)	(333)	(3)	(1)
REO operations expense	(39)	(59)	20	34
Other non-interest expense	(379)	(318)	(61)	(19)
Segment Earnings before income tax expense	**881**	**1,066**	**(185)**	**(17)**
Income tax expense	(179)	(356)	177	50
Segment Earnings, net of taxes	**702**	**710**	**(8)**	**(1)**
Total other comprehensive income (loss), net of tax	(4)	(2)	(2)	(100)
Total comprehensive income	**$698**	**$708**	**($10)**	**(1)%**

Key Business Drivers:

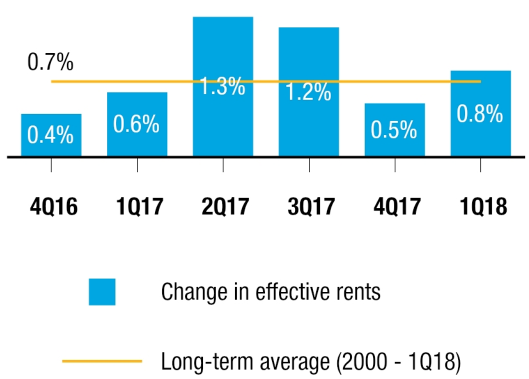
- ***1Q 2018 vs. 1Q 2017***
  - Continued growth in our single-family credit guarantee portfolio and higher upfront fee amortization income resulted in increased guarantee fee income.
  - Benefit for credit losses remained relatively unchanged.
  - Decreased fair value losses on STACR debt notes as market spreads between STACR yields and LIBOR remained relatively unchanged in 1Q 2018, while spreads tightened in 1Q 2017.

Multifamily

Market Conditions

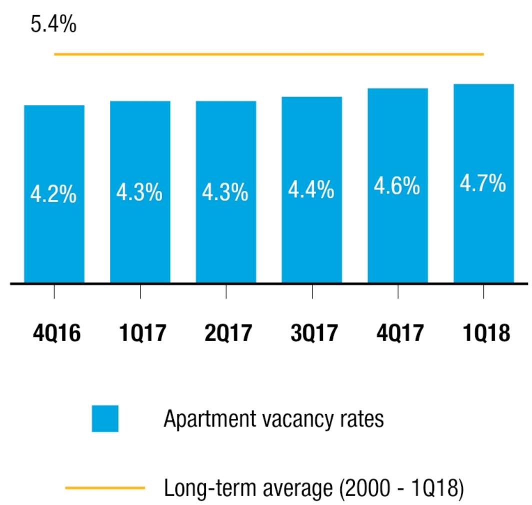
The graphs and related discussion below present certain multifamily market indicators that can significantly affect the business and financial results of our Multifamily segment.

Change in Effective Rents



Source: REIS, Inc.

Apartment Vacancy Rates



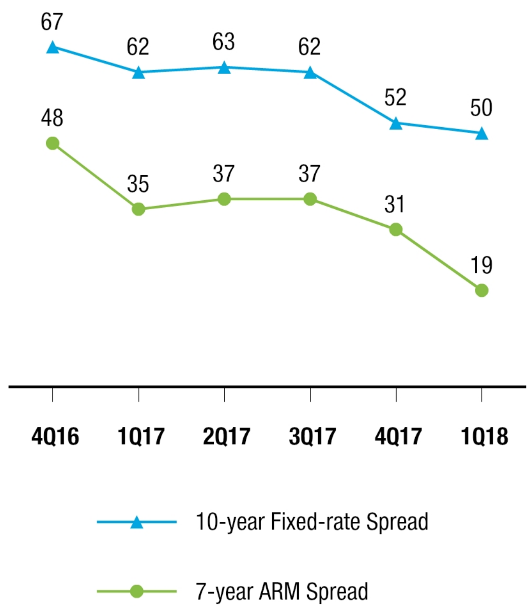
Source: REIS, Inc.

Commentary

- Growth in effective rent (i.e., the average rent paid by the tenant over the term of the lease, adjusted for concessions by the landlord and costs borne by the tenant) for 1Q 2018 remained strong relative to the long-term average, primarily due to an increase in potential renters driven by healthy employment, higher single-family home prices and a growing demand for rental housing due to lifestyle changes and demographic trends.
- While vacancy rates rose slightly during 1Q 2018 compared to 4Q 2017, these rates remain well below the long-term average. Net absorptions continued to lag new apartment completions in 1Q 2018 partially due to seasonality impacts during the winter months. Although we expect continued strong demand, it may take longer to absorb new units compared to prior quarters.
- Our financial results for 1Q 2018 were not significantly affected by these relatively stable market conditions.

K Certificate Benchmark Spreads

(In bps)



Source: Independent dealers

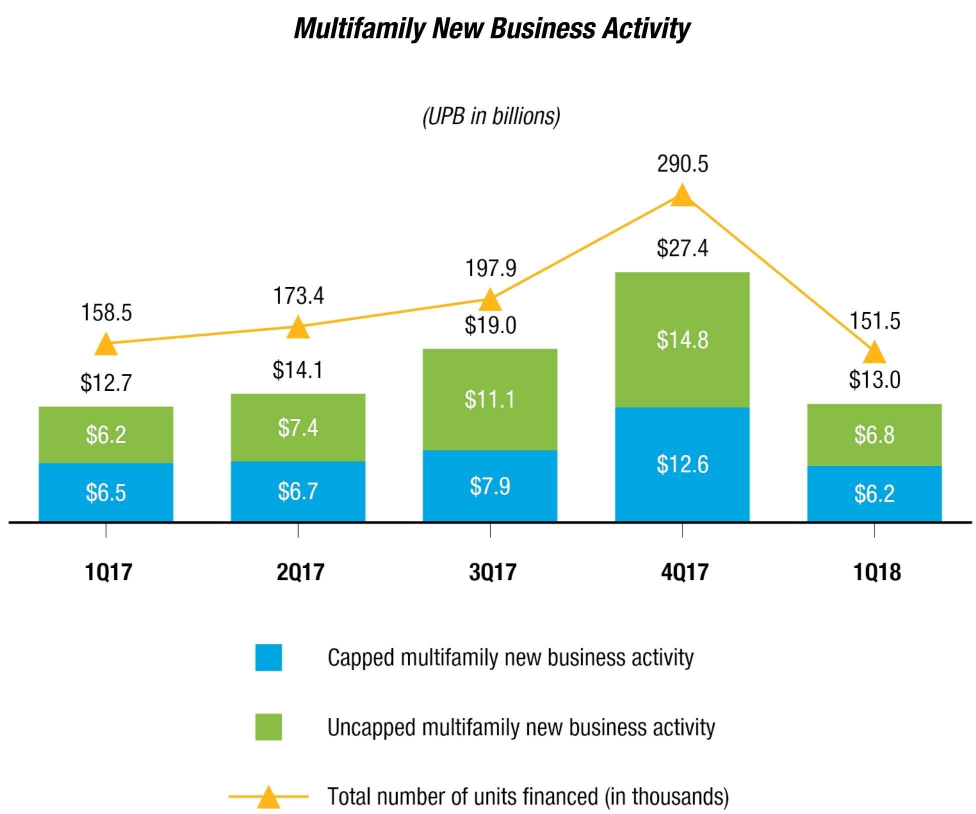
Commentary

- The valuation of our securitization pipeline and the profitability of our primary credit risk transfer securitization product, the K Certificate, are affected by changes in K Certificate benchmark spreads as well as 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.
- K Certificate benchmark spreads are market-quoted spreads over the U.S. swap curve. The 10-year fixed-rate spread represents the spread for the largest guaranteed class of a typical fixed-rate K Certificate, while the 7-year ARM spread represents the spread for the largest guaranteed class of a typical floating-rate K Certificate.
- K Certificate benchmark spreads generally tightened during 1Q 2018 and 1Q 2017. Overall, this tightening had a positive effect in 1Q 2018 and 1Q 2017 on the valuation of our securitization pipeline and K Certificate profitability. However, for certain of our K Certificate products that are issued with less frequency, spreads widened resulting in a negative effect on the valuation of loans designated as collateral for those products.

Business Results

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

New Business Activity

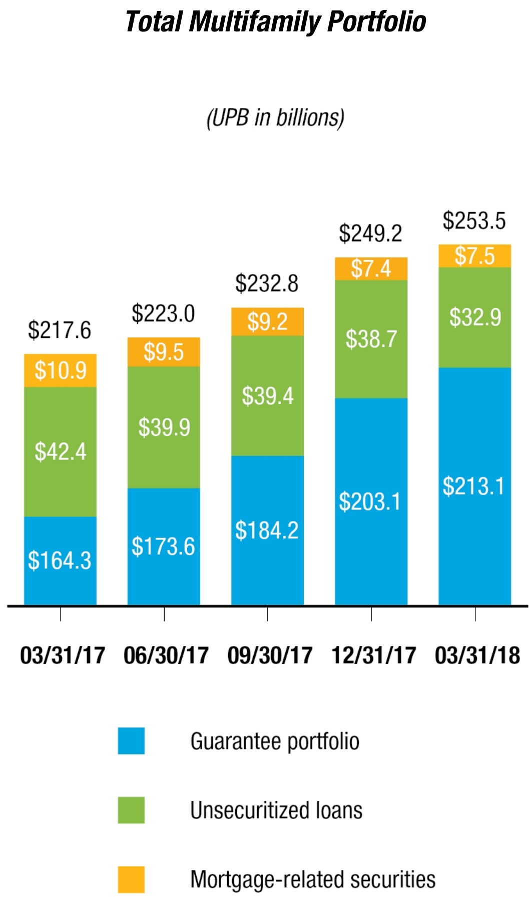


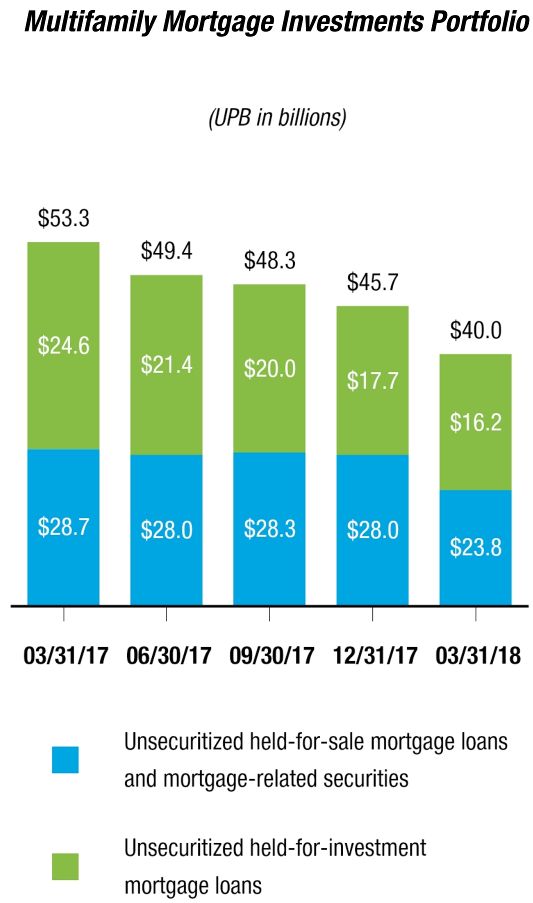
Commentary

- The 2018 Conservatorship Scorecard production cap decreased to $35.0 billion from $36.5 billion in 2017. 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 2018.
- Outstanding purchase commitments were $17.5 billion and $14.0 billion as of March 31, 2018 and March 31, 2017, respectively. Both periods include purchase commitments for which we have elected the fair value option.
- Our new business activity and outstanding purchase commitments were higher during 1Q 2018 compared to 1Q 2017 due to overall growth of the multifamily mortgage market resulting from continued strong demand for multifamily loan products and our strategic pricing efforts.

- Approximately 48% of our multifamily new business activity during 1Q 2018 counted towards the 2018 Conservatorship Scorecard production cap, while the remaining 52% was considered uncapped.
- Our uncapped new business volume increased slightly in 1Q 2018 compared to 1Q 2017 as we continued our efforts to support borrowers in certain property types and communities that meet the criteria for affordability and to support the overall growth of the multifamily market.
- Approximately 90% and 88% of our 1Q 2018 and 1Q 2017 new business volume was intended for our securitization pipeline. Combined with market demand for our securities, our 1Q 2018 new business volume will be the primary driver of and collateral for credit risk transfer securitizations in 2Q 2018 and 3Q 2018.

Multifamily Portfolio and Market Support





Multifamily Market Support

The following table summarizes our support of the multifamily market.

(UPB in millions)	March 31, 2018	December 31, 2017
Unsecuritized mortgage loans held-for-sale	$16,383	$20,537
Unsecuritized mortgage loans held-for-investment	16,213	17,702
Unsecuritized non-mortgage loans(1)	332	473
Mortgage-related securities(2)	7,449	7,451
Guarantee portfolio	213,141	203,074
Total multifamily portfolio	**253,518**	**249,237**
Add: Unguaranteed securities(3)	32,250	30,890
Less: Acquired mortgage-related securities(4)	(7,141)	(7,109)
Total multifamily market support	**$278,627**	**$273,018**

(1) Reflects the UPB of financing provided to whole loan investment funds.

(2) Includes mortgage-related securities from our credit risk transfer transactions. We have not invested in unguaranteed securities that are in a first loss position.

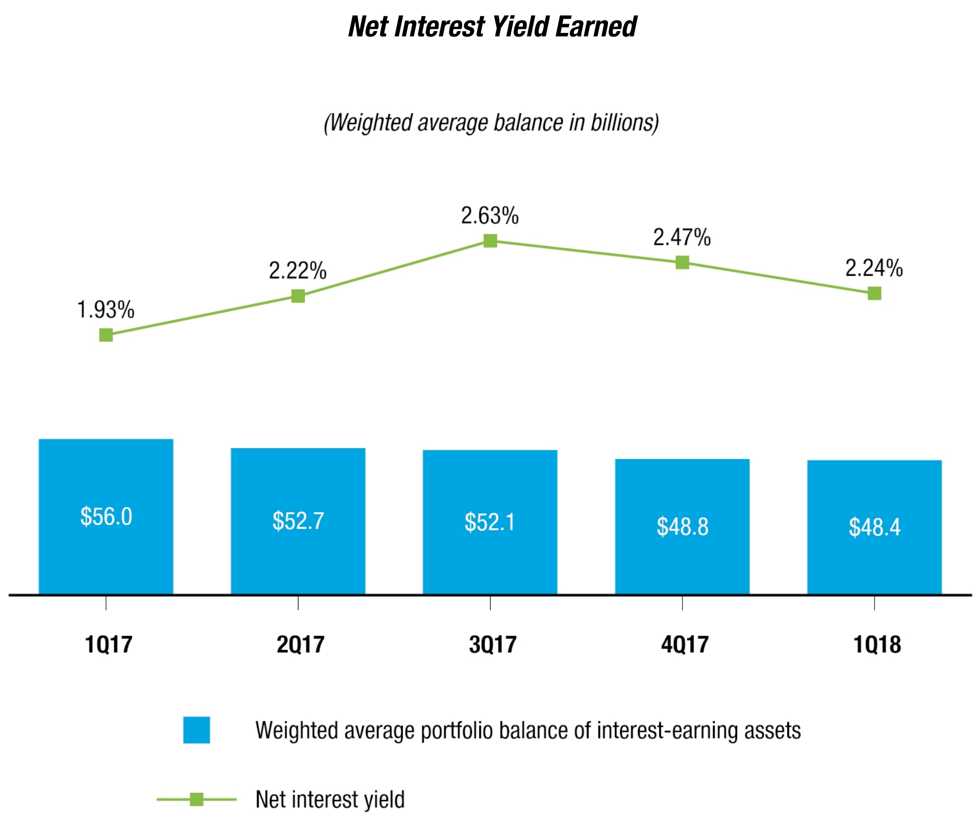
(3) Reflects the UPB of unguaranteed securities issued as part of our securitization products and amounts related to whole loan investment funds not financed by Freddie Mac.

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

Commentary

- Our total multifamily portfolio increased in 1Q 2018 primarily due to new loan purchases. The vast majority of the growth in our guarantee portfolio was associated with ongoing credit risk transfer securitizations, primarily K Certificates and SB Certificates.
- At March 31, 2018, the UPB of our unsecuritized held-for-sale loans and mortgage-related securities, which are measured at fair value or lower-of-cost-or-fair-value, decreased from December 31, 2017. The decrease was primarily driven by ongoing credit risk transfer securitizations, partially offset by new held-for-sale loan purchases.
- At March 31, 2018, approximately 69% of our held-for-sale loans and held-for sale loan commitments were fixed-rate, while the remaining 31% were floating rate.
- We expect our guarantee portfolio to continue to grow as a result of ongoing credit risk transfer securitizations, which we expect to be driven by continued strong new business volume.

Net Interest Yield and Weighted Average Portfolio Balance



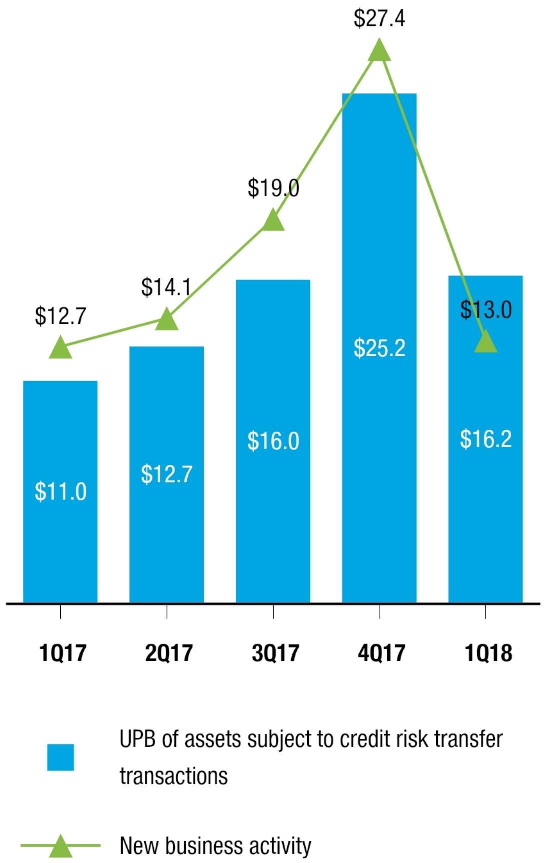
Commentary

- Net interest yield increased during 1Q 2018 compared to 1Q 2017 primarily due to higher prepayment income received from interest-only securities, coupled with an increase in our interest-only holdings which generally have higher yields relative to our non-interest-only securities.
- The weighted average portfolio balance of interest-earning assets decreased due to the run-off of our legacy held-for-investment loans and non-agency CMBS.

Credit Risk Transfer Activity

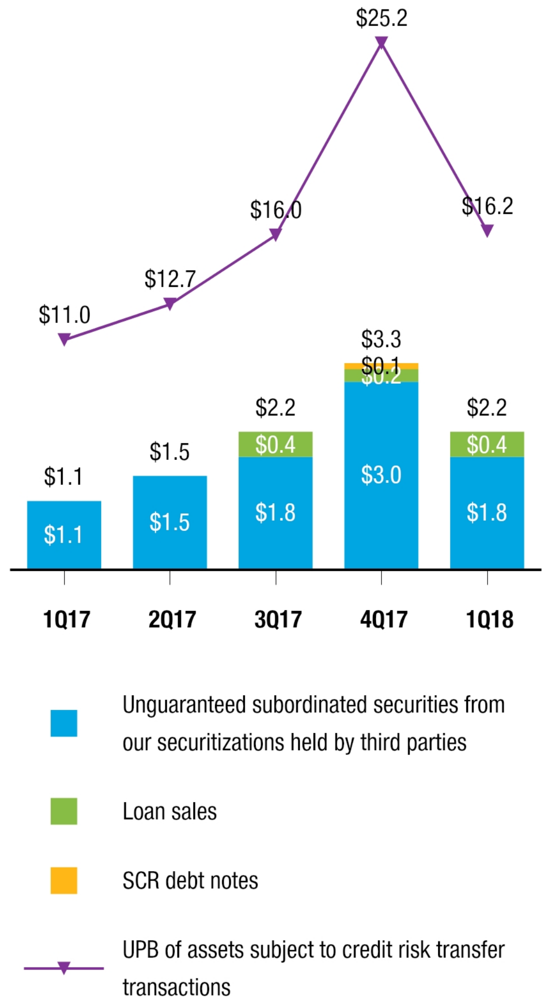
Credit Risk Transfer Activity and New Business Activity

(UPB in billions)



Credit Risk Transfer Activity[1]

(UPB in billions)



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

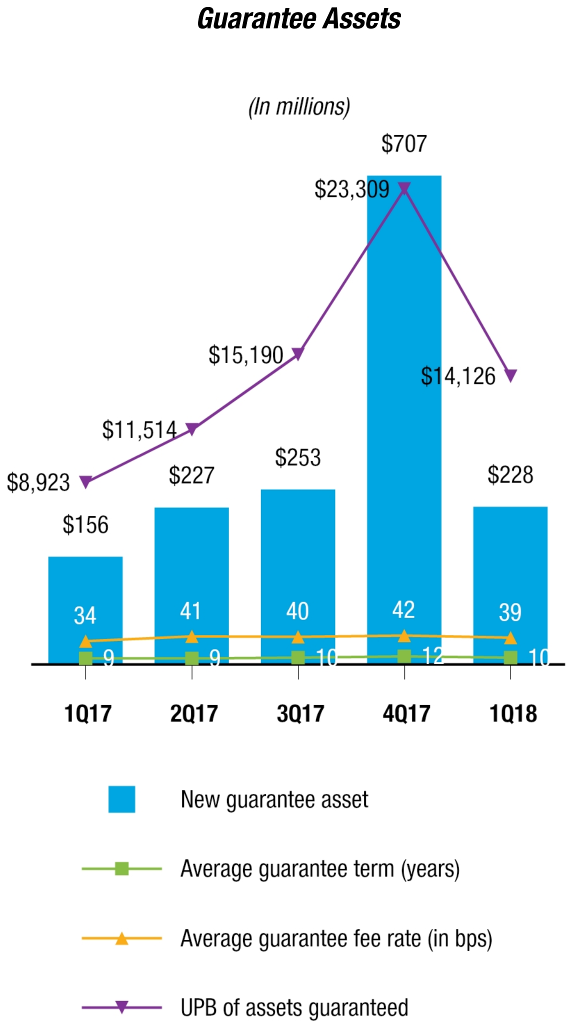
Commentary

- The structures for credit risk transfer transactions, primarily the K Certificate and SB Certificate structures, vary by deal. Structural deal features such as term, type of underlying loan product, and subordination levels generally influence the deal's size and risk profile, which ultimately affect the guarantee fee rate set by Freddie Mac, as Guarantor, at the time of securitization.
- We executed $16 billion in UPB of credit risk transfer transactions during 1Q 2018 and $265 billion in UPB since 2009. Through these transactions, we transferred a large majority of the expected and stress credit losses of the underlying assets, primarily by issuing unguaranteed subordinated

securities, as part of our K Certificate and SB Certificate transactions. Also, we began selling certain of our loans to investment funds in 3Q 2017, resulting in the transfer of the associated credit risk of those loans to third parties.

- The UPB of our credit risk transfer transactions was higher during 1Q 2018 compared to 1Q 2017, primarily due to a larger average balance in our securitization pipeline, which was driven by strong new loan purchase volume during the latter part of 2017.
- As of March 31, 2018, we had transferred a large majority of credit risk on 90% of the multifamily guarantee portfolio.
    - Calculated as the current balance of multifamily credit risk transfer transactions (primarily K Certificates and SB Certificates) divided by the multifamily guarantee portfolio UPB.
- We expect to reduce by approximately 90% the modeled capital required for credit risk on the quarter's $13 billion of new originations.
    - Calculated as modeled credit capital expected to be released from credit risk transfer transactions (primarily through K Certificates and SB Certificates) divided by total modeled credit capital on quarterly new originations.
    - The modeled capital requirement is per FHFA's CCF and internal methods that use stress scenarios which are generally consistent with the 2017 DFAST "severely adverse" scenario.
- In addition to transferring a large majority of expected and stress credit risk, nearly all of our credit risk transfer transactions also shifted non-credit risks associated with the underlying assets, such as interest-rate risk and liquidity risk, away from Freddie Mac to third-party investors.
- Based on the strength of our new business volume for 4Q 2017 and 1Q 2018, we expect our credit risk transfer activity for 2Q 2018 to exceed our 2Q 2017 activity.
- While our K Certificate and SB Certificate issuances continue to be our primary mechanism to transfer multifamily mortgage credit and non-credit risk, we expect to continue to develop new credit risk transfer initiatives throughout 2018.

Financial Guarantee Activity



Commentary

- We generally recognize a guarantee asset on our balance sheets each time we enter into a financial guarantee contract. This asset represents the present value of guarantee fees we expect to receive in cash in the future from those guarantee transactions. We recognize these fees in segment earnings over the expected remaining guarantee term. While we expect to collect these future fees based on historical performance, the actual amount collected will depend on the performance of the underlying collateral subject to our financial guarantee.
- New guarantee assets recognized in 1Q 2018 exceeded those recognized in 1Q 2017, primarily due to an increase in the UPB of our credit risk transfer securitizations, coupled with higher average guarantee fee rates due to underlying loan products that, by their nature and design, have more risk.
- The balance of unearned guarantee fees remained relatively flat during 1Q 2018, as the increase attributable to the growth of our credit risk transfer securitization volume was mostly offset by the seasoning and run-off of prior credit risk transfer securitizations.

Financial Results

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

			Change	
(Dollars in millions)	**1Q 2018**	**1Q 2017**	**$**	**%**
Net interest income	$271	$271	$—	— %
Guarantee fee income	195	151	44	29
Benefit (provision) for credit losses	16	6	10	167
Gains (losses) on loans and other non-interest income	(430)	236	(666)	(282)
Derivative gains (losses)	655	127	528	416
Administrative expense	(100)	(95)	(5)	(5)
Other non-interest expense	(14)	(21)	7	33
Segment Earnings before income tax expense	**593**	**675**	**(82)**	**(12)**
Income tax expense	(121)	(226)	105	46
Segment Earnings, net of taxes	**472**	**449**	**23**	**5**
Total other comprehensive income (loss), net of tax	(68)	(4)	(64)	(1,600)
Total comprehensive income (loss)	**$404**	**$445**	**($41)**	**(9)%**

Key Business Drivers:

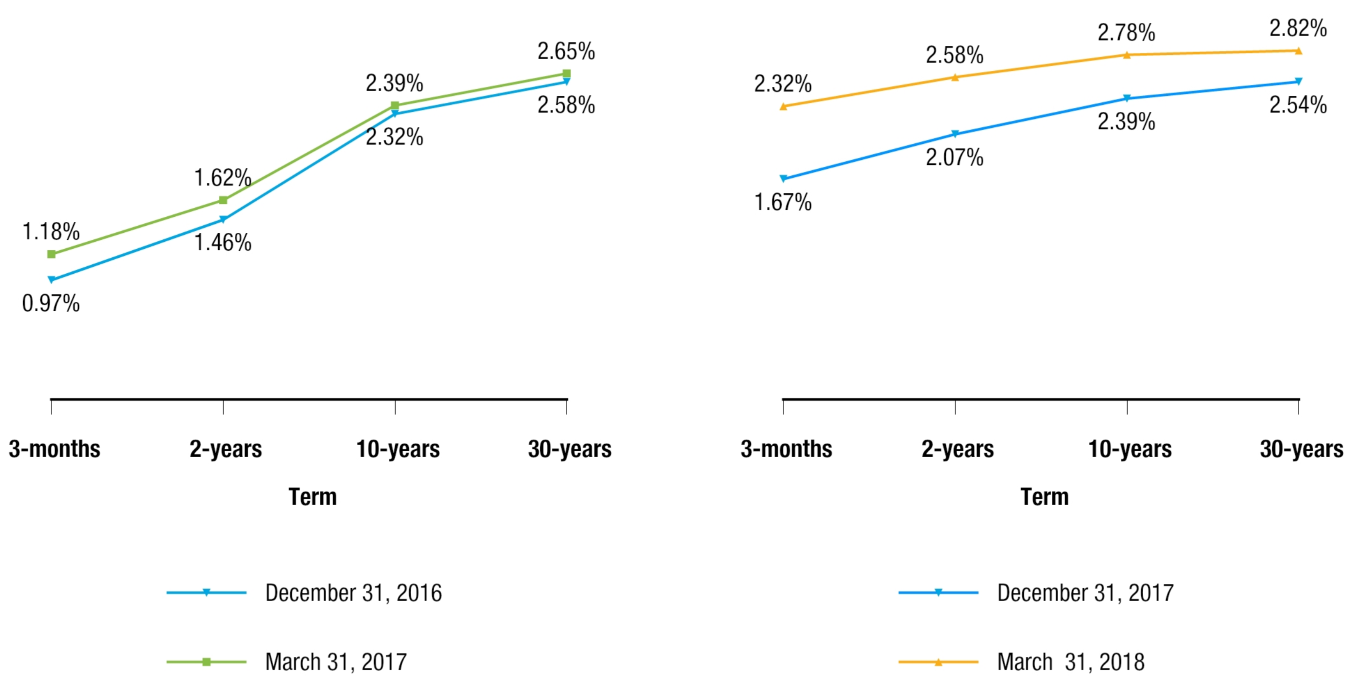
- **1Q 2018 vs. 1Q 2017**
  - Higher net interest yields, offset by a decline in our weighted average portfolio balance of interest-earning assets, resulted in net interest income being flat.
  - Continued growth in our multifamily guarantee portfolio and higher average guarantee fee rates on new guarantee business volume resulted in increased guarantee fee income.
  - Spread widening on certain of our K Certificate products that we issue with less frequency coupled with the effects of strategic pricing, partially offset by larger average balances of held-for-sale commitments and securitization pipeline loans, resulted in lower spread-related fair value gains.
  - Derivative gains (losses) are largely offset by interest rate-related fair value changes on the loans and investment securities being economically hedged, resulting in interest rate changes having a minimal net impact on total comprehensive income.

Capital Markets

Market Conditions

The following graphs and related discussion present the par swap rate curves as of the end of each comparative period. Changes in par swap rates can significantly affect the fair value of our debt, derivatives and mortgage and non-mortgage-related securities. However, the majority of these fair value changes are offset by our hedge accounting programs.

Par Swap Rate Curves



Source: BlackRock

Commentary

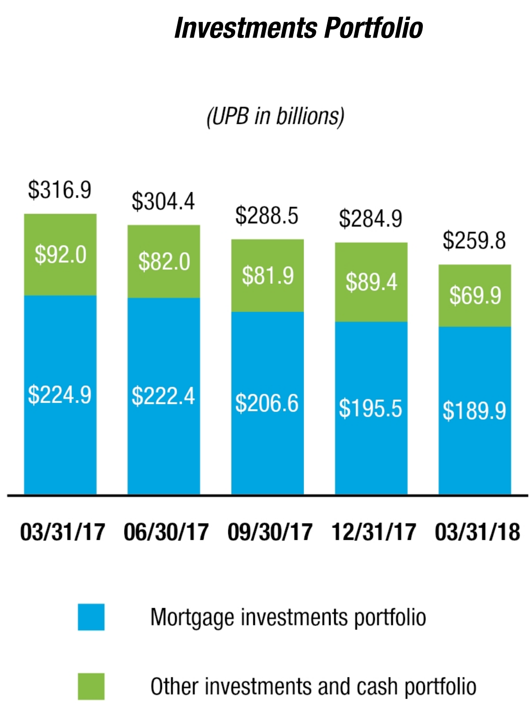
- Long-term interest rates increased more during 1Q 2018 than 1Q 2017. In addition, during 1Q 2018, the 2-year interest rate increased more than the 10-year interest rate, resulting in the yield curve flattening. These yield curve changes resulted in larger fair value gains for our pay-fixed interest rate swaps, forward commitments to issue PCs, and futures, partially offset by larger fair value losses for our receive-fixed interest rate swaps and the vast majority of our investments in securities. The net amount of these changes in fair value was mostly offset by the change in fair value of the hedged items attributable to interest-rate risk in our hedge accounting programs.

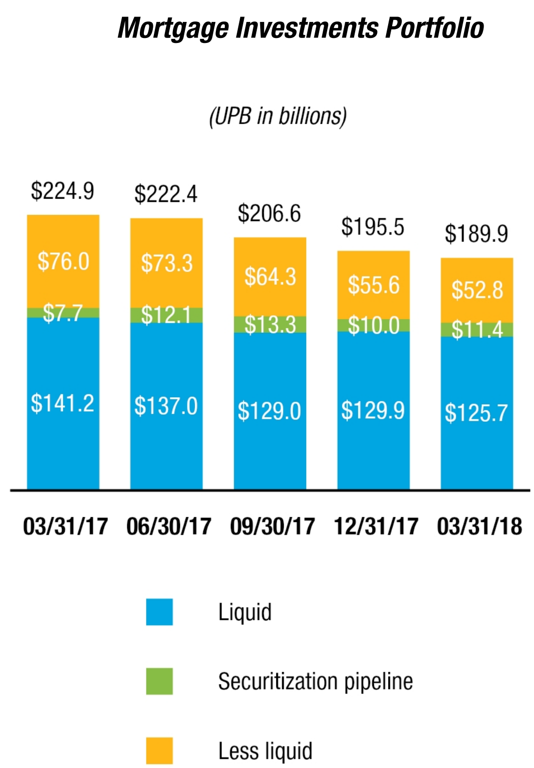
Business Results

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.

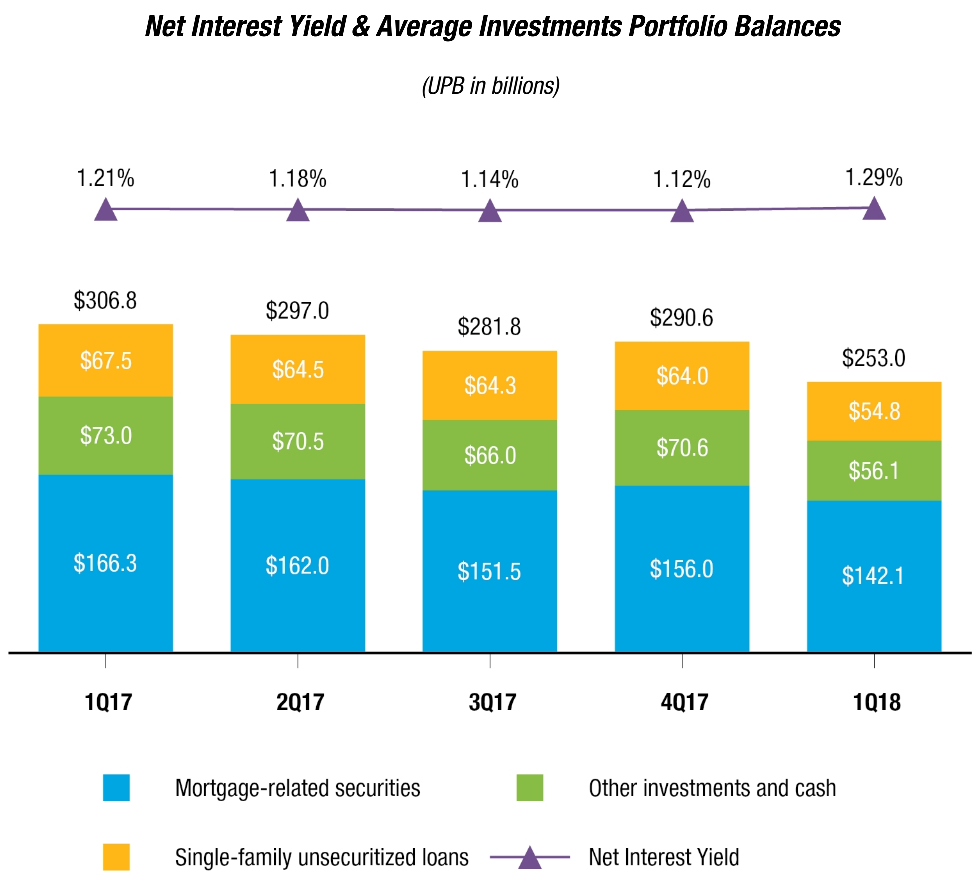




Commentary

- We continue to reduce the size of our mortgage investments portfolio in order to comply with the mortgage-related investments portfolio year-end limits. The balance of our mortgage investments portfolio declined 2.9% from December 31, 2017 to March 31, 2018.
- The balance of our other investments and cash portfolio declined by 21.8%, primarily due to reduced near term cash needs as of March 31, 2018 compared to December 31, 2017.
- The percentage of less liquid assets relative to our total mortgage investments portfolio declined from 28.4% at December 31, 2017 to 27.8% at March 31, 2018, primarily due to repayments, sales and securitizations of our less liquid assets. We continued to actively reduce the size of our less liquid assets during 1Q 2018 by selling $1.7 billion of non-agency mortgage-related securities and $1.8 billion of reperforming loans. Our sales of reperforming loans involved securitization of the loans using senior subordinate structures.
- The overall liquidity of our mortgage investments portfolio continued to improve as our less liquid assets decreased at a faster pace than the overall decline of our mortgage investments portfolio.

Net Interest Yield and Average Balances



Commentary

- **Net Interest Yield**
  - ***1Q 2018 vs. 1Q 2017 -*** Increased 8 basis points primarily due to changes in our investment and funding mix as we reduce our less liquid assets, coupled with an increase in the yield on our other investments and cash portfolio as short-term interest rates increased. These increased yields were partially offset by an increase in our funding costs.
  - Capital Markets segment net interest yield in the graph above is not impacted by our hedge accounting programs. See **Note 13** in our 2017 Annual Report for more information.

Financial Results

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

(Dollars in millions)	1Q 2018	1Q 2017	Change $	Change %
Net interest income	$817	$929	($112)	(12)
Net impairment of available-for-sale securities recognized in earnings	111	73	38	52
Derivative gains (losses)	1,302	52	1,250	2,404
Gains (losses) on trading securities	(471)	(135)	(336)	(249)
Other non-interest income	525	744	(219)	(29)
Administrative expense	(84)	(83)	(1)	(1)
Segment Earnings before income tax expense	**2,200**	**1,580**	**620**	**39**
Income tax expense	(448)	(528)	80	15
Segment Earnings, net of taxes	**1,752**	**1,052**	**700**	**67**
Total other comprehensive income (loss), net of tax	(704)	29	(733)	(2,528)
Total comprehensive income (loss)	**$1,048**	**$1,081**	**($33)**	**(3)%**

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, derivative gains (losses), gains (losses) on trading securities, other non-interest income, income tax expense and total other comprehensive income (loss), net of tax.

(Dollars in billions)	1Q 2018	1Q 2017	Change $	Change %
Interest rate-related	($0.1)	$—	($0.1)	N/A
Market spread-related	0.2	0.1	0.1	100%

Key Business Drivers:

- ***1Q 2018 vs. 1Q 2017***
  - The continued reduction in the balance of our mortgage-related investments portfolio resulted in a decrease in net interest income.
  - Interest rate-related fair value changes resulted in a small net loss during 1Q 2018 as a result of our remaining post-hedge accounting interest rate-related exposure and the flattening of the yield curve. Long-term interest rates increased more during 1Q 2018 than 1Q 2017, resulting in higher fair value losses for the vast majority of our investments in securities (some of which are recorded in other comprehensive income) and our receive-fixed interest rate swaps, and higher fair value gains for our pay-fixed interest rate swaps, forward commitments to issue PCs, and futures. The net amount of these changes in fair value was mostly offset by the change in fair value of the hedged items attributable to interest-rate risk in our hedge accounting programs.
  - Spread related fair value changes were relatively flat, with gains on our derivatives primarily on commitments to sell agency securities due to spread widening, partially offset by less spread tightening on our agency securities.
  - The lower volume of PCs repurchased in 1Q 2018 resulted in lower gains.

- Sales of single-family reperforming loans that were sold into senior subordinate securitization structures in 1Q 2018 resulted in gains. In 1Q 2017, we did not execute any similar structures.

RISK MANAGEMENT

Risk is an inherent part of our business activities. We are exposed to four major types of risk: credit risk, operational risk, market risk and liquidity risk.

For more discussion of these and other risks facing our business and our risk management framework, see **MD&A - Risk Management** and **Risk Factors** in our 2017 Annual Report and **Liquidity and Capital Resources** in this report and in our 2017 Annual Report. See below for updates since our 2017 Annual Report.

Market Risk

Our business segments have embedded exposure to market risk, including interest-rate and spread risks. Interest-rate risk is consolidated and primarily managed by the Capital Markets segment, while spread risk is owned and managed by each individual business segment. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth.

Economic Market Risk

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.

Our primary interest-rate risk measures are duration gap and PMVS. 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 market value of assets. PMVS is our estimate of the change in the market 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. PMVS is measured in two ways, one measuring the estimated sensitivity of our portfolio market value to a 50 basis point parallel movement in interest rates (PMVS-L) and the other to a non-parallel movement resulting from a 25 basis point change in slope of the LIBOR yield curve (PMVS-YC). While we believe that duration gap and PMVS 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 PMVS-L and PMVS-YC results, and an average of the daily values and standard deviation. The tables below also provide PMVS-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.

	March 31, 2018			December 31, 2017		
	PMVS-YC	PMVS-L		PMVS-YC	PMVS-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	($495)	($5,380)	($10,562)	$463	$5,587	$11,446
Liabilities	(164)	2,218	4,345	185	(2,377)	(4,968)
Derivatives	673	3,177	6,254	(646)	(3,200)	(6,477)
Total	**$14**	**$15**	**$37**	**$2**	**$10**	**$1**
PMVS	**$14**	**$15**	**$37**	**$2**	**$10**	**$1**

(1) The categorization of the PMVS 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.

(Duration gap in months, **dollars in millions**)	1Q 2018 Duration Gap	1Q 2018 PMVS-YC 25 bps	1Q 2018 PMVS-L 50 bps	1Q 2017 Duration Gap	1Q 2017 PMVS-YC 25 bps	1Q 2017 PMVS-L 50 bps
Average	—	$9	$8	0.1	$7	$5
Minimum	(0.3)	—	—	(0.2)	—	—
Maximum	0.2	24	30	0.8	22	63
Standard deviation	0.1	5	8	0.2	5	15

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 PMVS-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.

(In millions)	PMVS-L (50 bps) Before Derivatives	PMVS-L (50 bps) After Derivatives	Effect of Derivatives
March 31, 2018	$3,269	$15	($3,254)
December 31, 2017	3,210	10	(3,200)

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.

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 March 31, 2018, 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.

(In billions)	1Q 2018	1Q 2017
Interest-rate effect on derivative fair values	$3.1	$0.5
Estimate of offsetting interest-rate effect related to financial instruments measured at fair value[(1)]	(1.9)	(0.5)
Gains (losses) on mortgage loans and debt in fair value hedge relationships	(1.4)	—
Income tax (expense) benefit	—	—
Estimated net interest rate effect on comprehensive income (loss)	**($0.2)**	**$—**

(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 other non-interest income (loss) and total other comprehensive income (loss) on our condensed consolidated statements of comprehensive income.

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 March 31, 2018, the GAAP adverse scenario before fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points, while the GAAP adverse scenario after fair value hedge accounting was a non-parallel shift in which short and medium-term rates increase by 100 basis points.
- At March 31, 2017, the GAAP adverse scenario both 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.

	GAAP Adverse Scenario (Before-Tax)		
(Dollars in billions)	Before Hedge Accounting	After Hedge Accounting	% Change
March 31, 2018	($3.3)	($0.6)	83%
March 31, 2017	(3.5)	(1.8)	50

Spread Volatility

We have limited ability to manage our spread risk exposure 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.

(In billions)	1Q 2018	1Q 2017
Capital Markets	$0.2	$0.1
Multifamily	—	0.1
Single-family Guarantee[1]	—	(0.1)
Spread effect on comprehensive income (loss)	**$0.2**	**$0.1**

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

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Capital

Our business activities require that we maintain adequate liquidity to fund our operations. 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 2017 Annual Report.

Primary Sources of Liquidity, Funding and Capital

The following table lists the sources of our liquidity, funding and capital, the balances as of 1Q 2018, and a brief description of their importance to Freddie Mac.

Source	Balance[1] (In billions)	Description
Liquidity		
• Other Investments and Cash Portfolio - Liquidity and Contingency Operating Portfolio	$48.8	• The liquidity and contingency operating portfolio, included within our other investments and cash portfolio, is primarily used for short-term liquidity management.
• Liquid Portion of the Mortgage-Related Investments Portfolio	$132.1	• 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.
Funding		
• Other Debt	$280.9	• Other debt is used to fund our other business activities.
• Debt Securities of Consolidated Trusts	$1,727.0	• Debt securities of consolidated trusts is used primarily to fund our Single-family guarantee activities. This type of debt is principally repaid by the cash flows of the associated mortgage loans. As a result, our repayment obligation is limited to amounts paid pursuant to our guarantee of principal and interest and to purchase modified or seriously delinquent loans from the trusts.
Capital		
• Net Worth	$2.2	• GAAP net worth represents capital available before we need to draw from Treasury on the available funding under the Purchase Agreement.
• Available Funding under Purchase Agreement	$140.2	• FHFA may request that available funding under the Purchase Agreement be drawn on our behalf from Treasury.

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

Other Investments and Cash Portfolio

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

	March 31, 2018				December 31, 2017			
(In billions)	Liquidity and Contingency Operating Portfolio	Custodial Account	Other(1)	Total Other Investments and Cash Portfolio	Liquidity and Contingency Operating Portfolio	Custodial Account	Other(1)	Total Other Investments and Cash Portfolio
Cash and cash equivalents(2)	$5.2	$1.1	$2.3	$8.6	$6.8	$0.5	$2.5	$9.8
Securities purchased under agreements to resell	27.0	14.3	0.5	41.8	38.9	16.8	0.2	55.9
Non-mortgage-related securities	16.6	—	2.0	18.6	22.2	—	0.6	22.8
Advances to lenders	—	—	0.9	0.9	—	—	0.8	0.8
Total	**$48.8**	**$15.4**	**$5.7**	**$69.9**	**$67.9**	**$17.3**	**$4.1**	**$89.3**

(1) Consists of amounts related to collateral held by us from derivative and other counterparties, securities used to pledge as collateral to our derivative counterparties, advances to lenders and other secured lending transactions.

(2) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance.

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.

Mortgage-Related Investments Portfolio

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.

Other Debt Activities

We issue other debt to fund our operations. 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. This funding mix is a less expensive method than relying more extensively on long-term debt.

The tables below summarize 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.

	1Q 2018			
(Dollars in millions)	Short-term	Average Rate[1]	Long-term	Average Rate[1]
Discount notes and Reference Bills:				
Beginning balance	$45,717	1.19%	$—	—%
Issuances	74,116	1.29	—	—
Repurchases	—	—	—	—
Maturities	(92,875)	1.21	—	—
Ending Balance	**26,958**	**1.40**	**—**	**—**
Securities sold under agreements to repurchase:				
Beginning balance	9,681	1.06	—	—
Additions	41,794	1.32	—	—
Repayments	(41,730)	1.24	—	—
Ending Balance	**9,745**	**1.38**	**—**	**—**
Callable debt:				
Beginning balance	—	—	113,822	1.58
Issuances	—	—	5,551	2.82
Repurchases	—	—	(554)	2.13
Calls	—	—	(892)	1.97
Maturities	—	—	(4,375)	1.05
Ending Balance	**—**	**—**	**113,552**	**1.66**
Non-callable debt:[2]				
Beginning balance	17,792	1.03	129,094	2.52
Issuances	1,825	1.44	8,375	2.25
Repurchases	—	—	—	—
Maturities	(2,005)	0.77	(24,405)	0.83
Ending Balance	**17,612**	**1.12**	**113,064**	**2.90**
Total other debt	**$54,315**	**1.31%**	**$226,616**	**2.28%**

(Dollars in millions)	1Q 2017 Short-term	Average Rate[1]	Long-term	Average Rate[1]
Discount notes and Reference Bills:				
Beginning balance	$61,042	0.47%	$—	—%
Issuances	100,504	0.59	—	—
Repurchases	(57)	0.91	—	—
Maturities	(100,416)	0.47	—	—
Ending Balance	**61,073**	**0.66**	**—**	**—**
Securities sold under agreements to repurchase:				
Beginning balance	3,040	0.42	—	—
Additions	36,976	0.26	—	—
Repayments	(33,469)	0.23	—	—
Ending Balance	**6,547**	**0.41**	**—**	**—**
Callable debt:				
Beginning balance	—	—	98,420	1.44
Issuances	—	—	18,008	1.91
Repurchases	—	—	—	—
Calls	—	—	(1,460)	2.02
Maturities	—	—	(2,178)	0.76
Ending Balance	**—**	**—**	**112,790**	**1.52**
Non-callable debt:[2]				
Beginning balance	7,435	0.41	186,806	2.10
Issuances	4,572	0.69	5,134	2.23
Repurchases	—	—	—	—
Maturities	—	—	(26,346)	1.30
Ending Balance	**12,007**	**0.51**	**165,594**	**2.25**
Total other debt	**$79,627**	**0.62%**	**$278,384**	**1.95%**

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

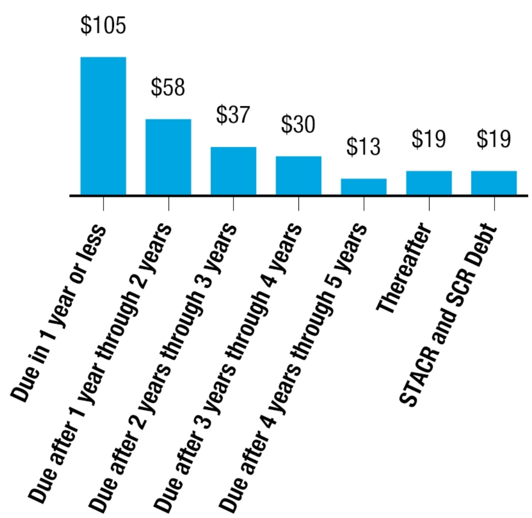
(2) Includes STACR and SCR debt notes and certain multifamily other debt. STACR and SCR debt notes are subject to prepayment risk as their payments are based upon the performance of a reference pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty.

Our outstanding other debt balance continues to decline as we reduce our indebtedness along with the decline in our mortgage-related investments portfolio. As a result, our total issuances, excluding securities sold under agreements to repurchase, decreased in 1Q 2018. However, we increased our volume of securities sold under agreements to repurchase in 1Q 2018 as these borrowing transactions reduced the cost of our funding.

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.

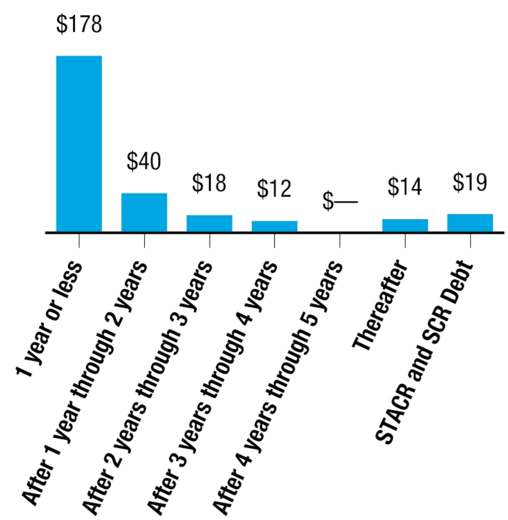
Contractual Maturity Date as of March 31, 2018[1]

(Par value in billions)



Earliest Redemption Date as of March 31, 2018[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 $1,778.0 billion and $1,774.3 billion of mortgage loans, which represented 87.9% and 86.6% of our total assets, as of 1Q 2018 and 4Q 2017, respectively.
- The debt securities issued by the securitization trusts, the majority of which are PCs. PCs 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 PCs. We recognized $1,727.0 billion and $1,721.0 billion of debt securities of consolidated trusts, which represented 86.1% and 84.6% of our total debt, as of 1Q 2018 and 4Q 2017, 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.

(In millions)	1Q 2018	1Q 2017
Beginning balance	$1,672,605	$1,602,162
Issuances:		
New issuances to third parties	37,316	71,002
Additional issuances of securities	40,200	30,804
Total issuances	**77,516**	**101,806**
Extinguishments:		
Purchases of debt securities from third parties	(8,828)	(12,515)
Debt securities received in settlement of advances to lenders	(4,725)	(8,231)
Repayments of debt securities	(56,600)	(65,061)
Total extinguishments	**(70,153)**	**(85,807)**
Ending balance	**1,679,968**	**1,618,161**
Unamortized premiums and discounts	47,001	45,650
Debt securities of consolidated trusts held by third parties	**$1,726,969**	**$1,663,811**

Capital

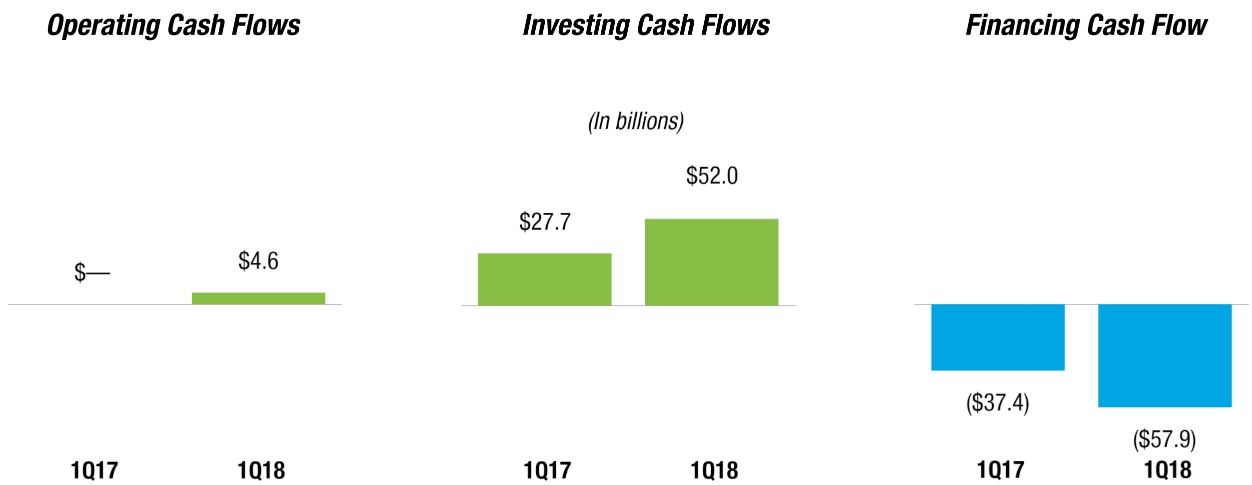
Our entry into conservatorship resulted in significant changes to the assessment of our capital adequacy and our management of capital. Under the Purchase Agreement, Treasury made a commitment to provide us with equity funding, under certain conditions, to eliminate deficits in our net worth. As of March 31, 2018, our net worth was $2.2 billion and the amount of available funding remaining under the Purchase Agreement was $140.2 billion. See **Note 2** for details of the support we receive from Treasury.

The table below presents activity related to our net worth during 1Q 2018 and 1Q 2017.

(In millions)	1Q 2018	1Q 2017
Beginning balance	($312)	$5,075
Comprehensive income (loss)	2,150	2,234
Capital draw from Treasury	312	—
Senior preferred stock dividends declared	—	(4,475)
Total equity / net worth	**$2,150**	**$2,834**
Aggregate draws under Purchase Agreement	$71,648	$71,336
Aggregate cash dividends paid to Treasury	112,393	105,923

Cash Flows

We evaluate our cash flow performance by comparing the net cash flows from operating and investing activities to the net cash flows required to finance those activities. The following graphs present the results of these activities for 1Q 2017 and 1Q 2018.



Commentary

- Cash provided by operating activities increased $4.6 billion primarily due to:
  - An increase in net sales of held-for-sale loans, driven by an increase in the volume of our multifamily securitizations.
- Cash provided by investing activities increased $24.3 billion primarily due to:
  - An increase in net proceeds received from sale of investment securities, driven by the continued reduction in the balance of our mortgage-related investments portfolio as required by the Purchase Agreement and FHFA; and
  - A decrease in securities purchased under agreements to resell due to lower near term cash needs for fewer upcoming maturities and anticipated calls of other debt.

  This increase was partially offset by:
  - A decrease in net repayments of mortgage loans acquired as held-for-investment, driven by a decline in single-family loan liquidations.
- Cash used in financing activities increased $20.5 billion primarily due to:
  - An increase in net repayments of other debt as debt maturities were not replaced with new issuances of debt due to lower near term cash needs.

  This increase was partially offset by:
  - A decrease in net repayments and redemptions of debt securities of consolidated trusts held by third parties primarily due to lower prepayments driven by higher interest rates.

CONSERVATORSHIP AND RELATED MATTERS

Reducing Our Mortgage-Related Investments Portfolio Over Time

The table below presents the UPB of our mortgage-related investments portfolio for purposes of the limit imposed by the Purchase Agreement and FHFA regulation. The cap for this portfolio will decrease to $250 billion at December 31, 2018.

	March 31, 2018				December 31, 2017			
(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	$—	$11,392	$—	$11,392	$—	$9,999	$—	$9,999
Reperforming loans	—	—	45,832	45,832	—	—	46,666	46,666
Total single-family unsecuritized loans	**—**	**11,392**	**45,832**	**57,224**	**—**	**9,999**	**46,666**	**56,665**
Freddie Mac mortgage-related securities	120,092	—	3,639	123,731	123,905	—	3,817	127,722
Non-agency mortgage-related securities	734	—	3,349	4,083	749	—	5,152	5,901
Other Non-Freddie Mac agency mortgage-related securities	4,906	—	—	4,906	5,211	—	—	5,211
Total Capital Markets segment - Mortgage investments portfolio	**125,732**	**11,392**	**52,820**	**189,944**	**129,865**	**9,999**	**55,635**	**195,499**
Single-family Guarantee segment - Single-family unsecuritized seriously delinquent loans	—	—	10,993	10,993	—	—	12,267	12,267
Multifamily segment:								
Unsecuritized loans	—	14,768	17,828	32,596	—	19,653	18,585	38,238
Mortgage-related securities	6,326	—	1,123	7,449	6,181	—	1,270	7,451
Total Multifamily segment	**6,326**	**14,768**	**18,951**	**40,045**	**6,181**	**19,653**	**19,855**	**45,689**
Total mortgage-related investments portfolio	**$132,058**	**$26,160**	**$82,764**	**$240,982**	**$136,046**	**$29,652**	**$87,757**	**$253,455**
Percentage of total mortgage-related investments portfolio	55%	11%	34%	100%	54%	12%	34%	100%
Mortgage-related investments portfolio cap at December 31, 2018 and December 31, 2017				$250,000				$288,408
90% of mortgage-related investments portfolio cap at December 31, 2018 and December 31, 2017[(1)]				$225,000				$259,567

(1) Represents the amount to which we manage under our Retained Portfolio Plan, subject to certain exceptions.

The decline in our mortgage-related investments portfolio during 1Q 2018 was primarily due to repayments and the active disposition of less liquid assets.

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

- Sales of $3.5 billion of less liquid assets, including $1.7 billion in UPB of non-agency mortgage-related securities and $1.8 billion in UPB of single-family reperforming loans;
- Securitizations of $0.2 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.

Affordable Housing 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 1Q 2018, we completed $79 billion of new business purchases subject to this requirement and accrued $33 million of related expense. We expect to pay this amount (and any additional amounts accrued based on our new business purchases during the remainder of 2018) in February 2019. We are prohibited from passing through these costs to the originators of the loans that we purchase.

Legislative and Regulatory Developments

Affordable Housing Goals

On February 6, 2018, FHFA published a final rule that establishes new annual single-family and multifamily housing goals for Freddie Mac and Fannie Mae for 2018 through 2020. The new goals set forth below replace the previous goals, which were in effect through 2017:

	2018 - 2020
Single-family purchase money goals (Benchmark levels):	
Low-income	24%
Very low-income	6%
Low-income areas	TBD
Low-income areas subgoal	14%
Single-family refinance low-income goal (Benchmark level)	21%
Multifamily low-income goal (In units)	315,000
Multifamily very low-income subgoal (In units)	60,000
Multifamily small property low-income subgoal (In units)	10,000

In March 2018, we filed our Annual Housing Activities Report with FHFA. For 2017, we have determined that we achieved all three multifamily affordable housing goal benchmarks, as well as the single-family low-income areas purchase goal, low-income areas subgoal and low-income refinance goal benchmarks. We believe that we will also meet the single-family low-income and very low-income purchase goals based on meeting or exceeding the actual share of the market that meets the criteria for those goals once such market information is published in late 2018.

FHFA will ultimately make the determination as to whether we achieved compliance with the housing goals for 2017.

Single (Common) Security Update

In March 2018, FHFA announced that on June 3, 2019, Freddie Mac and Fannie Mae will start issuing a new, common security, the Uniform Mortgage-Backed Security (UMBS), using the Common Securitization Platform created by their joint venture, CSS.

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 2017 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 $225.8 billion and $215.7 billion at March 31, 2018 and December 31, 2017, respectively.

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 credit risk transfer 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 our 2017 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 announced in October 2017 to reduce the Federal Reserve's holdings of mortgage-related securities;
- Changes in tax laws, including those made by the Tax Cuts and Jobs Act enacted in December 2017;
- 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, ACIS, K Certificate, SB Certificate and other credit risk transfer 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 (e.g.,

against cyberattacks);

- Our ability to effectively execute our business strategies, implement new initiatives and improve efficiency;
- The adequacy of our risk management framework;
- 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;
- 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;
- 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 2017 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)	1Q 2018	1Q 2017
Interest income		
Mortgage loans	$15,951	$15,965
Investments in securities	810	914
Other	214	101
Total interest income	**16,975**	**16,980**
Interest expense	(13,957)	(13,185)
Net interest income	3,018	3,795
Benefit (provision) for credit losses	(63)	116
Net interest income after benefit (provision) for credit losses	2,955	3,911
Non-interest income (loss)		
Gains (losses) on extinguishment of debt	110	218
Derivative gains (losses)	1,830	(302)
Net impairment of available-for-sale securities recognized in earnings	—	(13)
Other gains (losses) on investment securities recognized in earnings	(232)	56
Other income (loss)	121	415
Non-interest income (loss)	1,829	374
Non-interest expense		
Salaries and employee benefits	(286)	(275)
Professional services	(102)	(112)
Other administrative expense	(132)	(124)
Total administrative expense	**(520)**	**(511)**
Real estate owned operations expense	(34)	(56)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(359)	(321)
Other expense	(197)	(76)
Non-interest expense	(1,110)	(964)
Income (loss) before income tax (expense) benefit	3,674	3,321
Income tax (expense) benefit	(748)	(1,110)
Net income (loss)	2,926	2,211
Other comprehensive income (loss), net of taxes and reclassification adjustments:		
Changes in unrealized gains (losses) related to available-for-sale securities	(800)	(2)
Changes in unrealized gains (losses) related to cash flow hedge relationships	30	28
Changes in defined benefit plans	(6)	(3)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	**(776)**	**23**
Comprehensive income (loss)	**$2,150**	**$2,234**
Net income (loss)	$2,926	$2,211
Undistributed net worth sweep and senior preferred stock dividends	—	(2,234)
Net income (loss) attributable to common stockholders	**$2,926**	**($23)**
Net income (loss) per common share — basic and diluted	$0.90	($0.01)
Weighted average common shares outstanding (in millions) — basic and diluted	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)	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents (Notes 1, 3 and 14) (includes $3,398 and $2,963 of restricted cash and cash equivalents)	$8,617	$9,811
Securities purchased under agreements to resell (Notes 3, 10)	41,828	55,903
Investments in securities, at fair value (Note 7)	75,501	84,318
Mortgage loans held-for-sale (Notes 3, 4) (includes $15,832 and $20,054 at fair value)	27,615	34,763
Mortgage loans held-for-investment (Notes 3, 4) (net of allowance for loan losses of $8,848 and $8,966)	1,840,736	1,836,454
Accrued interest receivable (Note 3)	6,381	6,355
Derivative assets, net (Notes 9, 10)	454	375
Deferred tax assets, net (Note 12)	8,313	8,107
Other assets (Notes 3, 18) (includes $3,502 and $3,353 at fair value)	13,038	13,690
Total assets	**$2,022,483**	**$2,049,776**
Liabilities and equity		
Liabilities		
Accrued interest payable (Note 3)	$6,058	$6,221
Debt, net (Notes 3, 8) (includes $5,617 and $5,799 at fair value)	2,004,807	2,034,630
Derivative liabilities, net (Notes 9, 10)	345	269
Other liabilities (Notes 3, 18)	9,123	8,968
Total liabilities	**2,020,333**	**2,050,088**
Commitments and contingencies (Notes 5, 9 and 16)		
Equity (Note 11)		
Senior preferred stock (redemption value of $75,648 and $75,336)	72,648	72,336
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 650,054,986 shares and 650,054,731 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(80,424)	(83,261)
AOCI, net of taxes, related to:		
Available-for-sale securities (includes $363 and $593, related to net unrealized gains on securities for which other-than-temporary impairment has been recognized in earnings)	5	662
Cash flow hedge relationships	(399)	(356)
Defined benefit plans	96	83
Total AOCI, net of taxes	(298)	389
Treasury stock, at cost, 75,808,900 shares and 75,809,155 shares	(3,885)	(3,885)
Total equity (See Note 11 for information on our dividend requirement to Treasury)	**2,150**	**(312)**
Total liabilities and equity	**$2,022,483**	**$2,049,776**

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)	March 31, 2018	December 31, 2017
Consolidated Balance Sheet Line Item		
Assets: (Note 3)		
Mortgage loans held-for-sale	$—	$—
Mortgage loans held-for-investment	1,778,010	1,774,286
All other assets	23,488	25,753
Total assets of consolidated VIEs	**$1,801,498**	**$1,800,039**
Liabilities: (Note 3)		
Debt, net	$1,726,969	$1,720,996
All other liabilities	5,045	5,030
Total liabilities of consolidated VIEs	**$1,732,014**	**$1,726,026**

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

FREDDIE MAC

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)	1Q 2018	1Q 2017
Net cash provided by (used in) operating activities	**$4,643**	**($17)**
Cash flows from investing activities		
Purchases of trading securities	(29,949)	(55,647)
Proceeds from sales of trading securities	32,487	44,936
Proceeds from maturities and repayments of trading securities	1,471	2,383
Purchases of available-for-sale securities	(4,266)	(2,610)
Proceeds from sales of available-for-sale securities	6,351	5,327
Proceeds from maturities and repayments of available-for-sale securities	1,541	3,796
Purchases of held-for-investment mortgage loans	(30,737)	(26,993)
Proceeds from sales of mortgage loans held-for-investment	2,282	96
Repayments of mortgage loans held-for-investment	60,542	64,253
Advances to lenders	(4,944)	(8,251)
Net proceeds from dispositions of real estate owned and other recoveries	352	473
Net (increase) decrease in securities purchased under agreements to resell	14,075	291
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	2,958	(240)
Changes in other assets	(143)	(77)
Net cash provided by investing activities	**52,020**	**27,737**
Cash flows from financing activities		
Proceeds from issuance of debt securities of consolidated trusts held by third parties	42,558	43,036
Repayments and redemptions of debt securities of consolidated trusts held by third parties	(65,614)	(77,193)
Proceeds from issuance of other debt	131,574	165,060
Repayments of other debt	(166,686)	(163,852)
Increase in liquidation preference of senior preferred stock	312	—
Payment of cash dividends on senior preferred stock	—	(4,475)
Changes in other liabilities	(1)	—
Net cash used in financing activities	**(57,857)**	**(37,424)**
Net (decrease) increase in cash and cash equivalents (includes restricted cash and cash equivalents)	(1,194)	(9,704)
Cash and cash equivalents (includes restricted cash and cash equivalents) at beginning of year	9,811	22,220
Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period	**$8,617**	**$12,516**
Supplemental cash flow information		
Cash paid for:		
Debt interest	$16,306	$15,647
Income taxes	—	—
Non-cash investing and financing activities (Note 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, 2017, or 2017 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 2017 Annual Report. Throughout this Form 10-Q, we refer to the three months ended March 31, 2018, the three months ended December 31, 2017, the three months ended September 30, 2017, the three months ended June 30, 2017 and the three months ended March 31, 2017 as "1Q 2018," "4Q 2017," "3Q 2017," "2Q 2017" and "1Q 2017," respectively.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2017 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 as authorized by FHFA through our Board of Directors and management. 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, valuing financial instruments and other assets and liabilities and assessing impairments on investments. 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 2014-09, Revenue from Contracts with Customers (Topic 606) and **ASU 2015-14**, Topic 606: Deferral of the Effective Date	The amendment requires entities to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14 defers the effective date of ASU 2014-09 for all entities by one year.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)	The amendment addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-08, Topic 606: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)	The amendments in this Update do not change the core principle of the guidance in Topic 606. The amendments clarify the implementation guidance on principal versus agent considerations.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-10, Topic 606: Identifying Performance Obligations and Licensing	The amendments in this Update do not change the core principle of the guidance in Topic 606, but they clarify two issues: i) identifying performance obligations; and ii) licensing. These clarifications are intended to reduce diversity in practice and to reduce the cost and complexity of Topic 606 at transition and on an ongoing basis.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-12, Topic 606: Narrow-Scope Improvements and Practical Expedients	The amendments in this Update do not change the core principle of the guidance in Topic 606, but affect aspects of the guidance and technical corrections.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Condensed Consolidated Financial Statements
ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)	The main objective of this Update is to address the diversity in practice that currently exists in regards to how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice.	January 1, 2018	Upon adoption, the portion of the cash payment attributable to the accreted interest related to zero-coupon debt is presented in the operating activities section, a classification change from the financing activities section where this item was previously presented. As a result, we reclassified approximately $71 million of cash payments from financing activities to operating activities on our condensed consolidated statements of cash flows for 1Q 2017 upon adoption.
ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)	The amendments in this Update address the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. Specifically, this amendment dictates that the statement of cash flows should explain the change in the period of the total of cash, cash equivalents and restricted cash balances.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements; however, we modified the presentation of restricted cash and cash equivalent balances on our condensed consolidated balance sheets. The presentation of our condensed consolidated statements of cash flows has also been revised to reflect the change of total cash and cash equivalents and restricted cash and cash equivalents balances.
ASU 2016-20, Technical Corrections and Improvements to Topic 606	The amendments in this Update are of a similar nature to the items typically addressed in the Technical Corrections and Improvements project. However, the Board decided to issue a separate Update for technical corrections and improvements to Topic 606 and other Topics amended by Update 2014-09 to increase stakeholders' awareness of the proposals and to expedite improvements to Update 2014-09.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	The amendments in this Update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.	January 1, 2018	Upon adoption, we reclassified approximately $89 million from accumulated other comprehensive income to retained earnings on our condensed consolidated financial statements.
ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities	The amendments clarify certain aspects of the guidance issued in Update 2016-01 and address six specific issues.	January 1, 2018	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 2016-02, Leases (Topic 842)	The amendment addresses the accounting for lease arrangements.	January 1, 2019	We do not expect that the adoption of this amendment will have a material effect on our 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	While we are evaluating the effect that the adoption of this amendment will have on our consolidated financial statements, it will increase (perhaps substantially) our provision for credit losses in the period of adoption.

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 also 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

For purposes of the limit imposed by the Purchase Agreement and FHFA regulation, the UPB of our mortgage-related investments portfolio cannot exceed $250 billion at December 31, 2018 and was $241.0 billion at March 31, 2018. Our Retained Portfolio Plan provides for us to manage the UPB of the mortgage-related investments portfolio so that it does not exceed 90% of the cap established by the Purchase Agreement (subject to certain exceptions). Our ability to acquire and sell mortgage assets is significantly constrained by limitations of the Purchase Agreement and those imposed by FHFA.

Government Support for Our Business

We receive substantial support from Treasury and are dependent upon its continued support in order 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 December 31, 2017, our liabilities exceeded our assets under GAAP; therefore, FHFA, as Conservator, submitted a draw request, on our behalf, to Treasury under the Purchase Agreement to eliminate our net worth deficit. As a result, we received $312 million from Treasury under the Purchase Agreement during 1Q 2018. The amount of available funding remaining under the Purchase Agreement was reduced to $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. Therefore, CSS is also deemed a related party. During 1Q 2018, we contributed $41 million of capital to CSS, and we have contributed $370 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.

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.

(In millions)	March 31, 2018	December 31, 2017
Consolidated Balance Sheet Line Item		
Assets:		
Restricted cash and cash equivalents	$1,165	$518
Securities purchased under agreements to resell	14,275	16,750
Mortgage loans held-for-investment	1,778,010	1,774,286
Accrued interest receivable	5,775	5,747
Other assets	2,273	2,738
Total assets of consolidated VIEs	**$1,801,498**	**$1,800,039**
Liabilities:		
Accrued interest payable	$5,045	$5,028
Debt, net	1,726,969	1,720,996
Other liabilities	—	2
Total liabilities of consolidated VIEs	**$1,732,014**	**$1,726,026**

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. The following table presents the carrying amounts and classification of the assets and liabilities recorded on our condensed consolidated balance sheets related to our variable interests in 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. 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.

(In millions)	March 31, 2018	December 31, 2017
Assets and Liabilities Recorded on our Condensed Consolidated Balance Sheets[(1)]		
Assets:		
Investments in securities	$48,925	$51,494
Accrued interest receivable	235	233
Derivative assets, net	26	7
Other assets	2,706	2,591
Liabilities:		
Derivative liabilities, net	29	—
Other liabilities	2,581	2,489
Maximum Exposure to Loss[(2)(3)]	**211,465**	**200,196**
Total Assets of Non-Consolidated VIEs[(3)]	**245,591**	**232,762**

(1) Includes our variable interests in REMICs and Stripped Giant PCs, K Certificates, SB Certificates, senior subordinate securitization structures and other securitization products that we do not consolidate.

(2) 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.

(3) Our maximum exposure to loss and total assets of non-consolidated VIEs exclude our investments in and obligations to REMICs and Stripped Giant PCs, because we already consolidate the underlying collateral of these trusts on our condensed consolidated balance sheets. In addition, our maximum exposure to loss excludes other guarantees measured at fair value related to certain of our REMICs where our exposure may be unlimited. We generally reduce our exposure to these guarantees with unlimited exposure through separate contracts with third parties.

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.

	March 31, 2018			December 31, 2017		
(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	$13,756	$—	$13,756	$17,039	$—	$17,039
Multifamily	16,383	—	16,383	20,537	—	20,537
Total UPB	**30,139**	**—**	**30,139**	**37,576**	**—**	**37,576**
Cost basis and fair value adjustments, net	(2,524)	—	(2,524)	(2,813)	—	(2,813)
Total held-for-sale loans, net	**27,615**	**—**	**27,615**	**34,763**	**—**	**34,763**
Held-for-investment:						
Single-family	54,460	1,749,047	1,803,507	51,893	1,742,736	1,794,629
Multifamily	16,213	3,874	20,087	17,702	3,747	21,449
Total UPB	**70,673**	**1,752,921**	**1,823,594**	**69,595**	**1,746,483**	**1,816,078**
Cost basis adjustments	(2,625)	28,615	25,990	(2,148)	31,490	29,342
Allowance for loan losses	(5,322)	(3,526)	(8,848)	(5,279)	(3,687)	(8,966)
Total held-for-investment loans, net	**62,726**	**1,778,010**	**1,840,736**	**62,168**	**1,774,286**	**1,836,454**
Total loans, net	**$90,341**	**$1,778,010**	**$1,868,351**	**$96,931**	**$1,774,286**	**$1,871,217**

During 1Q 2018 and 1Q 2017, we purchased $65.5 billion and $85.6 billion, respectively, in UPB of single-family loans and $1.0 billion and $1.3 billion, respectively, in UPB of multifamily loans that were classified as held-for-investment. During 1Q 2018 and 1Q 2017, we purchased $11.8 billion and $11.2 billion, respectively, in UPB of multifamily loans that were initially classified as held-for-sale.

Our sales of multifamily loans occur primarily through the issuance of multifamily K Certificates and SB Certificates. During 1Q 2018 and 1Q 2017, we sold $16.2 billion and $9.9 billion, respectively, in UPB of held-for-sale multifamily loans. See **Note 3** for more information on our K Certificates and SB Certificates.

As part of our strategy to mitigate losses and reduce our holdings of less liquid assets, we completed sales of $1.8 billion in UPB of seasoned single-family loans during 1Q 2018. We did not have sales of seasoned single-family loans in 1Q 2017. Seasoned single-family mortgage loans include seriously delinquent and reperforming loans.

We reclassified $1.7 billion in UPB of seasoned single-family loans from held-for-investment to held-for-sale during both 1Q 2018 and 1Q 2017. In addition, we reclassified $0.3 billion in UPB of multifamily mortgage loans from held-for-investment to held-for-sale during 1Q 2018. We did not reclassify any multifamily mortgage loans in 1Q 2017. For additional information regarding the fair value of our loans classified as held-for-sale, see **Note 15**.

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 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. As of both March 31, 2018 and December 31, 2017, based on data collected by us at loan delivery, approximately 9% of loans in our single-family credit guarantee portfolio had second-lien financing by third parties at origination of the first loan. 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.

	March 31, 2018				December 31, 2017			
	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(2)	$1,270,145	$199,335	$11,097	$1,480,577	$1,240,224	$214,177	$13,303	$1,467,704
15-year amortizing fixed-rate(2)	267,453	6,105	296	273,854	270,266	7,351	381	277,998
Adjustable-rate	47,364	2,474	19	49,857	48,596	2,963	28	51,587
Alt-A, interest-only, and option ARM	20,489	3,576	1,162	25,227	21,013	4,256	1,429	26,698
Total single-family loans	**$1,605,451**	**$211,490**	**$12,574**	**$1,829,515**	**$1,580,099**	**$228,747**	**$15,141**	**$1,823,987**

(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 8.50% and 8.43% as of March 31, 2018 and December 31, 2017, respectively.

(2) As of March 31, 2018 and December 31, 2017, $20.5 billion and $22.2 billion, respectively, in UPB of modified loans were categorized as fixed-rate loans (instead of as adjustable rate loans), even though the modified loans have rate adjustment provisions. In these cases, while the terms of the modified loans provide for the interest rate to adjust, such rates and the timing of the adjustment are determined at the time of modification rather than at a subsequent date.

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 or adjustable interest-rate 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.

(In millions)	March 31, 2018	December 31, 2017
Credit risk profile by internally assigned grade:(1)		
Pass	$19,503	$20,963
Special mention	330	301
Substandard	234	169
Doubtful	2	—
Total	**$20,069**	**$21,433**

(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.

	March 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	$1,451,682	$13,478	$4,075	$11,342	$1,480,577	$11,337
15-year amortizing fixed-rate	272,305	855	187	507	273,854	507
Adjustable-rate	49,347	262	65	183	49,857	183
Alt-A, interest-only, and option ARM	22,224	1,046	436	1,521	25,227	1,520
Total single-family	**1,795,558**	**15,641**	**4,763**	**13,553**	**1,829,515**	**13,547**
Total multifamily	**20,033**	**18**	**—**	**18**	**20,069**	**65**
Total single-family and multifamily	**$1,815,591**	**$15,659**	**$4,763**	**$13,571**	**$1,849,584**	**$13,612**

	December 31, 2017					
(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	$1,431,342	$18,297	$5,660	$12,405	$1,467,704	$12,401
15-year amortizing fixed-rate	275,864	1,288	290	556	277,998	556
Adjustable-rate	50,915	383	84	205	51,587	205
Alt-A, interest-only, and option ARM	23,235	1,297	509	1,657	26,698	1,656
Total single-family	**1,781,356**	**21,265**	**6,543**	**14,823**	**1,823,987**	**14,818**
Total multifamily	**21,414**	**—**	**—**	**19**	**21,433**	**64**
Total single-family and multifamily	**$1,802,770**	**$21,265**	**$6,543**	**$14,842**	**$1,845,420**	**$14,882**

(1) Includes $4.2 billion and $4.1 billion of loans that were in the process of foreclosure as of March 31, 2018 and December 31, 2017, respectively.

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

(Dollars in millions)	March 31, 2018	December 31, 2017
Single-family:(1)		
Non-credit-enhanced portfolio		
Serious delinquency rate	1.07%	1.16%
Total number of seriously delinquent loans	73,914	81,668
Credit-enhanced portfolio:(2)		
Primary mortgage insurance:		
Serious delinquency rate	1.28%	1.43%
Total number of seriously delinquent loans	20,939	23,275
Other credit protection:(3)		
Serious delinquency rate	0.44%	0.53%
Total number of seriously delinquent loans	14,834	16,259
Total single-family:		
Serious delinquency rate	**0.97%**	**1.08%**
Total number of seriously delinquent loans	**105,211**	**116,662**
Multifamily:(4)		
Non-credit-enhanced portfolio:		
Delinquency rate	0.05%	0.06%
UPB of delinquent loans	$19	$24
Credit-enhanced portfolio:		
Delinquency rate	0.01%	0.01%
UPB of delinquent loans	$26	$16
Total multifamily:		
Delinquency rate	**0.02%**	**0.02%**
UPB of delinquent loans	**$45**	**$40**

(1) Serious delinquencies on single-family loans underlying certain REMICs, other securitization products and other mortgage-related guarantees may be reported on a different schedule due to variances in industry practice.

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

(3) 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.

(4) Multifamily delinquency performance is based on 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 in 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 K Certificates, SB Certificates, senior subordinate securitization structures, other securitization products and other mortgage-related guarantees.

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

	1Q 2018				1Q 2017			
	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	$5,251	$3,680	$48	$8,979	$10,442	$2,969	$54	$13,465
Provision (benefit) for credit losses	98	(21)	2	79	(216)	106	—	(110)
Charge-offs	(355)	(15)	(2)	(372)	(697)	(43)	—	(740)
Recoveries	95	1	—	96	95	2	—	97
Transfers, net(1)	126	(126)	—	—	181	(181)	—	—
Other(2)	90	5	—	95	61	1	—	62
Single-family ending balance	**5,305**	**3,524**	**48**	**8,877**	**9,866**	**2,854**	**54**	**12,774**
Multifamily ending balance	**17**	**2**	**7**	**26**	**18**	**1**	**10**	**29**
Total ending balance	**$5,322**	**$3,526**	**$55**	**$8,903**	**$9,884**	**$2,855**	**$64**	**$12,803**

(1) Relates to removal of delinquent single-family 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 7.8% of the recorded investment in such loans at both March 31, 2018 and December 31, 2017, 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 March 31, 2018 and December 31, 2017.

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

	March 31, 2018			December 31, 2017		
(In millions)	Single-family	Multifamily	Total	Single-family	Multifamily	Total
Recorded investment:						
Collectively evaluated	$1,767,827	$19,948	$1,787,775	$1,764,750	$21,301	$1,786,051
Individually evaluated	61,688	121	61,809	59,237	132	59,369
Total recorded investment	**1,829,515**	**20,069**	**1,849,584**	**1,823,987**	**21,433**	**1,845,420**
Ending balance of the allowance for loan losses:						
Collectively evaluated	(1,861)	(11)	(1,872)	(2,301)	(28)	(2,329)
Individually evaluated	(6,968)	(8)	(6,976)	(6,630)	(7)	(6,637)
Total ending balance of the allowance	**(8,829)**	**(19)**	**(8,848)**	**(8,931)**	**(35)**	**(8,966)**
Net investment in loans	**$1,820,686**	**$20,050**	**$1,840,736**	**$1,815,056**	**$21,398**	**$1,836,454**

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.

	March 31, 2018			December 31, 2017		
(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	$4,324	$3,354	N/A	$3,768	$2,908	N/A
15-year amortizing fixed-rate	24	20	N/A	24	21	N/A
Adjustable-rate	261	259	N/A	259	256	N/A
Alt-A, interest-only, and option ARM	1,636	1,354	N/A	1,558	1,297	N/A
Total with no allowance recorded	**6,245**	**4,987**	**N/A**	**5,609**	**4,482**	**N/A**
With an allowance recorded:[2]						
20 and 30-year or more, amortizing fixed-rate	49,940	48,721	($5,832)	47,897	46,783	($5,505)
15-year amortizing fixed-rate	944	955	(45)	752	757	(24)
Adjustable-rate	245	241	(14)	232	228	(14)
Alt-A, interest-only, and option ARM	7,255	6,784	(1,077)	7,407	6,987	(1,087)
Total with an allowance recorded	**58,384**	**56,701**	**(6,968)**	**56,288**	**54,755**	**(6,630)**
Combined single-family:						
20 and 30-year or more, amortizing fixed-rate	54,264	52,075	(5,832)	51,665	49,691	(5,505)
15-year amortizing fixed-rate	968	975	(45)	776	778	(24)
Adjustable-rate	506	500	(14)	491	484	(14)
Alt-A, interest-only, and option ARM	8,891	8,138	(1,077)	8,965	8,284	(1,087)
Total single-family	**64,629**	**61,688**	**(6,968)**	**61,897**	**59,237**	**(6,630)**
Multifamily:						
With no allowance recorded[1]	92	85	N/A	106	97	N/A
With an allowance recorded	36	36	(8)	35	35	(7)
Total multifamily	**128**	**121**	**(8)**	**141**	**132**	**(7)**
Total single-family and multifamily	**$64,757**	**$61,809**	**($6,976)**	**$62,038**	**$59,369**	**($6,637)**

Referenced footnotes are included after the next table.

	1Q 2018			1Q 2017		
(In millions)	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized On Cash Basis[3]	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized On Cash Basis[3]
Single-family:						
With no allowance recorded:[1]						
20 and 30-year or more, amortizing fixed-rate	$3,311	$94	$7	$4,031	$109	$4
15-year amortizing fixed-rate	20	1	—	26	1	—
Adjustable rate	263	3	—	311	3	—
Alt-A, interest-only, and option ARM	1,356	23	1	1,655	29	1
Total with no allowance recorded	**4,950**	**121**	**8**	**6,023**	**142**	**5**
With an allowance recorded:[2]						
20 and 30-year or more, amortizing fixed-rate	47,868	592	83	65,091	670	70
15-year amortizing fixed-rate	869	8	3	825	12	2
Adjustable rate	226	2	1	274	3	1
Alt-A, interest-only, and option ARM	6,834	80	9	11,416	107	11
Total with an allowance recorded	**55,797**	**682**	**96**	**77,606**	**792**	**84**
Combined single-family:						
20 and 30-year or more, amortizing fixed-rate	51,179	686	90	69,122	779	74
15-year amortizing fixed-rate	889	9	3	851	13	2
Adjustable rate	489	5	1	585	6	1
Alt-A, interest-only, and option ARM	8,190	103	10	13,071	136	12
Total single-family	**60,747**	**803**	**104**	**83,629**	**934**	**89**
Multifamily:						
With no allowance recorded[1]	84	2	1	271	3	1
With an allowance recorded	36	—	—	41	1	—
Total multifamily	**120**	**2**	**1**	**312**	**4**	**1**
Total single-family and multifamily	**$60,867**	**$805**	**$105**	**$83,941**	**$938**	**$90**

(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

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.

	1Q 2018		1Q 2017	
(Dollars in millions)	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	19,699	$3,305	8,964	$1,283
15-year amortizing fixed-rate	2,816	292	1,192	88
Adjustable-rate	319	57	250	35
Alt-A, interest-only, and option ARM	1,239	203	680	114
Total single-family	**24,073**	**3,857**	**11,086**	**1,520**
Multifamily(2)	**—**	**$—**	**—**	**$—**

(1) The pre-TDR recorded investment for single-family loans initially classified as TDR during 1Q 2018 and 1Q 2017 was $3.9 billion and $1.5 billion, respectively.

(2) The post-TDR recorded investment is not meaningful.

Of the single-family loans that were newly classified as TDRs during 1Q 2018 and 1Q 2017, respectively:

- 19% and 43% involved interest rate reductions and, in certain cases, term extensions;
- 29% and 14% involved principal forbearance in addition to interest rate reductions and, in certain cases, term extensions;
- The average term extension was 166 months and 172 months; and
- The average interest rate reduction was 0.4% and 0.9%.

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.

	1Q 2018		1Q 2017	
(Dollars in millions)	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	2,956	$443	3,356	$553
15-year amortizing fixed-rate	170	15	168	13
Adjustable-rate	44	7	56	8
Alt-A, interest-only, and option ARM	275	54	305	64
Total single-family	**3,445**	**519**	**3,885**	**638**
Multifamily	**—**	**$—**	**—**	**$—**

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 1Q 2018 and 1Q 2017, 1,710 and 1,590, respectively, of such loans (with a post-TDR recorded investment of $0.2 billion for both periods) experienced a payment default within a year after the loss mitigation activity occurred.

Loans may also be initially classified as TDRs because the borrowers' debts were discharged in Chapter 7 bankruptcy (and the loan was not already classified as a TDR for other reasons). During 1Q 2018 and 1Q 2017, 159 and 258, respectively, of such loans (with a post-TDR recorded investment of $18 million and $30 million, respectively) experienced a payment default within a year after the borrowers' Chapter 7 bankruptcy.

Non-Cash Investing and Financing Activities

During 1Q 2018 and 1Q 2017, we acquired $36.1 billion and $60.6 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 $4.8 billion and $8.4 billion of loans from sellers during 1Q 2018 and 1Q 2017, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets. These loans were primarily included in the guarantor swap transactions.

In addition, we acquire REO properties through foreclosure sales or by deed in lieu of foreclosure. These acquisitions represent non-cash transfers. During 1Q 2018 and 1Q 2017, we had transfers of $0.2 billion and $0.3 billion, respectively, from loans to REO.

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.

	March 31, 2018			December 31, 2017		
(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	$12,208	$139	40	$10,817	$120	40
Other mortgage-related guarantees	6,125	180	30	6,264	190	31
Total single-family	**$18,333**	**$319**		**$17,081**	**$310**	
Multifamily:						
Securitization activity guarantees	$197,404	$2,375	40	$188,768	$2,305	40
Other mortgage-related guarantees	10,018	463	36	9,888	466	36
Total multifamily	**$207,422**	**$2,838**		**$198,656**	**$2,771**	
Other guarantees measured at fair value	$12,837	$150	30	$9,661	$141	28

(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 $55 million and $57 million as of March 31, 2018 and December 31, 2017, 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 attached to the underlying mortgage loans, freestanding or embedded in debt instruments.

Attached Credit Enhancements

The table below presents the total current and protected UPB and maximum coverage provided by our attached credit enhancements. For information about counterparty credit risk associated with mortgage insurers, see **Note 14**.

	March 31, 2018		December 31, 2017	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Single-family:				
Primary mortgage insurance	$338,457	$86,622	$334,189	$85,429

(1) Underlying loans may be covered by more than one form of credit enhancement, including freestanding credit enhancements and debt with embedded credit enhancements.

(2) Represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements.

Freestanding 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 freestanding credit enhancements.

	March 31, 2018		December 31, 2017	
(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)	$10,404	$1,904	$8,953	$1,734
ACIS(3)	650,420	7,148	617,730	6,736
Other(4)	15,641	6,362	15,975	6,479
Total single-family		**15,414**		**14,949**
Multifamily:				
Subordination (non-consolidated VIEs)	197,268	32,039	187,299	30,689
Other(5)	1,756	724	1,833	726
Total multifamily		**32,763**		**31,415**
Total single-family and multifamily freestanding credit enhancements		**$48,177**		**$46,364**

(1) Underlying loans may be covered by more than one form of credit enhancement, including attached credit enhancements and debt with embedded credit enhancements. For subordination, total current and protected UPB includes the UPB of the guaranteed securities and the UPB of guarantor advances made to the holders of the guaranteed securities.

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

(3) As of March 31, 2018 and December 31, 2017, our counterparties posted collateral on our ACIS transactions of $1.2 billion and $1.1 billion, respectively.

(4) Includes seller indemnification, Deep MI CRT, lender recourse and indemnification agreements, pool insurance, HFA indemnification and other credit enhancements.

(5) Consists of multifamily HFA indemnification and loss reimbursement agreements with third parties obtained in certain of our Q Certificate transactions.

In addition to the credit enhancements disclosed above, the Multifamily segment has other credit enhancements. Recoveries from these other credit enhancements have been minimal as the historical losses on our mortgage loans and amounts paid under our guarantee contracts have not been significant. Therefore, these other credit enhancements have been excluded from the table.

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.

	March 31, 2018		December 31, 2017	
(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	$661,399	$19,183	$604,356	$17,788
Subordination (consolidated VIEs)	6,582	307	3,330	179
Total single-family		**19,490**		**17,967**
Multifamily:				
SCR debt notes	2,704	135	2,732	137
Subordination (consolidated VIEs)	1,800	180	1,800	180
Total multifamily		**315**		**317**
Total single-family and multifamily debt with embedded credit enhancements		**$19,805**		**$18,284**

(1) Underlying loans may be covered by more than one form of credit enhancement, including attached credit enhancements and freestanding credit enhancements. For STACR debt notes and SCR debt 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.

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

NOTE 7

Investments in Securities

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

(In millions)	March 31, 2018	December 31, 2017
Trading securities	$36,206	$40,721
Available-for-sale securities	39,295	43,597
Total	**$75,501**	**$84,318**

As of March 31, 2018 and December 31, 2017, 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.

(In millions)	March 31, 2018	December 31, 2017
Mortgage-related securities:		
Freddie Mac	$12,617	$12,235
Other agency	3,425	3,574
Non-agency RMBS	732	750
Non-agency CMBS	870	1,343
Total mortgage-related securities	**17,644**	**17,902**
Non-mortgage-related securities	18,562	22,819
Total fair value of trading securities	**$36,206**	**$40,721**

For trading securities held at March 31, 2018 and 2017, we recorded net unrealized gains (losses) of ($212) million and $43 million during 1Q 2018 and 1Q 2017, respectively.

Available-for-Sale Securities

At March 31, 2018 and December 31, 2017, 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.

	March 31, 2018				
			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	$33,532	$288	$—	($757)	$33,063
Other agency	1,790	46	—	(6)	1,830
Non-agency RMBS	1,894	472	(2)	(1)	2,363
Non-agency CMBS	1,749	—	(10)	(27)	1,712
Obligations of states and political subdivisions	324	3	—	—	327
Total available-for-sale securities	**$39,289**	**$809**	**($12)**	**($791)**	**$39,295**

	December 31, 2017				
			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	$35,433	$499	$—	($462)	$35,470
Other agency	2,008	56	—	(11)	2,053
Non-agency RMBS	3,012	927	(5)	(1)	3,933
Non-agency CMBS	1,773	22	(9)	(2)	1,784
Obligations of states and political subdivisions	352	5	—	—	357
Total available-for-sale securities	**$42,578**	**$1,509**	**($14)**	**($476)**	**$43,597**

(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 March 31, 2018 scheduled to contractually mature after ten years was $36.2 billion, with an additional $2.5 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.

	March 31, 2018			
	Less than 12 Months		12 Months or Greater	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$11,877	($219)	$9,455	($538)
Other agency	35	—	943	(6)
Non-agency RMBS	4	—	104	(3)
Non-agency CMBS	1,671	(27)	39	(10)
Obligations of states and political subdivisions	28	—	21	—
Total available-for-sale securities in a gross unrealized loss position	**$13,615**	**($246)**	**$10,562**	**($557)**

	December 31, 2017			
	Less than 12 Months		12 Months or Greater	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$10,337	($107)	$9,251	($355)
Other agency	40	—	1,079	(11)
Non-agency RMBS	5	—	105	(6)
Non-agency CMBS	1,026	(2)	52	(9)
Obligations of states and political subdivisions	12	—	21	—
Total available-for-sale securities in a gross unrealized loss position	**$11,420**	**($109)**	**$10,508**	**($381)**

At March 31, 2018, the gross unrealized losses relate to 354 separate securities.

Impairment Recognition on Investments in Securities

We recognized $0 million and $13 million in net impairment of available-for-sale securities in earnings during 1Q 2018 and 1Q 2017, respectively. For our available-for-sale securities in an unrealized loss position at March 31, 2018, we have asserted that we have no intent to sell and believe it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis.

The ending balance of remaining credit losses on available-for-sale securities where a portion of other-than-temporary impairment was recognized in other comprehensive income was $1.0 billion and $1.1 billion as of March 31, 2018 and December 31, 2017, respectively.

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.

(In millions)	1Q 2018	1Q 2017
Gross realized gains	$446	$218
Gross realized losses	(51)	(28)
Net realized gains (losses)	**$395**	**$190**

Non-Cash Investing and Financing Activities

During 1Q 2018, we purchased $2.5 billion and sold $2.6 billion of non-mortgage-related securities that were traded, but not settled. We settled our purchase and sale obligations during 2Q 2018.

NOTE 8

Debt Securities and Subordinated Borrowings

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

	Balance, Net		Interest Expense	
(In millions)	March 31, 2018	December 31, 2017	1Q 2018	1Q 2017
Debt securities of consolidated trusts held by third parties	$1,726,969	$1,720,996	$12,514	$11,721
Other debt:				
Short-term debt	54,255	73,069	229	96
Long-term debt	223,583	240,565	1,214	1,368
Total other debt	**277,838**	**313,634**	**1,443**	**1,464**
Total debt, net	**$2,004,807**	**$2,034,630**	**$13,957**	**$13,185**

Our debt cap under the Purchase Agreement is $346.1 billion in 2018 and will decline to $300 billion on January 1, 2019. As of March 31, 2018, our aggregate indebtedness for purposes of the debt cap was $281.6 billion. 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.

	March 31, 2018				December 31, 2017			
(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	2018 - 2055	$1,294,881	$1,333,449	3.68%	2018 - 2055	$1,278,911	$1,318,350	3.68%
20-year fixed-rate	2018 - 2038	72,248	74,308	3.42	2018 - 2038	73,866	76,022	3.43
15-year fixed-rate	2018 - 2033	255,968	261,219	2.86	2018 - 2033	260,633	266,241	2.86
Adjustable-rate	2018 - 2048	45,337	46,313	2.88	2018 - 2048	47,169	48,220	2.85
Interest-only	2026 - 2041	6,711	6,780	3.79	2026 - 2041	7,303	7,379	3.74
FHA/VA	2018 - 2046	815	834	4.83	2018 - 2046	847	866	4.85
Total single-family		**1,675,960**	**1,722,903**			**1,668,729**	**1,717,078**	
Multifamily	2019-2047	4,008	4,066	3.80	2019-2047	3,876	3,918	3.99
Total debt securities of consolidated trusts held by third parties		**$1,679,968**	**$1,726,969**			**$1,672,605**	**$1,720,996**	

(1) Includes $638 million and $639 million at March 31, 2018 and December 31, 2017, 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 2.84% as of March 31, 2018 and December 31, 2017, respectively.

Other Debt

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

	March 31, 2018			December 31, 2017		
(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®	$26,958	$26,898	1.40%	$45,717	$45,596	1.19%
Medium-term notes	17,612	17,612	1.12	17,792	17,792	1.03
Securities sold under agreements to repurchase	9,745	9,745	1.38	9,681	9,681	1.06
Total other short-term debt	**54,315**	**54,255**	**1.31**	**73,190**	**73,069**	**1.14**
Other long-term debt:						
Original maturities on or before December 31,						
2018	42,157	42,172	1.38	70,557	70,587	1.16
2019	61,168	61,120	1.54	57,689	57,637	1.54
2020	38,232	38,205	1.68	38,117	38,087	1.68
2021	26,040	26,050	1.89	22,809	22,829	1.80
2022	18,715	18,684	2.38	18,538	18,506	2.38
Thereafter	20,986	18,394	4.81	17,281	14,660	5.29
STACR and SCR debt[3]	19,318	19,714	5.24	17,925	18,338	5.06
Hedging-related basis adjustments	N/A	(756)		N/A	(79)	
Total other long-term debt[4]	226,616	223,583	2.24	242,916	240,565	2.04
Total other debt	**$280,931**	**$277,838**		**$316,106**	**$313,634**	

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes $5.0 billion and $5.2 billion at March 31, 2018 and December 31, 2017, 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 long-term debt includes callable debt of $113.5 billion and $113.8 billion at March 31, 2018 and December 31, 2017, 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-based interest-rate swaps;
- LIBOR- and Treasury-based purchased options (including swaptions); and
- LIBOR- and Treasury-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.

Beginning on October 1, 2017, due to the adoption of amended hedge accounting guidance, 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. Prior to October 1, 2017, if the hedge relationship qualified for hedge accounting, changes in fair value of the derivative hedging instrument and changes in the fair value of the hedged item attributable to the risk being hedged were recognized in other income (loss) and interest accruals on the derivative hedging instrument were included in derivative gains (losses).

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 1Q 2018 and 1Q 2017, we reclassified from AOCI into earnings, pre-tax losses of $38 million and $43 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.

	March 31, 2018			December 31, 2017		
	Notional or Contractual	Derivatives at Fair Value		Notional or Contractual	Derivatives at Fair Value	
(In millions)	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Not designated as hedges						
Interest-rate swaps:						
Receive-fixed	$186,581	$1,517	($361)	$213,717	$2,121	($1,224)
Pay-fixed	195,839	690	(496)	185,400	751	(5,008)
Basis (floating to floating)	5,763	—	—	5,244	—	(2)
Total interest-rate swaps	**388,183**	**2,207**	**(857)**	**404,361**	**2,872**	**(6,234)**
Option-based:						
Call swaptions						
Purchased	55,425	2,066	—	58,975	2,709	—
Written	4,400	—	(86)	4,650	—	(101)
Put swaptions						
Purchased(1)	40,080	1,446	—	47,810	1,058	—
Written	3,750	—	(14)	3,000	—	(20)
Other option-based derivatives(2)	10,625	669	—	10,683	757	—
Total option-based	**114,280**	**4,181**	**(100)**	**125,118**	**4,524**	**(121)**
Futures	250,445	—	—	267,385	—	—
Commitments	77,875	105	(183)	54,207	44	(64)
Credit derivatives	4,651	26	(48)	3,569	7	(46)
Other	4,569	1	(48)	2,906	1	(19)
Total derivatives not designated as hedges	**840,003**	**6,520**	**(1,236)**	**857,546**	**7,448**	**(6,484)**
Designated as fair value hedges						
Interest-rate swaps:						
Receive-fixed	87,398	—	(1,318)	83,352	2	(714)
Pay-fixed	75,441	277	(2,588)	69,402	1,388	(291)
Total derivatives designated as fair value hedges	**162,839**	**277**	**(3,906)**	**152,754**	**1,390**	**(1,005)**
Derivative interest receivable (payable)		836	(941)		1,407	(1,596)
Netting adjustments(3)		(7,179)	5,738		(9,870)	8,816
Total derivative portfolio, net	**$1,002,842**	**$454**	**($345)**	**$1,010,300**	**$375**	**($269)**

(1) Includes swaptions on credit indices with a notional or contractual amount of $4.4 billion and $13.4 billion at March 31, 2018 and December 31, 2017, respectively, and a fair value of $3.5 million and $5.0 million at March 31, 2018 and December 31, 2017, respectively.

(2) Primarily consists of purchased interest-rate caps and floors and options on Treasury futures.

(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). In addition, for 1Q 2017, the table includes the accrual of periodic cash settlements on derivatives in qualifying hedge relationships.

(In millions)	1Q 2018	1Q 2017
Not designated as hedges		
Interest-rate swaps:		
Receive-fixed	($3,097)	($569)
Pay-fixed	4,641	1,242
Basis (floating to floating)	(30)	—
Total interest-rate swaps	**1,514**	**673**
Option based:		
Call swaptions		
Purchased	(694)	(331)
Written	27	3
Put swaptions		
Purchased	327	(97)
Written	(27)	18
Other option-based derivatives[1]	(88)	(23)
Total option-based	**(455)**	**(430)**
Other:		
Futures	387	(115)
Commitments	518	54
Credit derivatives	14	(16)
Other	(3)	(1)
Total other	**916**	**(78)**
Accrual of periodic cash settlements:		
Receive-fixed interest-rate swaps	222	445
Pay-fixed interest-rate swaps	(368)	(912)
Other	1	—
Total accrual of periodic cash settlements	**(145)**	**(467)**
Total	**$1,830**	**($302)**

(1) Primarily consists of purchased interest-rate caps and floors and options on Treasury futures.

Fair Value Hedges

The table below presents 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.

	1Q 2018		
(In millions)	**Interest Income - Mortgage Loans**	**Interest Expense**	**Other Income (Loss)**
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:	$15,951	($13,957)	$121
Interest contracts on mortgage loans held-for-investment:			
Gain or (loss) on fair value hedging relationships:[1]			
Hedged items	(1,973)	—	—
Derivatives designated as hedging instruments	1,687	—	—
Interest accruals on hedging instruments	(167)	—	—
Discontinued hedge related basis adjustment amortization	16	—	—
Interest contracts on debt:			
Gain or (loss) on fair value hedging relationships:			
Hedged items	—	678	—
Derivatives designated as hedging instruments	—	(591)	—
Interest accruals on hedging instruments	—	(14)	—
Discontinued hedge related basis adjustment amortization	—	—	—

	1Q 2017		
(In millions)	**Interest Income - Mortgage Loans**	**Interest Expense**	**Other Income (Loss)**
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:	$15,965	($13,185)	$415
Interest contracts on mortgage loans held-for-investment:			
Gain or (loss) on fair value hedging relationships:[1]			
Hedged items	—	—	(26)
Derivatives designated as hedging instruments[2]	—	—	65
Discontinued hedge related basis adjustment amortization	—	—	—

(1) In 1Q 2017, gains or losses on derivatives and hedged items were recorded in other income (loss). Beginning in 4Q 2017, gains and losses and interest accruals are recorded in interest income - mortgage loans in our condensed consolidated statements of comprehensive income due to adoption of amended hedge accounting guidance.

(2) The gain or (loss) on fair value hedging relationships excludes ($83) million of interest accruals which were recorded in derivatives gains (losses) in our condensed consolidated statements of comprehensive income.

Cumulative Basis Adjustments Due to Fair Value Hedging

The table below presents 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.

	March 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	$130,875	($1,731)	($1,731)
Debt	(95,975)	756	(14)

	December 31, 2017		
		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	$128,140	$198	$198
Debt	(92,277)	79	(14)

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 have defaulted simultaneously on March 31, 2018, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately $33 million.

Regulations adopted by certain financial institution regulators (including FHFA) that became effective March 1, 2017 require posting of variation margin without the application of any thresholds for OTC derivative transactions executed after that date. As a result, our and the counterparties' credit ratings are no longer used in determining the amount of collateral to be posted in connection with these transactions.

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 $105 million and $44 million at March 31, 2018 and December 31, 2017, 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. Although it is not our practice to repledge collateral that has been pledged to us, these agreements may allow us to repledge all or a portion of the collateral.

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 Asset and Liabilities

At March 31, 2018 and December 31, 2017, 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 table below displays 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. During 1Q 2018, certain rule amendments made by the LCH Group became effective. As a result, the legal characterization of variation margin payments for certain of our cleared swaps changed from posting of margin collateral to settlements. The table below reflects this change as of March 31, 2018.

	March 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	$7,490	($5,366)	($1,975)	$149	($116)	$33
Cleared and exchange-traded derivatives	11	—	162	173	—	173
Other	132	—	—	132	—	132
Total derivatives	**7,633**	**(5,366)**	**(1,813)**	**454**	**(116)**	**338**
Securities purchased under agreements to resell[3][4]	41,828	—	—	41,828	(41,828)	—
Total	**$49,461**	**($5,366)**	**($1,813)**	**$42,282**	**($41,944)**	**$338**
Liabilities:						
Derivatives:						
OTC derivatives	($5,797)	$5,366	$365	($66)	$—	($66)
Cleared and exchange-traded derivatives	(7)	—	7	—	—	—
Other	(279)	—	—	(279)	—	(279)
Total derivatives	**(6,083)**	**5,366**	**372**	**(345)**	**—**	**(345)**
Securities sold under agreements to repurchase[4]	(9,745)	—	—	(9,745)	9,745	—
Total	**($15,828)**	**$5,366**	**$372**	**($10,090)**	**$9,745**	**($345)**

	December 31, 2017					
		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	$7,648	($5,499)	($1,903)	$246	($205)	$41
Cleared and exchange-traded derivatives	2,545	(2,266)	(202)	77	—	77
Other	52	—	—	52	—	52
Total derivatives	**10,245**	**(7,765)**	**(2,105)**	**375**	**(205)**	**170**
Securities purchased under agreements to resell[3][4]	55,903	—	—	55,903	(55,903)	—
Total	**$66,148**	**($7,765)**	**($2,105)**	**$56,278**	**($56,108)**	**$170**
Liabilities:						
Derivatives:						
OTC derivatives	($6,285)	$5,499	$688	($98)	$—	($98)
Cleared and exchange-traded derivatives	(2,671)	2,266	363	(42)	—	(42)
Other	(129)	—	—	(129)	—	(129)
Total derivatives	**(9,085)**	**7,765**	**1,051**	**(269)**	**—**	**(269)**
Securities sold under agreements to repurchase[4]	(9,681)	—	—	(9,681)	9,681	—
Total	**($18,766)**	**$7,765**	**$1,051**	**($9,950)**	**$9,681**	**($269)**

(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 $3.1 billion as of both March 31, 2018 and December 31, 2017.

(3) 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 March 31, 2018, and December 31, 2017, we had $27.0 billion and $34.8 billion, respectively, of securities pledged to us in these transactions. In addition, at March 31, 2018 and December 31, 2017, we had $0.5 billion and $3.4 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.

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

Collateral Pledged

Collateral Pledged to Freddie Mac

We have cash pledged to us as collateral primarily related to OTC derivative transactions. At March 31, 2018, we had $2.2 billion pledged to us as collateral that was classified as restricted cash included in cash and cash equivalents on our condensed consolidated balance sheets.

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.

	March 31, 2018			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[(2)]	Total
Debt securities of consolidated trusts[(1)]	$395	$—	$42	$437
Trading securities	2,766	8,954	165	11,885
Total securities pledged	**$3,161**	**$8,954**	**$207**	**$12,322**

	December 31, 2017			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[(2)]	Total
Debt securities of consolidated trusts[(1)]	$375	$—	$111	$486
Trading securities	2,766	9,705	362	12,833
Total securities pledged	**$3,141**	**$9,705**	**$473**	**$13,319**

(1) Represents PCs 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.

(2) 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.

	March 31, 2018				
(In millions)	Overnight and continuous	30 days or less	After 30 days through 90 days	Greater than 90 days	Total
U.S. Treasury securities	$—	$8,954	$—	$—	$8,954

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 rates of 21% and 35% for 1Q 2018 and 1Q 2017, respectively, related to available-for-sale securities, closed cash flow hedges and our defined benefit plans.

	1Q 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[(1)]	(488)	—	(2)	(490)
Amounts reclassified from accumulated other comprehensive income	(312)	30	(4)	(286)
Changes in AOCI by component	**(800)**	**30**	**(6)**	**(776)**
Cumulative effect of change in accounting principle[(2)]	143	(73)	19	89
Ending balance	**$5**	**($399)**	**$96**	**($298)**

	1Q 2017			
(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	$915	($480)	$21	$456
Other comprehensive income before reclassifications[(1)]	112	—	(3)	109
Amounts reclassified from accumulated other comprehensive income	(114)	28	—	(86)
Changes in AOCI by component	**(2)**	**28**	**(3)**	**23**
Ending balance	**$913**	**($452)**	**$18**	**$479**

(1) For 1Q 2018 and 1Q 2017, net of tax expense (benefit) of ($0.1) billion and $0.1 billion, respectively, for AOCI related to available-for-sale securities.

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

In 1Q 2018, we adopted the accounting guidance related to the reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The reclassification includes stranded tax effects related to unrealized gains and losses on available-for-sale securities, deferred net losses on closed cash flow hedges and our defined benefit plans.

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.

(In millions)	1Q 2018	1Q 2017
AOCI related to available-for-sale securities		
Affected line items in the consolidated statements of comprehensive income:		
Other gains (losses) on investment securities recognized in earnings	$395	$190
Net impairment of available-for-sale securities recognized in earnings	—	(13)
Total before tax	**395**	**177**
Income tax (expense) or benefit	(83)	(63)
Net of tax	**312**	**114**
AOCI related to cash flow hedge relationships		
Affected line items in the consolidated statements of comprehensive income:		
Interest expense	(38)	(43)
Income tax (expense) or benefit	8	15
Net of tax	**(30)**	**(28)**
AOCI related to defined benefit plans		
Affected line items in the consolidated statements of comprehensive income:		
Salaries and employee benefits	5	—
Income tax (expense) or benefit	(1)	—
Net of tax	**4**	**—**
Total reclassifications in the period	**$286**	**$86**

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 $0.4 billion and $0.5 billion at March 31, 2018 and March 31, 2017, 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 $97 million, net of taxes, of the $0.4 billion of cash flow hedge losses in AOCI at March 31, 2018 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 16 years.

Senior Preferred Stock

As of March 31, 2018, our Net Worth Amount was $2.2 billion, less than the $3.0 billion Capital Reserve Amount; therefore, we will not have a dividend obligation to Treasury in June 2018. In addition, because our net worth was positive at March 31, 2018, no draw is being requested from Treasury under the Purchase Agreement. See **Note 2** for additional information.

Because we had a net worth deficit at December 31, 2017, FHFA, as Conservator, submitted a draw request, on our behalf, to Treasury under the Purchase Agreement. We received this funding request during 1Q 2018. The aggregate liquidation preference of the senior preferred stock owned by Treasury was $75.6 billion and $75.3 billion as of March 31, 2018 and December 31, 2017, respectively.

Stock Issuances and Repurchases

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during 1Q 2018, except for issuances of treasury stock relating to stock-based compensation granted prior to conservatorship.

Earnings Per Share

We have participating securities related to options and 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 options to purchase common stock; and
- Vested restricted stock units 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 following common stock equivalent shares outstanding:

- Weighted average shares related to stock options if the average market price during the period exceeds the exercise price; and

- The weighted-average of restricted stock units.

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.

For purposes of the earnings-per-share calculation, all stock options outstanding at March 31, 2018 and March 31, 2017 were out of the money and excluded from the computation of dilutive potential common shares during both 1Q 2018 and 1Q 2017.

Dividends Declared

No common dividends were declared during 1Q 2018. During 1Q 2018, we also did not pay dividends on the senior preferred stock. In addition, we did not declare or pay dividends on any other series of Freddie Mac preferred stock outstanding during 1Q 2018.

NOTE 12

Income Taxes

Income Tax Expense

For 1Q 2018 and 1Q 2017, we reported income tax expense of $0.7 billion and $1.1 billion, respectively, resulting in effective tax rates of 20.4% and 33.4%, respectively. Our effective tax rates differed from the statutory tax rates of 21% and 35% 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 $8.3 billion and $8.1 billion as of March 31, 2018 and December 31, 2017, respectively. At March 31, 2018, 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 March 31, 2018, 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 March 31, 2018, we have a $33 million valuation allowance recorded against our capital loss carryforward deferred tax asset.

Unrecognized Tax Benefits and IRS Examinations

We evaluated all income tax positions and determined that there were no uncertain tax positions that required reserves as of March 31, 2018.

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. The chart below provides a summary of our three reportable segments and the All Other category. For more information, see our 2017 Annual Report.

Segment/ Category	Description	Activities/Items	Financial Performance Measurement Basis
Single-family Guarantee	The Single-family Guarantee segment reflects results from our purchase, securitization and guarantee of single-family loans and the management of single-family mortgage credit risk. In most instances, we securitize the loans and guarantee the payment of principal and interest on the mortgage-related securities in exchange for guarantee fees. Segment Earnings for this segment consist primarily of guarantee fee income, less credit-related expenses, credit risk transfer expenses, administrative expenses, allocated funding costs and amounts related to net float income or expenses.	• Purchase and guarantee of single-family mortgage loans • Credit risk transfer transactions • Loss mitigation activities • Managing foreclosure and REO activities • Tax expense/benefit • Allocated debt costs and administrative expenses	• Contribution to GAAP net income (loss)

Segment/ Category	Description	Activities/Items	Financial Performance Measurement Basis
Multifamily	The Multifamily segment 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. Our primary business model is to purchase multifamily loans for aggregation and then securitization through issuance of multifamily K Certificates and SB Certificates. We also issue and guarantee other securitization products, issue other credit risk transfer products and provide other mortgage-related guarantees. Segment Earnings for this segment consist primarily of returns on assets related to multifamily investment activities and guarantee fee income, less credit-related expenses, administrative expenses and allocated funding costs.	• Multifamily loans held-for-sale and associated securitization activities (i.e., K Certificates and SB Certificates) • Investments in CMBS and multifamily loans held-for-investment • Other mortgage-related guarantees • Other securitization products • Other credit risk transfer products • Tax expense/benefit • Allocated debt costs and administrative expenses	• Contribution to GAAP comprehensive income (loss)
Capital Markets	The Capital Markets segment reflects results from managing the company's mortgage-related investments portfolio (excluding Multifamily segment investments, single-family seriously delinquent loans and the credit risk of single-family performing and reperforming loans), treasury function, single-family securitization activities and interest-rate risk. Segment Earnings for this segment consist primarily of the returns on these investments, less the related funding, hedging and administrative expenses.	• Investments in single-family mortgage-related securities and single-family performing loans and reperforming loans • All other traded non-mortgage related instruments and securities • Debt issuances • Interest-rate risk management • Guarantee buy-ups, net of execution gains/losses • Cash and liquidity management • Settlements, including legal settlements, relating to non-agency mortgage-related securities • Tax expense/benefit • Allocated administrative expenses	• Contribution to GAAP comprehensive income (loss)
All Other	The All Other category consists of material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments.	• Tax settlements, as applicable • Legal settlements, as applicable • Tax expense/benefit associated with changes in the deferred tax asset valuation allowance or revaluation associated with a statutory tax rate change • FHFA-mandated termination of our pension plan	N/A

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 funding 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.

(In millions)	1Q 2018	1Q 2017
Segment Earnings (loss), net of taxes:		
Single-family Guarantee	$702	$710
Multifamily	472	449
Capital Markets	1,752	1,052
All Other	—	—
Total Segment Earnings, net of taxes	**2,926**	**2,211**
Net income	**$2,926**	**$2,211**
Comprehensive income (loss) of segments:		
Single-family Guarantee	$698	$708
Multifamily	404	445
Capital Markets	1,048	1,081
All Other	—	—
Comprehensive income of segments	**2,150**	**2,234**
Comprehensive income	**$2,150**	**$2,234**

The tables below present detailed reconciliations between our GAAP financial statements and Segment Earnings for our reportable segments and All Other.

	1Q 2018						
(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	$—	$271	$817	$—	$1,088	$1,930	$3,018
Guarantee fee income[(1)]	1,513	195	—	—	1,708	(1,514)	194
Benefit (provision) for credit losses	28	16	—	—	44	(107)	(63)
Net impairment of available-for-sale securities recognized in earnings	—	—	111	—	111	(111)	—
Derivative gains (losses)	(6)	655	1,302	—	1,951	(121)	1,830
Gains (losses) on trading securities	—	(156)	(471)	—	(627)	—	(627)
Gains (losses) on loans	—	(451)	—	—	(451)	131	(320)
Other non-interest income (loss)	100	177	530	—	807	(55)	752
Administrative expenses	(336)	(100)	(84)	—	(520)	—	(520)
REO operations expense	(39)	—	1	—	(38)	4	(34)
Other non-interest expense	(379)	(14)	(6)	—	(399)	(157)	(556)
Income tax expense	(179)	(121)	(448)	—	(748)	—	(748)
Net income	**702**	**472**	**1,752**	**—**	**2,926**	**—**	**2,926**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(67)	(733)	—	(800)	—	(800)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	30	—	30	—	30
Changes in defined benefit plans	(4)	(1)	(1)	—	(6)	—	(6)
Total other comprehensive income (loss), net of taxes	**(4)**	**(68)**	**(704)**	**—**	**(776)**	**—**	**(776)**
Comprehensive income	**$698**	**$404**	**$1,048**	**$—**	**$2,150**	**$—**	**$2,150**

Referenced footnote is included after the next table.

	1Q 2017						
(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	$—	$271	$929	$—	$1,200	$2,595	$3,795
Guarantee fee income[1]	1,418	151	—	—	1,569	(1,420)	149
Benefit (provision) for credit losses	39	6	—	—	45	71	116
Net impairment of available-for-sale securities recognized in earnings	—	(4)	73	—	69	(82)	(13)
Derivative gains (losses)	(15)	127	52	—	164	(466)	(302)
Gains (losses) on trading securities	—	1	(135)	—	(134)	—	(134)
Gains (losses) on loans	—	(33)	—	—	(33)	47	14
Other non-interest income (loss)	334	272	748	—	1,354	(694)	660
Administrative expenses	(333)	(95)	(83)	—	(511)	—	(511)
REO operations expense	(59)	—	—	—	(59)	3	(56)
Other non-interest expense	(318)	(21)	(4)	—	(343)	(54)	(397)
Income tax expense	(356)	(226)	(528)	—	(1,110)	—	(1,110)
Net income	**710**	**449**	**1,052**	**—**	**2,211**	**—**	**2,211**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(4)	2	—	(2)	—	(2)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	28	—	28	—	28
Changes in defined benefit plans	(2)	—	(1)	—	(3)	—	(3)
Total other comprehensive income (loss), net of taxes	**(2)**	**(4)**	**29**	**—**	**23**	**—**	**23**
Comprehensive income	**$708**	**$445**	**$1,081**	**$—**	**$2,234**	**$—**	**$2,234**

(1) Guarantee fee income is included in other income (loss) on our GAAP condensed consolidated statements of comprehensive income.

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 $1.8 trillion UPB of our single-family credit guarantee portfolio at both March 31, 2018 and December 31, 2017. See **Note 4** and **Note 7** for more information about credit risk associated with loans and mortgage-related securities that we hold or guarantee.

	March 31, 2018		December 31, 2017		Percent of Credit Losses	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate	1Q 2018	1Q 2017
Core single-family loan portfolio	79%	0.32%	78%	0.35%	6%	3%
Legacy and relief refinance single-family loan portfolio	21	2.41	22	2.59	94	97
Total	**100%**	**0.97**	**100%**	**1.08**	**100%**	**100%**
Region(1)						
West	31%	0.43	30%	0.47	17%	31%
Northeast	24	1.13	25	1.24	41	32
North Central	16	0.73	16	0.81	19	17
Southeast	16	1.79	16	1.95	18	17
Southwest	13	0.83	13	0.98	5	3
Total	**100%**	**0.97**	**100%**	**1.08**	**100%**	**100%**
State(2)						
New Jersey	3%	1.56	3%	1.78	13%	10%
California	18	0.38	18	0.41	13	23
Florida	6	3.02	6	3.33	10	11
New York	5	1.62	5	1.74	9	6
Illinois	5	1.03	5	1.13	9	9
All other	63	0.81	63	0.91	46	41
Total	**100%**	**0.97%**	**100%**	**1.08%**	**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 1Q 2018.

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.

	Percentage of Portfolio(1)		Serious Delinquency Rate(1)	
(Percentage of portfolio based on UPB)	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Interest-only	1%	1%	4.61%	4.97%
Alt-A	1	1	5.40	5.62
Original LTV ratio greater than 90%(2)	17	17	1.51	1.70
Lower credit scores at origination (less than 620)	2	2	5.74	6.34

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

(2) Includes HARP loans, which we purchase 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 table below summarizes the concentration of single-family and multifamily sellers who provided 10% or more of our purchase volume.

Single-family Sellers	1Q 2018	1Q 2017
Wells Fargo Bank, N.A.	15%	18%
Other top 10 sellers	36	38
Top 10 single-family sellers	**51%**	**56%**

Multifamily Sellers	1Q 2018	1Q 2017
CBRE Capital Markets, Inc.	14%	15%
Walker & Dunlop, LLC	12	8
Berkadia Commercial Mortgage LLC	11	15
Holliday Fenoglio Fowler, L.P.	10	12
Other top 10 sellers	32	32
Top 10 multifamily sellers	**79%**	**82%**

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 rapidly in recent years, and we purchase a significant share of our loans from them. Our top five non-depository sellers provided approximately 22% and 18% of our single-family purchase volume during 1Q 2018 and 1Q 2017, respectively.

Servicers

Significant portions of our single-family and multifamily loans are serviced by several large servicers. The table below summarizes 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, excluding loans underlying multifamily securitizations where we are not in first loss position, primarily K Certificates and SB Certificates.

Single-family Servicers	March 31, 2018(1)	December 31, 2017(1)
Wells Fargo Bank, N.A.	18%	18%
Other top 10 servicers	40	40
Top 10 single-family servicers	**58%**	**58%**

(1) Percentage of servicing volume is based on the total single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing.

Multifamily Servicers	March 31, 2018	December 31, 2017
Wells Fargo Bank, N.A.	18%	16%
Berkadia Commercial Mortgage LLC	10	11
CBRE Capital Markets, Inc.	9	12
Other top 10 servicers	37	36
Top 10 multifamily servicers	**74%**	**75%**

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 rapidly in recent years and now service a large share of our loans. As of March 31, 2018 and December 31, 2017, approximately 16% and 15%, respectively, of our single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing, was serviced by our top five non-depository servicers. We routinely monitor the performance of our largest non-depository servicers.

Mortgage Insurers

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 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 March 31, 2018, mortgage insurers provided coverage with maximum loss limits of $86.7 billion, for $338.5 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. Regulatory approvals of the acquisition are still pending. Genworth Mortgage Insurance Corporation is a subsidiary of Genworth Financial, Inc.

		Mortgage Insurance Coverage(2)	
Mortgage Insurer	**Credit Rating(1)**	**March 31, 2018**	**December 31, 2017**
Arch Mortgage Insurance Company	A-	24%	24%
Radian Guaranty Inc.	BBB-	21	21
Mortgage Guaranty Insurance Corporation	BBB	19	19
Genworth Mortgage Insurance Corporation	BB+	15	15
Essent Guaranty, Inc.	BBB+	12	12
Total		**91%**	**91%**

(1) Ratings are for the corporate entity to which we have the greatest exposure. Latest rating available as of March 31, 2018. Represents the lower of S&P and Moody's credit ratings stated in terms of the S&P equivalent.

(2) Coverage amounts may include coverage provided by affiliates and subsidiaries of the counterparty.

We received proceeds of $0.1 billion during both 1Q 2018 and 1Q 2017 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 March 31, 2018 and December 31, 2017. The balance of these receivables, net of an associated allowance for credit losses, was approximately $0.1 billion at both March 31, 2018 and December 31, 2017.

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 March 31, 2018 and December 31, 2017, we had cumulative unpaid deferred payment obligations of $0.5 billion from these insurers. We recognized an allowance for credit losses for 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.

Cash and Other Investments Counterparties

We are exposed to the non-performance of counterparties relating to cash and 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 cash and 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, the Government Securities Division of Fixed Income Clearing Corporation (GSD/FICC), highly-rated supranational institutions and government money market funds. As of March 31, 2018 and December 31, 2017, $561 million and $239 million 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. As of March 31, 2018 and December 31, 2017, including amounts related to our consolidated VIEs, the balance in our other investments and cash portfolio was $69.9 billion and $89.3 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 cash advanced to lenders. As of March 31, 2018, all of our securities purchased under agreements to resell were fully collateralized.

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.

(In millions)	March 31, 2018 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	$—	$27,936	$5,127	$—	$33,063
Other agency	—	1,786	44	—	1,830
Non-agency RMBS	—	—	2,363	—	2,363
Non-agency CMBS	—	69	1,643	—	1,712
Obligations of states and political subdivisions	—	—	327	—	327
Total available-for-sale securities, at fair value	**—**	**29,791**	**9,504**	**—**	**39,295**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	11,161	1,456	—	12,617
Other agency	—	3,416	9	—	3,425
All other	—	19	1,583	—	1,602
Total mortgage-related securities	**—**	**14,596**	**3,048**	**—**	**17,644**
Non-mortgage-related securities	15,713	2,849	—	—	18,562
Total trading securities, at fair value	**15,713**	**17,445**	**3,048**	**—**	**36,206**
Total investments in securities	**15,713**	**47,236**	**12,552**	**—**	**75,501**
Mortgage loans:					
Held-for-sale, at fair value	—	15,832	—	—	15,832
Derivative assets, net:					
Interest-rate swaps	—	2,484	—	—	2,484
Option-based derivatives	—	4,181	—	—	4,181
Other	—	105	27	—	132
Subtotal, before netting adjustments	**—**	**6,770**	**27**	**—**	**6,797**
Netting adjustments[1]	—	—	—	(6,343)	(6,343)
Total derivative assets, net	**—**	**6,770**	**27**	**(6,343)**	**454**
Other assets:					
Guarantee asset, at fair value	—	—	3,285	—	3,285
Non-derivative held-for-sale purchase commitments, at fair value	—	129	—	—	129
All other, at fair value	—	—	88	—	88
Total other assets	**—**	**129**	**3,373**	**—**	**3,502**
Total assets carried at fair value on a recurring basis	**$15,713**	**$69,967**	**$15,952**	**($6,343)**	**$95,289**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$9	$629	$—	$638
Other debt, at fair value	—	4,844	135	—	4,979
Derivative liabilities, net:					
Interest-rate swaps	—	4,763	—	—	4,763
Option-based derivatives	—	100	—	—	100
Other		212	67	—	279
Subtotal, before netting adjustments	**—**	**5,075**	**67**	**—**	**5,142**
Netting adjustments[1]	—	—	—	(4,797)	(4,797)
Total derivative liabilities, net	**—**	**5,075**	**67**	**(4,797)**	**345**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	19	—	—	19
Total liabilities carried at fair value on a recurring basis	**$—**	**$9,947**	**$831**	**($4,797)**	**$5,981**

Referenced footnote is included after the next table.

	December 31, 2017				
(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	$—	$30,415	$5,055	$—	$35,470
Other agency	—	2,007	46	—	2,053
Non-agency RMBS	—	—	3,933	—	3,933
Non-agency CMBS	—	87	1,697	—	1,784
Obligations of states and political subdivisions	—	—	357	—	357
Total available-for-sale securities, at fair value	**—**	**32,509**	**11,088**	**—**	**43,597**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	11,393	842	—	12,235
Other agency	—	3,565	9	—	3,574
All other	—	27	2,066	—	2,093
Total mortgage-related securities	**—**	**14,985**	**2,917**	**—**	**17,902**
Non-mortgage-related securities	20,159	2,660	—	—	22,819
Total trading securities, at fair value	**20,159**	**17,645**	**2,917**	**—**	**40,721**
Total investments in securities	**20,159**	**50,154**	**14,005**	**—**	**84,318**
Mortgage loans:					
Held-for-sale, at fair value	—	20,054	—	—	20,054
Derivative assets, net:					
Interest-rate swaps	—	4,262	—	—	4,262
Option-based derivatives	—	4,524	—	—	4,524
Other	—	44	8	—	52
Subtotal, before netting adjustments	**—**	**8,830**	**8**	**—**	**8,838**
Netting adjustments[1]	—	—	—	(8,463)	(8,463)
Total derivative assets, net	**—**	**8,830**	**8**	**(8,463)**	**375**
Other assets:					
Guarantee asset, at fair value	—	—	3,171	—	3,171
Non-derivative held-for-sale purchase commitments, at fair value	—	137	—	—	137
All other, at fair value	—	—	45	—	45
Total other assets	**—**	**137**	**3,216**	**—**	**3,353**
Total assets carried at fair value on a recurring basis	**$20,159**	**$79,175**	**$17,229**	**($8,463)**	**$108,100**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$9	$630	$—	$639
Other debt, at fair value	—	5,023	137	—	5,160
Derivative liabilities, net:					
Interest-rate swaps	—	7,239	—	—	7,239
Option-based derivatives	—	121	—	—	121
Other	—	64	65	—	129
Subtotal, before netting adjustments	**—**	**7,424**	**65**	**—**	**7,489**
Netting adjustments[1]	—	—	—	(7,220)	(7,220)
Total derivative liabilities, net	**—**	**7,424**	**65**	**(7,220)**	**269**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	4	—	—	4
Total liabilities carried at fair value on a recurring basis	**$—**	**$12,460**	**$832**	**($7,220)**	**$6,072**

(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 in our condensed consolidated statements of comprehensive income for Level 3 assets and liabilities. When assets and liabilities are transferred between levels, we recognize the transfer as of the beginning of the period.

	1Q 2018											
		Realized and unrealized gains (losses)										
(In millions)	Balance, January 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, March 31, 2018	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$5,055	($3)	($105)	($108)	$433	$—	$—	($253)	$—	$—	$5,127	($3)
Other agency	46	—	—	—	—	—	—	(2)	—	—	44	—
Non-agency RMBS	3,933	448	(451)	(3)	—	—	(1,467)	(100)	—	—	2,363	16
Non-agency CMBS	1,697	(2)	(47)	(49)	—	—	—	(5)	—	—	1,643	(2)
Obligations of states and political subdivisions	357	—	(2)	(2)	—	—	—	(28)	—	—	327	—
Total available-for-sale mortgage-related securities	**11,088**	**443**	**(605)**	**(162)**	**433**	**—**	**(1,467)**	**(388)**	**—**	**—**	**9,504**	**11**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	842	(77)	—	(77)	817	—	(35)	(5)	—	(86)	1,456	(73)
Other agency	9	—	—	—	—	—	—	—	—	—	9	—
All other	2,066	(47)	—	(47)	—	—	(420)	(16)	—	—	1,583	(38)
Total trading mortgage-related securities	**2,917**	**(124)**	**—**	**(124)**	**817**	**—**	**(455)**	**(21)**	**—**	**(86)**	**3,048**	**(111)**
Other assets:												
Guarantee asset	3,171	16	—	16	—	235	—	(137)	—	—	3,285	16
All other, at fair value	45	6	—	6	43	9	(15)	—	—	—	88	3
Total other assets	**$3,216**	**$22**	**$—**	**$22**	**$43**	**$244**	**($15)**	**($137)**	**$—**	**$—**	**$3,373**	**$19**

		Realized and unrealized (gains) losses										
	Balance, January 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, March 31, 2018	Unrealized (gains) losses still held[3]
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	$9	$—	$9	$—	($22)	$—	($4)	$—	$—	$40	$6

Referenced footnotes are included after the next table.

	1Q 2017											
		Realized and unrealized gains (losses)										
(In millions)	Balance, January 1, 2017	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, March 31, 2017	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$9,847	($2)	$21	$19	$647	$—	($699)	($316)	$17	($3,096)	$6,419	($6)
Other agency	66	—	—	—	—	—	—	(4)	—	—	62	—
Non-agency RMBS	11,797	277	(98)	179	—	—	(2,217)	(489)	—	—	9,270	69
Non-agency CMBS	3,366	1	2	3	—	—	—	(9)	—	—	3,360	1
Obligations of states and political subdivisions	665	—	—	—	—	—	—	(105)	—	—	560	—
Total available-for-sale mortgage-related securities	**25,741**	**276**	**(75)**	**201**	**647**	**—**	**(2,916)**	**(923)**	**17**	**(3,096)**	**19,671**	**64**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	1,095	(47)	—	(47)	103	—	(592)	(9)	154	(152)	552	(41)
Other agency	12	(1)	—	(1)	—	—	—	—	—	—	11	(1)
All other	113	—	—	—	—	—	—	(4)	—	—	109	—
Total trading mortgage-related securities	**1,220**	**(48)**	**—**	**(48)**	**103**	**—**	**(592)**	**(13)**	**154**	**(152)**	**672**	**(42)**
Other assets:												
Guarantee asset	2,299	(7)	—	(7)	—	164	—	(116)	—	—	2,340	(7)
All other, at fair value	—	—	—	—	—	—	—	—	—	—	—	—
Total other assets	**$2,299**	**($7)**	**$—**	**($7)**	**$—**	**$164**	**$—**	**($116)**	**$—**	**$—**	**$2,340**	**($7)**

		Realized and unrealized gains (losses)										
	Balance, January 1, 2017	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, March 31, 2017	Unrealized gains (losses) still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$—	$—	$—	$—	$—	$530	$—	$—	$—	$—	$530	$—
Other debt, at fair value	95	—	—	—	—	—	—	(1)	—	—	94	—
Net derivatives[2]	50	21	—	21	—	1	—	(11)	—	—	61	13
Other Liabilities:												
All other, at fair value	($2)	$2	$—	$2	$10	$—	$—	$—	$—	$—	$10	$2

(1) Transfers out of Level 3 during 1Q 2018 and 1Q 2017 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 1Q 2018 and 1Q 2017 consisted primarily of certain mortgage-related securities due to a lack of market activity and 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 March 31, 2018 and March 31, 2017, 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.

	March 31, 2018				
			Unobservable Inputs		
(**In millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Recurring fair value measurements					
Assets					
Investments in securities					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$4,950	Discounted cash flows	OAS	21 - 325 bps	72 bps
	177	Other			
Total Freddie Mac	**5,127**				
Other agency	44	Other			
Non-agency RMBS	2,148	Median of external sources	External pricing sources	$71.2 - $77.6	$73.8
	215	Other			
Total non-agency RMBS	**2,363**				
Non-agency CMBS	1,643	Single external source	External pricing sources	$105.0 - $106.0	$105.6
Obligations of states and political subdivisions	306	Median of external sources	External pricing sources	$100.6 - $101.2	$100.9
	21	Other			
Total obligations of states and political subdivisions	**327**				
Total available-for-sale mortgage-related securities	**9,504**				
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	1,168	Risk metrics	Effective duration	(12.82) - 65.95 years	6.70 years
	288	Other			
Total Freddie Mac	**1,456**				
Other agency	9	Other			
All other	1,582	Single external source	External pricing sources	$6.3 - $110.0	$96.1
	1	Other			
Total all other	**1,583**				
Total trading mortgage-related securities	**3,048**				
Total investments in securities	**$12,552**				
Other assets:					
Guarantee asset, at fair value	$3,285	Discounted cash flows	OAS	17 - 198 bps	45 bps
All other at fair value	88	Other			
Total other assets	**3,373**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	629	Single external source	External Pricing Sources	$97.8 - $100.5	$100.0
Other debt, at fair value	135	Other			
Net derivatives	40	Other			

	December 31, 2017				
			Unobservable Inputs		
(In millions, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Recurring fair value measurements					
Assets					
Investments in securities:					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$4,873	Discounted cash flows	OAS	27 - 501 bps	68 bps
	182	Other			
Total Freddie Mac	**5,055**				
Other agency	46	Other			
Non-agency RMBS	3,665	Median of external sources	External pricing sources	$75.6 - $80.8	$77.7
	268	Other			
Total non-agency RMBS	**3,933**				
Non-agency CMBS	1,696	Single external source	External pricing sources	$108.4 - $108.9	$108.7
	1	Other			
Total non-agency CMBS	**1,697**				
Obligations of states and political subdivisions	334	Median of external sources	External pricing sources	$101.2 - $101.6	$101.4
	23	Other			
Total obligations of states and political subdivisions	**357**				
Total available-for-sale mortgage-related securities	**11,088**				
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	582	Discounted cash flows	OAS	(8,905) - 27,202 bps	(88) bps
	243	Risk metrics	Effective duration	0.00 - 55.93 years	11.76 years
	17	Other			
Total Freddie Mac	**842**				
Other agency	9	Other			
All other	2,065	Single external source	External pricing sources	$6.4 - $113.2	$98.0
	1	Other			
Total all other	**2,066**				
Total trading mortgage-related securities	**2,917**				
Total investments in securities	**$14,005**				
Other assets:					
Guarantee asset, at fair value	$3,171	Discounted cash flows	OAS	17 - 198 bps	45 bps
All other at fair value	45	Other			
Total other assets	**3,216**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	630	Single external source	External Pricing Sources	$99.2 - $100.2	$100.1
Other debt, at fair value	137	Other			
Net derivatives	57	Other			

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.

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

	March 31, 2018				December 31, 2017			
(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)]	$—	$61	$5,716	$5,777	$—	$494	$6,199	$6,693

(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 and liabilities measured on our condensed consolidated balance sheets at fair value on a non-recurring basis. Certain of the fair values in the tables below were not obtained as of the period end, but were obtained during the period.

	March 31, 2018				
			Unobservable Inputs		
(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	$5,716				
		Internal model	Historical sales proceeds	$3,000 - $947,675	$176,122
		Internal model	Housing sales index	43 - 455 bps	102 bps
		Median of external sources	External pricing sources	$36.1 - $94.8	$81.5

	December 31, 2017				
			Unobservable Inputs		
(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	$6,199				
		Internal model	Historical sales proceeds	$3,000 - $899,000	$176,558
		Internal model	Housing sales index	43 - 394 bps	102 bps
		Median of external sources	External pricing sources	$36.5 - $94.9	$80.9

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, advances to lenders and other secured lending 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 market value volatility.

	March 31, 2018						
			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[(3)]	Amortized cost	$8,617	$8,617	$—	$—	$—	$8,617
Securities purchased under agreements to resell	Amortized cost	41,828	—	41,828	—	—	41,828
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	39,295	—	29,791	9,504	—	39,295
Trading, at fair value	FV - NI	36,206	15,713	17,445	3,048	—	36,206
Total investments in securities		**75,501**	**15,713**	**47,236**	**12,552**	**—**	**75,501**
Mortgage loans:							
Loans held by consolidated trusts		1,778,010	—	1,614,741	137,928	—	1,752,669
Loans held by Freddie Mac		90,341	—	29,045	64,246	—	93,291
Total mortgage loans	**Various[(4)]**	**1,868,351**	**—**	**1,643,786**	**202,174**	**—**	**1,845,960**
Derivative assets, net	FV - NI	454	—	6,770	27	(6,343)	454
Guarantee asset	FV - NI	3,285	—	—	3,304	—	3,304
Non-derivative purchase commitments, at fair value	FV - NI	129	—	129	48	—	177
Advances to lenders and other secured lending	Amortized cost	1,233	—	332	636	—	968
Total financial assets		**$1,999,398**	**$24,330**	**$1,740,081**	**$218,741**	**($6,343)**	**$1,976,809**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,726,969	$—	$1,695,195	$2,668	$—	$1,697,863
Other debt		277,838	—	277,455	3,759	—	281,214
Total debt, net	**Various[(5)]**	**2,004,807**	**—**	**1,972,650**	**6,427**	**—**	**1,979,077**
Derivative liabilities, net	FV - NI	345	—	5,075	67	(4,797)	345
Guarantee obligation	Amortized cost	3,157	—	—	3,435	—	3,435
Non-derivative purchase commitments, at fair value	FV - NI	19	—	19	15	—	34
Total financial liabilities		**$2,008,328**	**$—**	**$1,977,744**	**$9,944**	**($4,797)**	**$1,982,891**

(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) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance.

(4) As of March 31, 2018, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value and FV - NII were$1.8 trillion, $11.8 billion and $15.8 billion, respectively.

(5) As of March 31, 2018, the GAAP carrying amounts measured at amortized cost and FV - NII were $2.0 trillion and $5.6 billion, respectively.

			December 31, 2017				
			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[3]	Amortized cost	$9,811	$9,811	$—	$—	$—	$9,811
Securities purchased under agreements to resell	Amortized cost	55,903	—	55,903	—	—	55,903
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	43,597	—	32,509	11,088	—	43,597
Trading, at fair value	FV - NI	40,721	20,159	17,645	2,917	—	40,721
Total investments in securities		**84,318**	**20,159**	**50,154**	**14,005**	**—**	**84,318**
Mortgage loans:							
Loans held by consolidated trusts		1,774,286	—	1,635,137	145,911	—	1,781,048
Loans held by Freddie Mac		96,931	—	32,169	67,932	—	100,101
Total mortgage loans	**Various[4]**	**1,871,217**	**—**	**1,667,306**	**213,843**	**—**	**1,881,149**
Derivative assets, net	FV - NI	375	—	8,830	8	(8,463)	375
Guarantee asset	FV - NI	3,171	—	—	3,359	—	3,359
Non-derivative purchase commitments, at fair value	FV - NI	137	—	137	55	—	192
Advances to lenders and other secured lending	Amortized cost	1,269	—	473	796	—	1,269
Total financial assets		**$2,026,201**	**$29,970**	**$1,782,803**	**$232,066**	**($8,463)**	**$2,036,376**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,720,996	$—	$1,721,091	$2,679	$—	$1,723,770
Other debt		313,634	—	313,688	3,892	—	317,580
Total debt, net	**Various[5]**	**2,034,630**	**—**	**2,034,779**	**6,571**	**—**	**2,041,350**
Derivative liabilities, net	FV - NI	269	—	7,424	65	(7,220)	269
Guarantee obligation	Amortized cost	3,081	—	—	3,742	—	3,742
Non-derivative purchase commitments, at fair value	FV - NI	4	—	4	15	—	19
Total financial liabilities		**$2,037,984**	**$—**	**$2,042,207**	**$10,393**	**($7,220)**	**$2,045,380**

(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) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance.

(4) As of December 31, 2017, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value and FV - NII were$1.8 trillion, $14.7 billion and $20.1 billion, respectively.

(5) As of December 31, 2017, the GAAP carrying amounts measured at amortized cost and FV - NII were $2.0 trillion and $5.8 billion, respectively.

HARP Loans

The fair value of mortgage loans includes loans refinanced under HARP of $24.8 billion and $30.2 billion as of March 31, 2018 and December 31, 2017, respectively. The fair value of HARP loans reflects the total compensation that we receive for the delivery of a HARP loan, based on the pricing that we are willing to offer because HARP is a part of a broader government program intended to provide assistance to homeowners and prevent foreclosures. When HARP ends on December 31, 2018, the beneficial pricing afforded to HARP loans may no longer be reflected in the pricing structure of our guarantee fees. If these benefits were not reflected in the pricing for these loans, the fair value of our loans would have decreased by $1.8 billion and $2.1 billion as of March 31, 2018 and December 31, 2017, 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.

	March 31, 2018			December 31, 2017		
(In millions)	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties(1)	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties(1)
Fair value	$15,832	$4,979	$629	$20,054	$5,160	$630
Unpaid principal balance	15,880	4,494	630	19,762	4,666	630
Difference	($48)	$485	($1)	$292	$494	$—

(1) Does not include interest-only securities with fair value of $9 million for both March 31, 2018 and December 31, 2017.

Changes in Fair Value Under the Fair Value Option Election

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

	1Q 2018	1Q 2017
(In millions)	Gains (Losses)	
Multifamily held-for-sale loans	($458)	($35)
Multifamily held-for-sale loan purchase commitments	105	224
Other debt - long term	9	(99)
Debt securities of consolidated trusts held by third parties	2	10

Changes in fair value attributable to instrument-specific credit risk were not material for 1Q 2018 and 1Q 2017 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.

At present, it is not possible for us to predict the probable outcome of this lawsuit or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matter due to the following factors, among others: the inherent uncertainty of pre-trial litigation and the fact that the District Court has not yet ruled upon motions for class certification or summary judgment. In particular, absent the certification of a class, the identification of a class period, 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. In response to a request from Freddie Mac, on April 11, 2018, the District Court issued an order requiring Freddie Mac to submit a formal motion for leave to amend the complaint, along with its proposed amended complaint, by May 15, 2018.

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.

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.

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.

Litigation in the U.S. District Court for the District of Delaware

Jacobs and Hindes vs. FHFA and Treasury. This case was filed on August 17, 2015 as a putative class action lawsuit purportedly on behalf of a class of holders of preferred stock or common stock issued by Freddie Mac or Fannie Mae. The case was also filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac and Fannie Mae as "nominal" defendants. The complaint alleges, among other items, that the August 2012 amendment to the Purchase Agreement violated applicable state law and constituted a breach of contract, as well as a breach of covenants of good faith and fair dealing. Plaintiffs seek equitable and injunctive relief (including restitution of the monies paid by Freddie Mac and Fannie Mae to Treasury under the net worth sweep dividend), compensatory damages, attorneys' fees, costs and expenses. On November 27, 2017, the Court dismissed the case with prejudice after defendants filed a motion to dismiss. On December 21, 2017, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Third Circuit.

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.

(In millions)	March 31, 2018	December 31, 2017
GAAP net worth (deficit)	$2,150	($312)
Core capital (deficit)(1)(2)	(70,200)	(73,037)
Less: Minimum capital requirement(1)	17,661	18,431
Minimum capital surplus (deficit)(1)	**($87,861)**	**($91,468)**

(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.

During 2017, we and Fannie Mae worked with FHFA to develop an overall risk measurement framework for evaluating our risk management and business decisions during conservatorship, known as CCF. We use both CCF and our internal capital methodologies, which are aligned, to measure risk for making economically effective decisions. We are required to submit quarterly reports to FHFA related to 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.

(In millions)	1Q 2018	1Q 2017
Other income (loss):		
Gains (losses) on loans	($320)	$14
Income on guarantee obligation	171	146
Guarantee fee income	194	149
Gains (losses) on held-for-sale loan purchase commitments	105	224
All other	(29)	(118)
Total other income (loss)	**$121**	**$415**

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

(In millions)	March 31, 2018	December 31, 2017
Other assets:		
Real estate owned, net	$837	$892
Accounts and other receivables[1]	6,565	7,397
Guarantee asset	3,285	3,171
Fixed assets	837	798
Advances to lenders	901	796
All other	613	636
Total other assets	**$13,038**	**$13,690**
Other liabilities:		
Servicer liabilities	$587	$628
Guarantee obligation	3,157	3,081
Accounts payable and accrued expenses	715	754
Payables related to securities	2,503	2,813
Income taxes payable	1,415	656
All other	746	1,036
Total other liabilities	**$9,123**	**$8,968**

(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 report and in our 2017 Annual Report.

In addition, a number of lawsuits have been filed against the U.S. government related to the conservatorship and the Purchase Agreement. For information on these lawsuits, see the **Legal Proceedings** section in our 2017 Annual Report. On March 8, 2018, seven amended complaints were filed in the U.S. Court of Federal Claims, including five under seal. Freddie Mac was previously named as a nominal defendant in two of the actions for which an amended complaint was filed under seal. In addition, five new lawsuits were filed in the U.S. Court of Federal Claims against the United States, one on February 23, 2018, three on March 8, 2018, and one on April 11, 2018. These new lawsuits seek to invalidate the net worth sweep provisions of the senior preferred stock. 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 2017 Annual Report, which describes various risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies and/or prospects.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

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

Following our entry into conservatorship, we suspended the operation of, and ceased making grants under, equity compensation plans. Previously, we had provided equity compensation under those plans to employees and members of the Board of Directors. Under the Purchase Agreement, we cannot issue any new options, rights to purchase, participations, or other equity interests without Treasury’s prior approval. However, grants outstanding as of the date of the Purchase Agreement remain in effect in accordance with their terms.

No stock options were exercised during 1Q 2018. See **Note 11** in our 2017 Annual Report for more information.

Dividend Restrictions

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 **Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - *Dividends and Dividend Restrictions*** in our 2017 Annual Report.

Information About Certain Securities Issuances by Freddie Mac

Pursuant to SEC regulations, public companies are required to disclose certain information when they incur a material direct financial obligation or become directly or contingently liable for a material obligation under an off-balance sheet arrangement. The disclosure must be made in a current report on Form 8-K under Item 2.03 or, if the obligation is incurred in connection with certain types of securities offerings, in prospectuses for those offerings that are filed with the SEC.

Freddie Mac's securities offerings are exempted from SEC registration requirements. As a result, we do not file registration statements or prospectuses with the SEC with respect to our securities offerings. To comply with the disclosure requirements of Form 8-K relating to the incurrence of material financial obligations, we report these types of obligations either in offering circulars or offering circular supplements that we post on our web site or in a current report on Form 8-K, in accordance with a "no-action" letter we received from the SEC staff. In cases where the information is disclosed in an offering circular or offering circular supplement, the document will be posted on our web site within the same time period that a prospectus for a non-exempt securities offering would be required to be filed with the SEC.

The web site address for disclosure about our debt securities is **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 debt notes and SCR debt notes is available at **www.freddiemac.com/creditriskofferings** and **mf.freddiemac.com/investors/**, respectively.

Disclosure about the mortgage-related securities we issue, some of which are off-balance sheet obligations (e.g., K Certificates and SB Certificates), can be found at **www.freddiemac.com/mbs**. From this address, investors can access information and documents about our mortgage-related securities, including offering circulars and offering circular supplements.

We provide additional information, including product descriptions, investor presentations, securities issuance calendars, transactions volumes and details, redemption notices and Freddie Mac research, 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 March 31, 2018. 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 March 31, 2018, 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 1Q 2018

We evaluated the changes in our internal control over financial reporting that occurred during 1Q 2018 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 March 31, 2018 that we have not remediated.

Based on discussions with FHFA and 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 1Q 2018 have been prepared in conformity with GAAP.

Exhibit Index

Exhibit	Description*
4.1	Federal Home Loan Mortgage Corporation Global Debt Facility Agreement, dated February 15, 2018
12.1	Statement re: computation of ratio of earnings to fixed charges and computation of ratio of earnings to combined fixed charges and preferred stock dividends
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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
101.DEF	XBRL Taxonomy Extension Definition

* 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/ Donald H. Layton

Donald H. Layton
Chief Executive Officer

Date: May 1, 2018

By: /s/ James G. Mackey

James G. Mackey
Executive Vice President — Chief Financial Officer
(Principal Financial Officer)

Date: May 1, 2018

Form 10-Q Index

Exhibit 4.1

FEDERAL HOME LOAN MORTGAGE CORPORATION

GLOBAL DEBT FACILITY AGREEMENT

AGREEMENT, dated as of February 15, 2018, among the Federal Home Loan Mortgage Corporation **("Freddie Mac"**) and Holders of Debt Securities (each as hereinafter defined).

Whereas:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the laws of the United States (Title III of the Emergency Home Finance Act of 1970, as amended (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;

(b) Pursuant to Section 306(a) of the Freddie Mac Act, Freddie Mac is authorized, upon such terms and conditions as it may prescribe, to borrow, to pay interest or other return, and to issue notes, bonds or other obligations or securities; and

(c) To provide funds to permit Freddie Mac to engage in activities consistent with its statutory purposes, Freddie Mac has established a Global Debt Facility (the **"Facility"**) and authorized the issuance, from time to time, pursuant to this Agreement, of unsecured general obligations of Freddie Mac or, if so provided in the applicable Supplemental Agreement (as hereinafter defined), secured obligations of Freddie Mac **("Debt Securities"**).

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed that the following terms and conditions of this Agreement (including, as to each issue of the Debt Securities, the applicable Supplemental Agreement) shall govern the Debt Securities and the rights and obligations of Freddie Mac and Holders with respect to the Debt Securities.

ARTICLE I

Definitions

Whenever used in this Agreement, the following words and phrases shall have the following meanings, unless the context otherwise requires.

Additional Debt Securities: Debt Securities issued by Freddie Mac with the same terms (other than Issue Date, interest commencement date and issue price) and conditions as Debt Securities for which settlement has previously occurred so as to form a single series of Debt Securities as specified in the applicable Supplemental Agreement.

Agreement: This Global Debt Facility Agreement dated as of February 15, 2018, as it may be amended or supplemented from time to time, and successors thereto pursuant to which Freddie Mac issues the Debt Securities.

Amortizing Debt Securities: Debt Securities on which Freddie Mac makes periodic payments of principal during the terms of such Debt Securities as described in the related Supplemental Agreement.

Beneficial Owner: The entity or individual that beneficially owns a Debt Security.

Bonds: Callable or non-callable, puttable or non-puttable Debt Securities with maturities of more than ten years.

Book-Entry Rules: FHFA regulations, 12 C.F.R. Part 1249, applicable to the Fed Book-Entry Debt Securities, and such procedures as to which Freddie Mac and the FRBNY may agree.

Business Day: (i) With respect to Fed Book-Entry Debt Securities, any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the FRBNY is closed, (d) as to any Holder of a Fed Book-Entry Debt Security, a day on which the Federal Reserve Bank that maintains the Holder's account is closed, or (e) a day on which Freddie Mac's offices are closed; and (ii) with respect to Registered Debt Securities, any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions are closed in (i) the City of New York, if the Specified Payment Currency is U.S. dollars or (2) the Principal Financial Center of the country of such Specified Payment Currency, if the Specified Payment Currency is other than U.S. dollars or euro, (d) if the Specified Payment Currency is euro, a day on which the TARGET2 system is not open for settlements, or a day on which payments in euro cannot be settled in the international interbank market as determined by the Global Agent, (e) for any required payment, a day on which banking institutions are closed in the place of payment, or (f) a day on which Freddie Mac's offices are closed.

Calculation Agent: Freddie Mac or a bank or broker-dealer designated by Freddie Mac in the applicable Supplemental Agreement as the entity responsible for determining the interest rate on a Variable Rate Debt Security.

Calculation Date: In each year, each of those days in the calendar year that are specified in the applicable Supplemental Agreement as being the scheduled Interest Payment Dates regardless, for this purpose, of whether any such date is in fact an Interest Payment Date and, for the avoidance of doubt, a "Calculation Date" may occur prior to the Issue Date or after the last Principal Payment Date.

Cap: A maximum interest rate at which interest may accrue on a Variable Rate Debt Security during any Interest Reset Period.

Citibank - London: Citibank, N.A., London office, the Global Agent for Registered Debt Securities.

Citigroup - Frankfurt: Citigroup Global Markets Deutschland AG, the Registrar for Registered Debt Securities.

Clearstream, Luxembourg: Clearstream Banking, société anonyme, which holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants.

CMS Determination Date: The second New York Banking Day preceding the applicable Reset Date.

CMS Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(M).

CMT Determination Date: The second New York Banking Day preceding the applicable Reset Date.

CMT Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(L).

Code: The Internal Revenue Code of 1986, as amended.

Common Depositary: The common depositary for Euroclear, Clearstream, Luxembourg and/or any other applicable clearing system, which will hold Other Registered Debt Securities on behalf of Euroclear, Clearstream, Luxembourg and/or any such other applicable clearing system.

CUSIP Number: A unique nine-character designation assigned to each Debt Security by the CUSIP Service Bureau and used to identify each issuance of Debt Securities on the records of the Federal Reserve Banks or DTC, as applicable.

Dealers: Firms that engage in the business of dealing or trading in debt securities as agents, brokers or principals.

Debt Securities: Unsecured subordinated or unsubordinated notes, bonds and other debt securities issued from time to time by Freddie Mac under the Facility, or if so provided in the applicable Supplemental Agreement, secured obligation issued from time to time by Freddie Mac under the Facility.

Deleverage Factor: A Multiplier of less than one by which an applicable Index is multiplied.

Depository: DTC or any successor.

Deposits: Deposits commencing on the applicable Reset Date.

Designated EURIBOR Reuters Page: The display on Reuters Page EURIBOR01, or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying rates for Deposits in euro.

Designated EUR-LIBOR Reuters Page: The display on Reuters Page LIBOR01 or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying rates for Deposits in euro.

Designated Reuters Page: The display on Reuters Page LIBOR01 (or where the Index Currency is Australian dollars, Swiss francs or Yen, Page LIBOR02) or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying British Bankers' Association interest settlement rates for Deposits in the Index Currency.

Determination Date: The date as of which the rate of interest applicable to an Interest Reset Period is determined.

Determination Period: The period from, and including, one Calculation Date to, but excluding, the next Calculation Date.

DTC: The Depository Trust Company, a limited-purpose trust company, which holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes in accounts of DTC participants.

DTC Registered Debt Securities: Registered Debt Securities registered in the name of a nominee of DTC, which will clear and settle through the system operated by DTC.

EURIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(I).

EURIBOR Determination Date: The second TARGET2 Business Day preceding the applicable Reset Date, unless EURIBOR is determined in accordance with Section 2.07(i)(I)(3), in which case it means the applicable Reset Date.

EUR-LIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(H).

EUR-LIBOR Determination Date: The second TARGET2 Business Day preceding the applicable Reset Date.

Euroclear: Euroclear System, a depositary that holds securities for its participants and clears and settles transactions between its participants through simultaneous electronic book-entry delivery against payment.

Euro Representative Amount: A principal amount of not less than the equivalent of U.S. $1,000,000 in euro that, in the Calculation Agent's sole judgment, is representative for a single transaction in the relevant market at the relevant time.

Euro-Zone: The region consisting of member states of the European Union that adopt the single currency in accordance with the Treaty.

Event of Default: As defined in Section 7.01(a).

Extendible Variable Rate Securities: Variable Rate Debt Securities, the maturity of which may be extended at a Benefical Owner's option effective as of certain specified dates, subject to a final maturity date, and that bear interest at variable rates subject to different Spreads for different specified periods.

Facility: The Global Debt Facility described in the Offering Circular dated February 15, 2018 under which Freddie Mac issues the Debt Securities.

Fed Book-Entry Debt Securities: U.S. dollar denominated Debt Securities issued and maintained in book-entry form on the Fed Book-Entry System.

Fed Book-Entry System: The book-entry system of the Federal Reserve Banks which provides book-entry holding and settlement for U.S. dollar denominated securities issued by the U.S. Government, certain of its agencies, instrumentalities, government-sponsored enterprises and international organizations of which the United States is a member.

Federal Funds Rate (Daily): The rate determined by the Calculation Agent in accordance with Section 2.07(i)(N).

Federal Funds Rate (Daily) Determination Date: The applicable Reset Date; provided, however, that if the Reset Date is not a Business Day, then the Federal Funds Rate (Daily) Determination Date means the Business Day immediately following the applicable Reset Date.

Federal Reserve: The Board of Governors of the Federal Reserve System.

Federal Reserve Bank: Each U.S. Federal Reserve Bank that maintains Debt Securities in book-entry form.

Federal Reserve Banks: Collectively, the Federal Reserve Banks.

Fiscal Agency Agreement: The Uniform Fiscal Agency Agreement between Freddie Mac and the FRBNY.

Fiscal Agent: The FRBNY is fiscal agent for Fed Book-Entry Debt Securities.

Fixed Principal Repayment Amount: An amount equal to 100% of the principal amount of a Debt Security, payable on the applicable Maturity Date or earlier date of redemption or repayment or a specified amount above or below such principal amount, as provided in the applicable Supplemental Agreement.

Fixed Rate Debt Securities: Debt Securities that bear interest at a single fixed rate.

Fixed/Variable Rate Debt Securities: Debt Securities that bear interest at a single fixed rate during one or more specified periods and at a variable rate determined by reference to one or more Indices, or otherwise, during one or more other periods. As to any such fixed rate period, the provisions of this Agreement relating to Fixed Rate Debt Securities shall apply, and, as to any such variable rate period, the provisions of this Agreement relating to Variable Rate Debt Securities shall apply.

Floor: A minimum interest rate at which interest may accrue on a Debt Security during any Interest Reset Period.

Freddie Mac: Federal Home Loan Mortgage Corporation, a government-sponsored enterprise chartered by Congress pursuant to the Freddie Mac Act.

Freddie Mac Act: Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. § 1451-1459.

FRBNY: The Federal Reserve Bank of New York.

Global Agency Agreement: The agreement between Freddie Mac, the Global Agent and the Registrar.

Global Agent: The entity selected by Freddie Mac to act as its fiscal, transfer and paying agent for Registered Debt Securities.

H.15: The statistical release entitled "Statistical Release H.15, Selected Interest Rates" as published by the Federal Reserve, or any successor publication of the Federal Reserve available on its website at http://www.federalreserve.gov/releases/h15/or any successor site.

Holder: In the case of Fed Book-Entry Debt Securities, the entity whose name appears on the book-entry records of a Federal Reserve Bank as Holder; in the case of Registered Debt Securities in global registered form, the depository, or its nominee, in whose name the Registered Debt Securities are registered on behalf of a related clearing system; and, in the case of Registered Debt Securities in definitive registered form, the person or entity in whose name such Debt Securities are registered in the Register.

Holding Institutions: Entities eligible to maintain book-entry accounts with a Federal Reserve Bank.

Index: LIBOR, EUR-LIBOR, EURIBOR, Prime Rate, Treasury Rate, CMT Rate, CMS Rate, or Federal Funds Rate (Daily) or other specified interest rate, exchange rate or other index, as the case may be.

Index Currency: The currency or currency unit specified in the applicable Supplemental Agreement with respect to which an Index will be calculated for a Variable Rate Debt Security; provided, however, that if euro are substituted for such currency or currency unit, the Index Currency will be euro and, with respect to LIBOR, the determination provisions for EUR-LIBOR will apply to such Debt Securities upon such substitution. If no such currency or currency unit is specified in the applicable Supplemental Agreement, the Index Currency will be U.S. dollars.

Index Maturity: The period with respect to which an Index will be calculated for a Variable Rate Debt Security that is specified in the applicable Supplemental Agreement.

Interest Component: Each future interest payment, or portion thereof, due on or prior to the Maturity Date, or if the Debt Security is subject to redemption or repayment prior to the Maturity Date, the first date on which such Debt Security is subject to redemption or repayment.

Interest Payment Date: The date or dates on which interest on Debt Securities will be payable in arrears.

Interest Payment Period: Unless otherwise provided in the applicable Supplemental Agreement, the period beginning on (and including) the Issue Date or the most recent Interest Payment Date, as the case may be, and ending on (but excluding) the earlier of the next Interest Payment Date or the Principal Payment Date.

Interest Reset Period: The period beginning on the applicable Reset Date and ending on the calendar day preceding the next Reset Date.

Issue Date: The date on which Freddie Mac wires an issue of Debt Securities to Holders or other date specified in the applicable Supplemental Agreement.

Leverage Factor: A Multiplier of greater than one by which an applicable Index is multiplied.

LIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(G).

LIBOR Determination Date: The second London Banking Day preceding the applicable Reset Date unless the Index Currency is Sterling, in which case it means the applicable Reset Date.

London Banking Day: Any day on which commercial banks are open for business (including dealings in foreign exchange and deposits in the Index Currency) in London.

Maturity Date: The date, one day or longer from the Issue Date, on which a Debt Security will mature unless extended, redeemed or repaid prior thereto.

Mortgage Linked Amortizing Debt Securities: Amortizing Debt Securities on which Freddie Mac makes periodic payments of principal based on the rate of payments on referenced mortgage or mortgage-related assets, as described in the related Supplemental Agreement.

Multiplier: A constant or variable number (which may be greater than or less than one) to be multiplied by the relevant Index for a Variable Rate Debt Security.

Notes: Callable or non-callable, puttable or non-puttable Debt Securities with maturities of more than one day.

New York Banking Day: Any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions in the City of New York are required or permitted by law or executive order to close, or (d) a day on which the FRBNY is closed.

Offering Circular: The Freddie Mac Global Debt Facility Offering Circular dated February 15, 2018 (including any related Offering Circular Supplement) and successors thereto.

OID Determination Date: The last day of the last accrual period ending prior to the date of the meeting of Holders (or, for consents not at a meeting, prior to a date established by Freddie Mac). The accrual period will be the same as the accrual period used by Freddie Mac to determine its deduction for accrued original issue discount under section 163 (e) of the Code.

Other Registered Debt Securities: Registered Debt Securities that are not DTC Registered Debt Securities, that are deposited with a Common Depositary and that will clear and settle through the systems operated by Euroclear, Clearstream, Luxembourg and/or any such other applicable clearing system other than DTC.

Pricing Supplement: A supplement to the Offering Circular that describes the specific terms of, and provides pricing information and other information for, an issue of Debt Securities or which otherwise amends, modifies or supplements the terms of the Offering Circular.

Prime Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(J).

Prime Rate Determination Date: The New York Banking Day preceding the applicable Reset Date.

Principal Component: The principal payment plus any interest payments that are either due after the date specified in, or are specified as ineligible for stripping in, the applicable Supplemental Agreement.

Principal Financial Center: (1) with respect to U.S. dollars, Sterling, Yen and Swiss francs, the City of New York, London, Tokyo and Zurich, respectively; or (2) with respect to any other Index Currency, the city specified in the related Pricing Supplement.

Principal Payment Date: The Maturity Date, or the earlier date of redemption or repayment, if any (whether such redemption or repayment is in whole or in part).

Range Accrual Debt Securities: Variable Rate Debt Securities on which no interest may accrue during periods when the applicable Index is outside a specified range as described in the related Supplemental Agreement.

Record Date: As to Registered Debt Securities issued in global form, the close of business on the Business Day immediately preceding such Interest Payment Date. As to Registered Debt Securities issued in definitive form, the fifteenth calendar day preceding an Interest Payment Date. Interest on a Registered Debt Security will be paid to the Holder of such Registered Debt Security as of the close of business on the Record Date.

Reference Bonds: U.S. dollar denominated non-callable and non-puttable Reference Securities with maturities of more than ten years.

Reference Notes: U.S. dollar denominated non-callable and non-puttable Reference Securities with maturities of more than one year.

Reference Securities: Scheduled U.S. dollar denominated issues of Debt Securities in large principal amounts, which may be either Reference Bonds or Reference Notes.

Register: A register of the Holders of Registered Debt Securities maintained by the Registrar.

Registered Debt Securities: Debt Securities issued and maintained in global registered or definitive registered form on the books and records of the Registrar.

Registrar: The entity selected by Freddie Mac to maintain the Register.

Representative Amount: A principal amount of not less than U.S. $1,000,000 (or, if the Index Currency is other than U.S. dollars, a principal amount not less than the equivalent in the Index Currency) that, in the Calculation Agent's sole judgment, is representative for a single transaction in the relevant market at the relevant time.

Reset Date: The date on which a new rate of interest on a Debt Security becomes effective.

Reuters: Reuters Group PLC or any successor service.

Reuters USAUCTION10 Page: The display designated as "USAUCTION10" (or any successor page) provided by Reuters.

Reuters USAUCTION11 Page: The display designated as "USAUCTION11" (or any successor page) provided by Reuters.

Reuters US PRIME1 Page: The display designated as page "USPRIME1"' (or any successor page) provided by Reuters

Specified Currency: The currency or currency unit in which a Debt Security may be denominated and in which payments of principal of and interest on a Debt Security may be made.

Specified Interest Currency: The Specified Currency provided for the payment of interest on Debt Securities.

Specified Payment Currency: The term to which the Specified Interest Currency and Specified Principal Currency are referred collectively.

Specified Principal Currency: The Specified Currency provided for the payment of principal on Debt Securities.

Spread: A constant or variable percentage or number to be added to or subtracted from the relevant Index for a Variable Rate Debt Security.

Step Debt Securities: Debt Securities that bear interest at different fixed rates during different specified periods.

Sterling: British pounds sterling.

Supplemental Agreement: An agreement which, as to the related issuance of Debt Securities, supplements the other provisions of this Agreement and identifies and establishes the particular offering of Debt Securities issued in respect thereof. A Supplemental Agreement may be documented by a supplement to this Agreement, a Pricing Supplement, a confirmation or a terms sheet. A Supplemental Agreement may, as to any particular issuance of Debt Securities, modify, amend or supplement the provisions of this Agreement in any respect whatsoever. A Supplemental Agreement shall be effective and binding as of its publication, whether or not executed by Freddie Mac.

TARGET2: The Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on November 19, 2007.

TARGET2 Business Day: A day on which the TARGET2 system or its successor is operating.

Treasury Auction: The most recent auction of Treasury Bills prior to a given Reset Date.

Treasury Bills: Direct obligations of the United States.

Treasury Department: United States Department of the Treasury.

Treasury Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(K).

Treasury Rate Determination Date: The day of the week in which the Reset Date falls on which Treasury Bills would normally be auctioned or, if no auction is held for a particular week, the first Business Day of that week. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday; provided, however, that if an auction is held on the Friday of the week preceding the Reset Date, the Treasury Rate Determination Date will be that preceding Friday; and provided, further, that if the Treasury Rate Determination Date would otherwise fall on the Reset Date, that Reset Date will be postponed to the next succeeding Business Day.

Variable Principal Repayment Amount: The principal amount determined by reference to one or more Indices or otherwise, payable on the applicable Maturity Date or date of redemption or repayment of a Debt Security, as specified in the applicable Supplemental Agreement.

Variable Rate Debt Securities: Debt Securities that bear interest at a variable rate, and reset periodically, determined by reference to one or more Indices or otherwise. The formula for a variable rate may include a Spread.

Yen: Japanese yen.

Zero Coupon Debt Securities: Debt Securities that do not bear interest and are issued at a discount to their principal amount.

ARTICLE II

Authorization; Certain Terms

Section 2.01. Authorization.

Debt Securities shall be issued by Freddie Mac in accordance with the authority vested in Freddie Mac by Section 306(a) of the Freddie Mac Act. The indebtedness represented by the Debt Securities shall be unsecured general obligations of Freddie Mac, or, if so provided in the applicable Supplemental Agreement, secured obligations of Freddie Mac. Debt Securities shall be offered from time to time by Freddie Mac in an unlimited amount and shall be known by the designation given them, and have the Maturity Dates stated, in the applicable Supplemental Agreement. Freddie Mac, in its discretion and at any time, may offer Additional Debt Securities having the same terms and conditions as Debt Securities previously offered. The Debt Securities may be issued as Reference Securities, which includes Reference Notes and Reference Bonds, or may be issued as any other Debt Securities denominated in U.S. dollars or other currencies, with maturities of one day or longer and may be in the form of Notes or Bonds or otherwise. Issuances may consist of new issues of Debt Securities or reopenings of an existing issue of Debt Securities.

Section 2.02. Other Debt Securities Issued Hereunder.

Freddie Mac may from time to time create and issue Debt Securities hereunder which contain terms and conditions not specified in this Agreement. Such Debt Securities shall be governed by the applicable Supplemental Agreement and, to the extent that the terms of this Agreement are not inconsistent with Freddie Mac's intent in creating and issuing such Debt Securities, by the terms of this Agreement. Such Debt Securities shall be secured or unsecured obligations of Freddie Mac. If the Debt Securities are secured obligations of Freddie Mac, the provisions of Article V hereof shall apply to such Debt Securities.

Section 2.03. Specified Currencies and Specified Payment Currencies.

(a) Each Debt Security shall be denominated and payable in such Specified Currency as determined by Freddie Mac. Fed Book-Entry Debt Securities will be denominated and payable in U.S. dollars only.

(b) Except under the circumstances provided in Article VI hereof, Freddie Mac shall make payments of any interest on Debt Securities in the Specified Interest Currency and shall make payments of the principal of Debt Securities in the Specified Principal Currency. The Specified Currency for the payment of interest and principal with respect to any Debt Security shall be set forth in the applicable Supplemental Agreement.

Section 2.04. Minimum Denominations.

The Debt Securities shall be issued and maintained in the minimum denominations of U.S. $1,000 and additional increments of U.S. $1,000 for U.S. dollar denominated Debt Securities, unless otherwise provided in the applicable Supplemental Agreement and as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency. In the case of Zero Coupon Debt Securities, denominations will be expressed in terms of the principal amount payable on the Maturity Date.

Section 2.05. Maturity.

(a) Each Debt Security shall mature on its Maturity Date, as provided in the applicable Supplemental Agreement, unless redeemed at the option of Freddie Mac or repaid at the option of the Holder prior thereto in accordance with the provisions described under Section 2.06. Debt Securities may be issued with minimum or maximum maturities or variable maturities allowed or required from time to time by the relevant regulatory or stock exchange authority or clearing systems or any laws or regulations applicable to the Specified Currency.

(b) If so provided in the applicable Supplemental Agreement, certain Debt Securities may have provision permitting their Beneficial Owner to elect to extend the initial Maturity Date specified in such Supplemental Agreement, or any later date to which the maturity of such Debt Securities has been extended, on specified dates. However, the maturity of such Debt Securities may not be extended beyond the final Maturity Date specified in the Supplemental Agreement.

(c) The principal amount payable on the Maturity Date of a Debt Security shall be a Fixed Principal Repayment Amount or a Variable Principal Repayment Amount, in each case as provided in the applicable Supplemental Agreement.

Section 2.06. Optional Redemption and Optional Repayment.

(a) The Supplemental Agreement for any particular issue of Debt Securities shall provide whether such Debt Securities may be redeemed at Freddie Mac's option or repayable at the Holder's option, in whole or in part, prior to their Maturity Date. If so provided in the applicable Supplemental Agreement, an issue of Debt Securities shall be subject to redemption at the option of Freddie Mac, or repayable at the option of the Holders, in whole or in part, on one or more specified dates, at any time on or after a specified date, or during one or more specified periods of time. The redemption or repayment price for such Debt Securities (or such part of such Debt Securities as is redeemed or repaid) shall be an amount provided in, or determined in a manner provided in, the applicable Supplemental Agreement, together with accrued and unpaid interest to the date fixed for redemption or repayment.

(b) Unless otherwise provided in the applicable Supplemental Agreement, notice of optional redemption shall be given to Holders of the related Debt Securities not less than 5 Business Days prior to the date of redemption in the manner provided in Section 8.07. The date that we provide such notice constitutes the first Business Day for purposes of this minimum notice period. Freddie Mac also announces its intent to redeem certain Debt Securities on the Freddie Mac website at http://www.freddiemac.com/debt/html/redemption_release.html.

(c) In the case of a partial redemption of an issue of Fed Book-Entry Debt Securities by Freddie Mac, such Fed Book-Entry Debt Securities shall be redeemed pro rata. In the case of a partial redemption of an issue of Registered Debt Securities by Freddie Mac, one or more of such Registered Debt Securities shall be reduced by the Global Agent in the amount of such redemption, subject to the principal amount of such Registered Debt Securities after redemption remaining in an authorized denomination. The effect of any partial redemption of an issue of Registered Debt Securities on the Beneficial Owners of such Registered Debt Securities will depend on the procedures of the applicable clearing system and, if such Beneficial Owner is not a participant therein, on the procedures of the participant through which such Beneficial Owner owns its interest.

(d) If so provided in the applicable Supplemental Agreement, certain Debt Securities shall be repayable, in whole or in part, by Freddie Mac at the option of the relevant Holders thereof or otherwise, on one or more specified dates, at any time on or after a specified date, or during one or more specified periods of time, upon terms and procedures provided in the applicable Supplemental Agreement. Unless otherwise provided in the applicable Supplemental Agreement, in the case of a Registered Debt Security, to exercise such option, the Holder shall deposit with the Global Agent (i) such Registered Debt Security; and (ii) a duly completed notice of optional repayment in the form obtainable from the Global Agent, in each case not more than the number of days nor less than the number of days specified in the applicable Supplemental Agreement prior to the date fixed for repayment. Unless otherwise specified in the applicable Supplemental Agreement, no such Registered Debt Security (or notice of repayment) so deposited may be withdrawn without the prior consent of Freddie Mac or the Global Agent. Unless otherwise provided in the applicable Supplemental Agreement, in the case of a Fed Book-Entry Debt Security, if the Beneficial Owner wishes to exercise such option, then the Beneficial Owner shall give notice thereof to Freddie Mac through the relevant Holding Institution as provided in the applicable Supplemental Agreement.

(e) The principal amount payable upon redemption or repayment of a Debt Security shall be a Fixed Principal Repayment Amount or a Variable Principal Repayment Amount, in each case as provided in the applicable Supplemental Agreement.

Section 2.07. Payment Terms of the Debt Securities.

(a) Debt Securities shall bear interest at one or more fixed rates or variable rates or may not bear interest. If so provided in the applicable Supplemental Agreement, Debt Securities may be separated by a Holder into one or more Interest Components and Principal Components. The Offering Circular or the applicable Supplemental Agreement for such Debt Securities shall specify the procedure for stripping such Debt Securities into such Interest and Principal Components.

(b) The applicable Supplemental Agreement shall specify the frequency with which interest, if any, is payable on the related Debt Securities. Interest on Debt Securities shall be payable in arrears on the Interest Payment Dates specified in the applicable Supplemental Agreement and on each Principal Payment Date.

(c) Each issue of interest-bearing Debt Securities shall bear interest during each Interest Payment Period. No interest on the principal of any Debt Security will accrue on or after the Principal Payment Date on which such principal is repaid.

(d) The determination by the Calculation Agent of the interest rate on, or any Index in relation to, a Variable Rate Debt Security and the determination of any payment on any Debt Security (or any interim calculation in the determination of any such interest rate, index or payment) shall, absent manifest error, be final and binding on all parties. If a principal or interest payment error occurs, Freddie Mac may correct it by adjusting payments to be made on later Interest Payment Dates or Principal Payment Dates (as appropriate) or in any other manner Freddie Mac considers appropriate. If the source of an Index changes in format, but the Calculation Agent determines that the Index source continues to disclose the information necessary to determine the related interest rate substantially as required, the Calculation Agent will amend the procedure for obtaining information from that source to reflect the changed format. All Index values used to determine principal or interest payments are subject to correction within 30 days from the applicable payment. The source of a corrected value must be the same source from which the original value was obtained. A correction might result in an adjustment on a later date to the amount paid to the Holder.

(e) Payments on Debt Securities shall be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of a Specified Payment Currency other than U.S. dollars, to the nearest smallest transferable unit (with one-half cent or unit being rounded upwards).

(f) In the event that any jurisdiction imposes any withholding or other tax on any payment made by Freddie Mac (or our agent or any other person potentially required to withhold) with respect to a Debt Security, Freddie Mac (or our agent or such other person) will deduct the amount required to be withheld from such payment, and Freddie Mac (or our agent or such other person) will not be required to pay additional interest or other amounts, or redeem or repay the Debt Securities prior to the applicable Maturity Date, as a result.

(g) *Fixed Rate Debt Securities*

Fixed Rate Debt Securities shall bear interest at a single fixed interest rate. The applicable Supplemental Agreement shall specify the fixed interest rate per annum on a Fixed Rate Debt Security. Unless otherwise specified in the applicable Supplemental Agreement, interest on a Fixed Rate Debt Security shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(h) *Step Debt Securities*

Step Debt Securities shall bear interest from their Issue Date to a specified date at their initial fixed interest rate and from that date to their Maturity Date at one or more different fixed interest rates that shall be prescribed as of the Issue Date. A Step Debt Security will have one or more step periods. The applicable Supplemental Agreement shall specify the fixed interest rate per annum payable on Step Debt Securities for each related period from issuance to maturity. Unless otherwise specified in the applicable Supplemental Agreement, interest on a Step Debt Security shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(i) *Variable Rate Debt Securities*

(A) Variable Rate Debt Securities shall bear interest at a variable rate determined on the basis of a direct or an inverse relationship to one or more specified Indices or otherwise, (x) plus or minus a Spread, if any, or (y) multiplied by one or more Leverage or Deleverage Factors, if any, as specified in the applicable Supplemental Agreement. Variable Rate Debt Securities also may bear interest in any other manner described in the applicable Supplemental Agreement.

(B) Variable Rate Debt Securities may have a Cap and/or a Floor.

(C) The applicable Supplemental Agreement shall specify the accrual method (i.e., the day count convention) for calculating interest or any relevant accrual factor on the related Variable Rate Debt Securities. The accrual method may incorporate one or more of the following defined terms:

"Actual/360" shall mean that interest or any other relevant accrual factor shall be calculated on the basis of the actual number of days elapsed in a year of 360 days.

"Actual/365 (fixed)" shall mean that interest or any other relevant accrual factor shall be calculated on the basis of the actual number of days elapsed in a year of 365 days, regardless of whether accrual or payment occurs during a calendar leap year.

"Actual/Actual" shall mean, unless otherwise indicated in the applicable Supplemental Agreement, that interest or any other relevant accrual factor shall be calculated on the basis of (x) the actual number of days elapsed in the Interest Payment Period divided by 365, or (y) if any portion of the Interest Payment Period falls in a calendar leap year, (A) the actual number of days in that portion divided by 366 plus (B) the actual number of days in the remaining portion divided by

365. If so indicated in the applicable Supplemental Agreement, “Actual/Actual” shall mean interest or any other relevant accrual factor shall be calculated in accordance with the definition of “Actual/Actual” adopted by the International Securities Market Association (**“Actual/Actual (ISMA)”**), which means a calculation on the basis of the following:

(1) where the number of days in the relevant Interest Payment Period is equal to or shorter than the Determination Period during which such Interest Payment Period ends, the number of days in such Interest Payment Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Interest Payment Dates that would occur in one calendar year; or

(2) where the Interest Payment Period is longer than the Determination Period during which the Interest Payment Period ends, the sum of (A) the number of days in such Interest Payment Period falling in the Determination Period in which the Interest Payment Period begins divided by the product of (X) the number of days in such Determination Period and (Y) the number of Interest Payment Dates that would occur in one calendar year; and (B) the number of days in such Interest Payment Period falling in the next Determination Period divided by the product of (X) the number of days in such Determination Period and (Y) the number of Interest Payment Dates that would occur in one calendar year.

(D) The applicable Supplemental Agreement shall specify the frequency with which the rate of interest on the related Variable Rate Debt Securities shall reset. The applicable Supplemental Agreement also shall specify the Reset Date. If the interest rate will reset within an Interest Payment Period, then the interest rate in effect on the sixth Business Day preceding an Interest Payment Date will be the interest rate for the remainder of that Interest Payment Period and the first day of each Interest Payment Period also will be a Reset Date. Variable Rate Debt Securities may bear interest prior to the initial Reset Date at an initial interest rate, if any, specified in the applicable Supplemental Agreement. If so, then the first day of the first Interest Payment Period will not be a Reset Date. The rate of interest applicable to each Interest Reset Period shall be determined as provided below or in the applicable Supplemental Agreement.

Except for a Variable Rate Debt Security as to which the rate of interest thereon is determined by reference to LIBOR, EUR-LIBOR, EURIBOR, Prime Rate, Treasury Rate, CMT Rate, CMS Rate, or Federal Funds Rate (Daily) or as otherwise set forth in the applicable Supplemental Agreement, the Determination Date for a Variable Rate Debt Security means the second Business Day preceding the Reset Date applicable to an Interest Reset Period.

(E) If the rate of interest on a Variable Rate Debt Security is subject to adjustment within an Interest Payment Period, accrued interest shall be calculated by multiplying the principal amount of such Variable Rate Debt Security by an accrued interest factor. Unless otherwise specified in the applicable Supplemental Agreement, this accrued interest factor shall be computed by adding the interest factor calculated for each Interest Reset Period in such Interest Payment Period and rounding the sum to nine decimal places. The interest factor for each such Interest Reset Period shall be computed by (1) multiplying the number of days in the Interest Reset Period by the interest rate (expressed as a decimal) applicable to such Interest Reset Period; and (2) dividing the product by the number of days in the year referred to in the accrual method specified in the applicable Supplemental Agreement.

(F) For each issue of Variable Rate Debt Securities, the Calculation Agent shall also cause the interest rate for the applicable Interest Reset Period and the amount of interest accrued on the minimum denomination specified for such issue to be made available to Holders as soon as practicable after its determination but in no event later than two Business Days thereafter. Such interest amounts so made available may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Reset Period.

(G) If the applicable Supplemental Agreement specifies LIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"LIBOR" shall mean, with respect to any Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in the Index Currency having the Index Maturity that appears on the Designated Reuters Page at 11:00 a.m. (London time) on such LIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, the Calculation Agent shall request the principal London offices of four leading banks in the London interbank market selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the London interbank market for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on such LIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, the Calculation Agent shall request four major banks in the applicable Principal Financial Center selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to leading European banks for a loan in the Index Currency for a period of time corresponding to the Index Maturity, commencing on such Reset Date, at approximately 11:00 a.m. in the Principal Financial Center on such LIBOR Determination Date and in a Representative Amount. If at least two such quotations are provided, LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(4) if fewer than two such quotations are provided as requested in clause (3) above, LIBOR shall be LIBOR determined with respect to the Reset Date immediately preceding such Reset Date or, in the case of the first Reset Date, shall be the rate for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on the most recent London Banking Day preceding the related LIBOR Determination Date for which such rate shall have been displayed on the Designated Reuters Page with respect to Deposits commencing on the second London Banking Day following such date (or, if the Index Currency is Sterling, commencing on such date); and

(5) if LIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to LIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to LIBOR. If, prior to the time LIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of LIBOR. If the Calculation Agent has designated an alternative determination method or index to LIBOR in accordance

with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(H) If the applicable Supplemental Agreement specifies EUR-LIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"EUR-LIBOR" shall mean, with respect to any Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in euro having the Index Maturity that appears on the Designated EUR-LIBOR Reuters Page at 11:00 a.m. (London time) on the related EUR-LIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, the Calculation Agent shall request the principal London offices of four leading banks in the London interbank market selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the London interbank market for Deposits in euro having the Index Maturity at 11:00 a.m. (London time) on such EUR-LIBOR Determination Date and in a Euro Representative Amount. If at least two quotations are provided, EUR-LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, the Calculation Agent shall request four major banks in London selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to leading European banks for a loan in euro for a period of time corresponding to the Index Maturity, commencing on such Reset Date, at approximately 11:00 a.m. (London time) on such EUR-LIBOR Determination Date and in a Euro Representative Amount. If at least two such quotations are provided, EUR-LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(4) if fewer than two such quotations are provided as requested in clause (3) above, EUR-LIBOR shall be EUR-LIBOR determined with respect to the Reset Date immediately preceding such Reset Date or, in the case of the first Reset Date, will be the rate for Deposits in euro having the Index Maturity at 11:00 a.m. (London time) on the most recent TARGET Business Day preceding the EUR-LIBOR Determination Date for which such rate was displayed on the Designated EUR-LIBOR Reuters Page for deposits starting on the second TARGET Business Day following such date; and

(5) if EUR-LIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to EUR-LIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to EU-LIBOR. If, prior to the time EU-LIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of EU-

LIBOR. If the Calculation Agent has designated an alternative determination method or index to EU-LIBOR in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the EU-LIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(l) If the applicable Supplemental Agreement specifies EURIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Statement):

"EURIBOR" shall mean, with respect to a Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in euro having the Index Maturity that appears on the Designated EURIBOR Reuters Page at 11:00 a.m., Brussels time, on the relevant EURIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, then the Calculation Agent will request the principal offices of four major banks in the Euro-Zone selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the Euro-Zone interbank market for Deposits in euro having the Index Maturity at 11:00 a.m. Brussels time on such EURIBOR Determination Date and in a Euro Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the rates quoted by major banks in the Euro-Zone, selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent), at approximately 11:00 a.m., Brussels time, on the EURIBOR Determination Date for loans in euro to leading European banks for a period of time corresponding to the Index Maturity and in a Euro Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the quotations;

(4) if fewer than two quotations are provided as requested in clause (3) above, EURIBOR will be EURIBOR as determined for the immediately preceding Reset Date or, in the case of the first Reset Date, the interest rate payable for the new Interest Reset Period will be the initial interest rate; and

(5) if EURIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to EURIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to EURIBOR. If, prior to the time EURIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of EURIBOR. If the Calculation Agent has designated an alternative determination method or index to EURIBOR in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and

the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the EURIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(J) If the applicable Supplemental Agreement specifies the Prime Rate as the applicable Index for determining the rate of interest for the related Variable Rate Debt Securities, the following provisions shall apply:

The **"Prime Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) the rate for the Prime Rate Determination Date, as published in H.15 or other recognized electronic source used for the purpose of displaying that rate opposite the caption "Bank prime loan";

(2) if the rate is not published in H.15 by 5:00 p.m., New York City time, on the Reset Date, then the Prime Rate will be the arithmetic mean, determined by the Calculation Agent, of the rates (after eliminating certain rates, as described below in this clause (2)) that appear, at 11:00 a.m., New York City time, on the Prime Rate Determination Date, on Reuters USPRIME1 Page as the U.S. dollar prime rate or base lending rate of each bank appearing on that page; provided, that at least three rates appear. In determining the arithmetic mean:

(i) if 20 or more rates appear, the highest five rates (or in the event of equality, five of the highest) and the lowest five rates (or in the event of equality, five of the lowest) will be eliminated,

(ii) if fewer than 20 but 10 or more rates appear, the highest two rates (or in the event of equality, two of the highest) and the lowest two rates (or in the event of equality, two of the lowest) will be eliminated, or

(iii) if fewer than 10 but five or more rates appear, the highest rate (or in the event of equality, one of the highest) and the lowest rate (or in the event of equality, one of the lowest) will be eliminated;

(3) if fewer than three rates so appear on Reuters USPRIME1 Page pursuant to clause (2) above, then the Calculation Agent will request five major banks in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such banks' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. If at least three quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest));

(4) if fewer than three quotations are so provided pursuant to clause (3) above, the Calculation Agent will request five banks or trust companies organized and doing business under the laws of the United States or any state, each having total equity capital of at least U.S. $500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent), to provide a quotation of such banks' or trust

companies' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. In making such selection of five banks or trust companies, the Calculation Agent will include each bank, if any, that provided a quotation as requested in clause (3) above and exclude each bank that failed to provide a quotation as requested in clause (3). If at least three quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained; and

(5) if fewer than three quotations are so provided pursuant to clause (4) above, then the Prime Rate will be the Prime Rate determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Prime Rate will be the rate calculated pursuant to clause (1) for the most recent New York Banking Day preceding the Reset Date for which such rate was published in H.15.

(K) If the applicable Supplemental Agreement specifies the Treasury Rate as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"Treasury Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) the rate for the Treasury Rate Determination Date of Treasury Bills having the Index Maturity, as published in H.15, or other recognized electronic source used for the purpose of displaying that rate under the caption "U.S. government securities/Treasury bills (secondary market)";

(2) if the rate described in clause (1) above is not so published by 3.00 p.m., New York City time, on the Reset Date, then the rate from Treasury Auction of Treasury Bills having the Index Maturity, as that rate appears under the caption "INVEST RATE" on the display on Reuters USAUCTION10 Page or Reuters USAUCTION11 Page;

(3) if the rate described in clause (2) above is not published by 5:00 p.m., New York City time, on the Reset Date, then the auction average rate for Treasury Bills having the Index Maturity obtained from the applicable Treasury Auction as announced by the Treasury Department in the form of a press release under the heading "Investment Rate" by 5:00 p.m. on such Reset Date;

(4) if the rate describe in clause (3) above is not so announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date, then auction average rate obtained from the Treasury Auction of the applicable Treasury Bills, as otherwise announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date as determined by the Calculation Agent;

(5) if such rate described in clause (4) is not so announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date, the Calculation Agent will request five leading primary United States government securities dealers in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such dealers' secondary market bid yields, as of 3:00 p.m. on the Reset Date, for Treasury Bills with a remaining maturity closest to the Index Maturity (or, in the event that the remaining maturities are equally close, the longer remaining maturity). If at least three quotations are provided, then the Treasury Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained; and

(6) if fewer than three quotations are so provided pursuant to clause (5) above, then the Treasury Rate for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the auction average rate for Treasury Bills having the Index Maturity from the most recent auction of Treasury Bills prior to the Reset Date for which such rate was announced by the Treasury Department in the form of a press release under the heading "Investment Rate."

The rate (including the auction average rate) for Treasury Bills and the secondary market bid yield for Treasury Bills will be obtained and expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable (or, if not so expressed, will be converted by the Calculation Agent to such a bond equivalent yield).

(L) If the applicable Supplemental Agreement specifies the CMT Rate as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"CMT Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) for any CMT Determination Date, the daily rate for the Index Maturity that appears on page "FRBCMT" on Reuters (or any other page that replaces the FRBCMT page on that service or any successor service) under the heading "...Treasury Constant Maturities. Federal Reserve Board Release H.15...Mondays Approximately 3:45 p.m.";

(2) if the applicable rate described in clause (1) is not displayed on Reuters page FRBCMT at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate for the Index Maturity applicable for the CMT Determination Date as published in H.15;

(3) if the CMT Rate is not determined pursuant to clause (1) and the applicable rate described in clause (2) does not appear in H.15 at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury rate, applicable to an Index Maturity with reference to the CMT Determination Date, that:

(i) is published by the Federal Reserve or the Treasury Department; and

(ii) Freddie Mac has determined to be comparable to the applicable rate formerly displayed on Reuters page 7051 and published in H.15;

(4) if the CMT Rate is not determined pursuant to clause (1) or (2) and the rate described in clause (3) above does not appear at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for U.S. Treasury securities with an original maturity of approximately the Index Maturity and a remaining term to maturity of no more than one year shorter than the Index Maturity, and in a Representative Amount, as of approximately 3:45 p.m., New York City time, on the CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City that Freddie Mac selects. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest. If two U.S. Treasury securities with an original maturity longer than the Index Maturity have remaining terms to maturity that are equally close to the Index Maturity, Freddie Mac will obtain quotations for the U.S. Treasury security with the shorter remaining term to maturity;

(5) if the CMT Rate is not determined pursuant to clause (1), (2) or (3) and fewer than five but more than two primary dealers are quoting offered rates as described in clause (4), then the CMT Rate for the CMT Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded;

(6) if the CMT Rate is not determined pursuant to clause (1), (2), (3) or (4) and two or fewer primary dealers are quoting offered rates as described in clause (5), then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for U.S. Treasury securities having an original maturity longer than the Index Maturity and a remaining term to maturity closest to the Index Maturity, and in a Representative Amount, as of approximately 3:45 p.m., New York City time, on the CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City that Freddie Mac selects. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation, or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest;

(7) if the CMT Rate is not determined pursuant to clauses (1) through (6) above and fewer than five but more than two primary dealers are quoting offered rates as described in clause (6), then the CMT Rate for the CMT Determination date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded;

(8) if the Calculation Agent obtains fewer than three quotations of the kind described in clause (6), the CMT Rate in effect for the new Interest Reset Period will be the CMT Rate in effect for the prior Interest Rate Period, or if the applicable Reset Date is the first Reset Date, the rate of interest payable for the new Interest Reset Period will be the initial interest rate; and

(9) if the CMT Rate in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to the CMT Rate, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to the CMT Rate. If, prior to the time the CMT Rate may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of the CMT Rate. If the Calculation Agent has designated an alternative determination method or index to the CMT Rate in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the CMT Rate base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(M) If the applicable Supplemental Agreement specifies the CMS Rate as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"CMS Rate"** means, with respect to any Reset Date:

(1) the most recent rate for U.S. dollar swap transactions for the applicable Index Currency and applicable Index Maturity, as specified in the applicable Supplemental Agreement for the

Debt Securities, expressed as a percentage, which appears on the Reuters page "ISDAFIX1" (or such other page that may replace that page on that service or a successor service) at 11:00 a.m., New York City time, on the applicable CMS Determination Date;

(2) if the most recent CMS Rate as described in clause (1) above was first available prior to ten calendar days before the applicable CMS Determination Date, then the CMS Rate will be determined by the Calculation Agent on the basis of the mid-market semi-annual swap rate quotations provided by the five leading swaps dealers in the New York City interbank market (which may include Dealers and their affiliates), and for this purpose, "mid-market semi-annual swap rate" means the arithmetic mean of the bid and offered rate quotations for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollars denominated interest rate swap transaction with the applicable Index Currency and Index Maturity, as specified in the applicable Supplemental Agreement for the Debt Securities, commencing on the Reset Date for the relevant Interest Period, and for a relevant representative amount in the relevant market at the relevant time, with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.) with a designated maturity of three months. The Calculation Agent will request the principal New York City office of each of the five leading swaps dealers selected by the Calculation Agent to provide a quotation of its rate. If at least five quotations are provided, the rate for that CMS Determination Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest);

(3) if two, three or four (and not five) of such swaps dealers are quoting as described in clause (2) above, then the CMS Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations will be eliminated;

(4) if fewer than two rate quotations are provided, then the CMS Rate for the Reset Date will be the CMS Rate in effect on the preceding Reset Date, or if the applicable Reset Date is the first Reset Date, the rate of interest payable for the new Interest Reset Period will be the initial interest rate; and

(5) if the CMS Rate in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to the CMS Rate, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to the CMS Rate. If, prior to the time the CMS Rate may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of the CMS Rate. If the Calculation Agent has designated an alternative determination method or index to the CMS Rate in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the CMS Rate base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(N) If the applicable Supplemental Agreement specifies the Federal Funds Rate (Daily) as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"Federal Funds Rate (Daily)"** means, with respect to any Reset Date:

(1) the rate for the Business Day preceding the Federal Funds Rate (Daily) Determination Date for U.S. dollar federal funds, as published in the latest H.15 or other recognized electronic source used for the purpose of displaying that rate opposite the caption "Federal funds (effective)";

(2) if the rate specified in clause (1) is not published by 5:00 p.m., New York City time, on the Federal Funds Rate Determination Date, then the Calculation Agent will request five leading brokers (which may include the related Dealers or their affiliates) of federal funds transactions in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) each to provide a quotation of the broker's effective rate for transactions in overnight federal funds arranged by the broker settling on the Business Day preceding the Federal Funds Rate (Daily) Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest));

(3) if fewer than two quotations are so provided pursuant to clause (2) above, then the Calculation Agent will request five leading brokers (which may include the related Dealers or their affiliates) of federal funds transactions in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) each to provide a quotation of the broker's rates for the last transaction in overnight federal funds arranged by the broker as of 11:00 a.m., New York City time, on the Business Day preceding the Federal Funds Rate (Daily) Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)); and

(4) if fewer than two quotations are so provided pursuant to clause (3) above, then the Federal Funds Rate (Daily) as of such Federal Funds Rate (Daily) Determination Date will be the Federal Funds Rate (Daily) determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the rate of interest payable for the new Interest Rate Period will be the initial interest rate.

(j) *Fixed/Variable Rate Debt Securities*

Fixed/Variable Rate Debt Securities shall bear interest at a single fixed rate for one or more specified periods and at a rate determined by reference to one or more Indices, or otherwise, for one or more other specified periods. Fixed/Variable Rate Debt Securities also may bear interest at a rate that Freddie Mac may elect to convert from a fixed rate to a variable rate or from a variable rate to a fixed rate, if so provided in the applicable Supplemental Agreement.

If Freddie Mac may convert the interest rate on a Fixed/Variable Rate Debt Security from a fixed rate to a variable rate, or from a variable rate to a fixed rate, accrued interest for each Interest Payment Period may be calculated using an accrued interest factor in the manner described in Section 2.07(i)(E).

(k) *Zero Coupon Debt Securities*

Zero Coupon Debt Securities shall not bear interest.

(l) *Amortizing Debt Securities*

Amortizing Debt Securities are those on which Freddie Mac makes periodic payments of principal during the terms of such Debt Securities as described in the related Supplemental Agreement. Amortizing Debt Securities may bear interest at fixed or variable rates.

(m) *Debt Securities with Variable Principal Repayment Amounts*

Variable Principal Repayment Amount Debt Securities are those on which the amount of principal payable is determined with reference to an Index specified in the related Supplemental Agreement.

(n) *Mortgage Linked Amortizing Debt Securities*

Mortgage Linked Amortizing Debt Securities are Amortizing Debt Securities on which Freddie Mac makes periodic payments of principal based on the rate of payments on referenced mortgage or mortgage-related assets, as described in the related Supplemental Agreement. Mortgage Linked Amortizing Debt Securities may bear interest at fixed or variable rates.

(o) *Range Accrual Debt Securities*

Range Accrual Debt Securities are Variable Rate Debt Securities on which no interest may accrue during periods when the applicable Index is outside a specified range as described in the related Supplemental Agreement.

(p) *Extendible Variable Rate Debt Securities*

Extendible Variable Rate Debt Securities' are Variable Rate Debt Securities, the maturity of which may be extended at a Beneficial Owner's option effective as of specified dates, subject to a final maturity date, and that bear interest at variable rates subject to different Spreads for different specified periods, as described in the related Supplemental Agreement.

Section 2.08. Business Day Convention.

Unless otherwise specified in the applicable Supplemental Agreement, in any case in which an Interest Payment Date or Principal Payment Date is not a Business Day, payment of any interest on or the principal of the Debt Securities shall not be made on such date but shall be made on the next Business Day with the same force and effect as if made on such Interest Payment Date or Principal Payment Date, as the case may be. Unless otherwise provided in the applicable Supplemental Agreement, no interest on such payment shall accrue for the period from and after such Interest Payment Date or Principal Payment Date, as the case may be, to the actual date of such payment.

Section 2.09. Reopened Issues and Repurchases.

Freddie Mac reserves the right, in its discretion and at any time, to offer additional Debt Securities which have the same terms (other than Issue Date, interest commencement date and issue price) and conditions as Debt Securities for which settlement has previously occurred or been scheduled so as to form a single series of Debt Securities as specified in the applicable Supplemental Agreement.

Freddie Mac reserves the right, in its discretion and at any time, to purchase Debt Securities or otherwise acquire (either for cash or in exchange for securities) some or all of an issue of Debt Securities at any price or prices in the open market or otherwise. Such Debt Securities may be held, resold or canceled by Freddie Mac.

ARTICLE III

Form; Clearance and Settlement Procedures

Section 3.01. Form of Fed Book-Entry Debt Securities.

(a) *General*

Fed Book-Entry Debt Securities shall be issued and maintained only on the Fed Book-Entry System. Fed Book-Entry Debt Securities shall not be exchangeable for definitive Debt Securities. The Book-Entry Rules are applicable to Fed Book-Entry Debt Securities.

(b) *Title*

Fed Book-Entry Debt Securities shall be held of record only by Holding Institutions. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities to whose accounts Fed Book-Entry Debt Securities have been deposited shall be the Holders of such Fed Book-Entry Debt Securities. The rights of the Beneficial Owner of a Fed Book-Entry Debt Security with respect to Freddie Mac and the Federal Reserve Banks may be exercised only through the Holder of the Fed Book-Entry Debt Security. Freddie Mac and the Federal Reserve Banks shall have no direct obligation to a Beneficial Owner of a Fed Book-Entry Debt Security that is not also the Holder of the Fed Book-Entry Debt Security. The Federal Reserve Banks shall act only upon the instructions of the Holder in recording transfers of a Debt Security maintained on the Fed Book-Entry System. Freddie Mac and the Federal Reserve Banks may treat the Holders as the absolute owners of Fed Book-Entry Debt Securities for the purpose of making payments in respect thereof and for all other purposes, whether or not such Fed Book-Entry Debt Securities shall be overdue and notwithstanding any notice to the contrary.

The Holders and each other financial intermediary holding such Fed Book-Entry Debt Securities directly or indirectly on behalf of the Beneficial Owners shall have the responsibility of remitting payments for the accounts of their customers. All payments on Fed Book-Entry Debt Securities shall be subject to any applicable law or regulation.

(c) *Fiscal Agent*

The FRBNY shall be the Fiscal Agent for Fed Book-Entry Debt Securities.

In acting under the Fiscal Agency Agreement, the FRBNY shall act solely as Fiscal Agent of Freddie Mac and does not assume any obligation or relationship of agency or trust for or with any Holder of a Fed Book-Entry Debt Security.

Section 3.02. Form of Registered Debt Securities.

(a) *General*

As specified in the applicable Supplemental Agreement, Registered Debt Securities shall be deposited with (i) a custodian for, and registered in the name of a nominee of, DTC, or (ii) a Common Depositary, and registered in the name of such Common Depositary or a nominee of such Common Depositary.

(b) *Title*

The person in whose name a Registered Debt Security is registered in the Register shall be the Holder of such Registered Debt Security. Beneficial interests in a Registered Debt Security shall be represented, and transfers thereof shall be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Owners of such Registered Debt Security, as a direct or indirect participant in the applicable clearing system for such Registered Debt Security.

Freddie Mac, the Global Agent and the Registrar may treat the Holders as the absolute owners of Registered Debt Securities for the purpose of making payments and for all other purposes, whether or not such Registered Debt Securities shall be overdue and notwithstanding any notice to the contrary. Owners of beneficial interests in a Registered Debt Security shall not be considered by Freddie Mac, the Global Agent or the Registrar as the owner or Holder of such Registered Debt Security and, except as provided in Section 4.02(a), shall not be entitled to have Debt Securities registered in their names and shall not receive or be entitled to receive definitive Debt Securities. Any Beneficial Owner shall rely on the procedures of the applicable clearing system and, if such Beneficial Owner is not a participant therein, on the procedures of the participant through which such Beneficial Owner holds its interest, to exercise any rights of a Holder of such Registered Debt Securities.

Payments by DTC participants to Beneficial Owners of DTC Registered Debt Securities held through DTC participants shall be the responsibility of such participants. Payments with respect to Other Registered Debt Securities held through Euroclear, Clearstream, Luxembourg or any other applicable clearing system shall be credited to Euroclear participants, Clearstream, Luxembourg participants or participants of any other applicable clearing system in accordance with the relevant system’s rules and procedures.

(c) *Global Agent*

In acting under the Global Agency Agreement, the Global Agent acts solely as a fiscal agent of Freddie Mac and does not assume any obligation or relationship of agency or trust for or with any Holder of a Registered Debt Security, except that any moneys held by the Global Agent for payment on a Registered Debt Security shall be held in trust for the Holder as provided in the Global Agency Agreement.

(d) *Registrar*

In acting under the Global Agency Agreement, the Registrar does not assume any obligation or relationship of agency or trust for, or with, any Holder of a Registered Debt Security.

Section 3.03. Clearance and Settlement Procedures.

(a) *General*

Unless otherwise provided in the applicable Supplemental Agreement:

(i) Most Debt Securities denominated and payable in U.S. dollars and distributed within the United States shall clear and settle through the Fed Book-Entry System.

(ii) Most Debt Securities denominated and payable in U.S. dollars and distributed simultaneously within and outside of the United States, including all Reference Securities, shall clear and settle, within the United States, through the Fed Book-Entry System and, outside of the United States, through the systems operated by Euroclear, Clearstream, Luxembourg and/or any other designated clearing system.

(iii) Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars that are not cleared and settled in accordance with clause (i) and (ii) above and distributed solely within the United States will clear and settle through the system operated by DTC.

(iv) Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars that are not cleared and settled in accordance with clauses (i) and (ii) above) and distributed simultaneously within and outside of the United States shall clear and settle through the systems operated by DTC, Euroclear, Clearstream, Luxembourg and/or any other designated clearing system.

(v) Debt Securities, irrespective of the Specified Currency in which such Debt Securities are denominated or payable, distributed solely outside of the United States shall clear and settle through the systems operated by Euroclear, Clearstream, Luxembourg and/or any other designated clearing system or, in certain cases, DTC.

(b) *Primary Distribution*

(i) *General.* On initial issue, Debt Securities shall be credited through one or more of the systems specified below or any other system specified in the applicable Supplemental Agreement.

(ii) *Federal Reserve Banks.* Fed Book-Entry Debt Securities shall be issued and settled through the Fed-Book-Entry System in same-day funds and shall be held by designated Holding Institutions. After initial issue, all Fed Book-Entry Debt Securities shall continue to be held by such Holding Institutions in the Fed Book-Entry System unless arrangements are made for the transfer thereof to another Holding Institution. Fed Book-Entry Debt Securities shall not be exchangeable for definitive Debt Securities.

(iii) *DTC.* DTC participants acting on behalf of investors holding DTC Registered Debt Securities through DTC shall follow the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement System. DTC Registered Debt Securities shall be credited to DTC participants' securities accounts following confirmation of receipt of payment to Freddie Mac on the relevant Issue Date.

(iv) *Euroclear and Clearstream, Luxembourg.* Investors holding Other Registered Debt Securities through Euroclear, Clearstream, Luxembourg or such other clearing system shall follow the settlement procedures applicable to conventional Eurobonds in registered form. Such Other Registered Debt Securities shall be credited to Euroclear, Clearstream, Luxembourg or such other clearing system participants' securities accounts either on the relevant Issue Date or on the settlement day following the relevant Issue Date against payment in same-day funds (for value on the relevant Issue Date).

(c) *Secondary Market Transfers*

(i) *Fed Book-Entry Debt Securities.* Transfers of Fed Book-Entry Debt Securities shall take place only in book-entry form on the Fed Book-Entry System. Such transfers shall occur between Holding Institutions in accordance with the rules of the Fed Book-Entry System.

(ii) *Registered Debt Securities.* Transfers of beneficial interests in Registered Debt Securities within the various systems that may be clearing and settling interests therein shall be made in accordance with the usual rules and operating procedures of the relevant system applicable to the Registered Debt Securities and the nature of the transfer.

(iii) Freddie Mac shall not bear responsibility for the performance by any system or the performance of the system's respective direct or indirect participants or accountholders of the respective obligations of such participants or account holders under the rules and procedures governing such system's operations.

ARTICLE IV

Payments, Exchange for Definitive Debt Securities

Section 4.01. Payments.

(a) *Payments on Fed Book-Entry Debt Securities*

Payments of principal of and any interest on Fed Book-Entry Debt Securities shall be made in U.S. dollars (except as otherwise provided in the applicable Supplemental Agreement) on the applicable payment dates to Holders thereof as of the end of the Business Day preceding each such payment date. Payments on Fed Book-Entry Debt Securities shall be made by credit of the payment amount to the Holders' accounts at the relevant Federal Reserve Bank. All payments to or upon the order of a Holder shall be valid and effective to discharge the liability of Freddie Mac and the Fiscal Agent in respect of the related Fed Book-Entry Debt Securities.

(b) *Payments on Registered Debt Securities*

(i) Payments in respect of Registered Debt Securities shall be made in immediately available funds to DTC, Euroclear, Clearstream, Luxembourg or any other applicable clearing system, or their respective nominees, as the case may be, as the Holders thereof. Except as provided in Article VII hereof, such payments shall be made in the Specified Payment Currency. All payments to or upon the order of the Holder of a Registered Debt Security shall be valid and effective to discharge the liability of Freddie Mac in respect of such Registered Debt Security. Ownership positions within each system shall be determined in accordance with the normal conventions observed by such system. Freddie Mac, the Global Agent and the Registrar shall not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Registered Debt Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(ii) Interest on a Registered Debt Security shall be paid on the applicable Interest Payment Date. Such interest payment shall be made to the Holder of such Registered Debt Security as of the close of business on the related Record Date. The first payment of interest on any Registered Debt Security originally issued between a Record Date and the related Interest Payment Date shall be made on the Interest Payment Date following the next Record Date to the Holder on such next Record Date. The principal of each Registered Debt Security, together with accrued and unpaid interest thereon, shall be paid to the Holder thereof against presentation and surrender of such Registered Debt Security.

(iii) All payments on Registered Debt Securities are subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, payments in respect of the related Registered Debt Securities shall be made at the office of any paying agent in the United States.

Section 4.02. Exchange for Definitive Debt Securities.

In the event that Freddie Mac issues definitive Debt Securities in exchange for Registered Debt Securities issued in global form, such definitive Debt Securities shall have terms identical to the Registered Debt Securities for which they were exchanged except as described below.

(a) *Issuance of Definitive Debt Securities*

Unless otherwise provided in the applicable Supplemental Agreement, beneficial interests in Registered Debt Securities issued in global form shall be subject to exchange for definitive Debt Securities only if such exchange is permitted by applicable law and (i) in the case of a DTC Registered Debt Security, DTC notifies Freddie Mac that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such DTC Registered Debt Security, or ceases to be a "clearing agency" registered under the Securities Exchange Act of 1934 (if so required), or is at any time no longer eligible to act as such, and in each case Freddie Mac is unable to locate a successor within 90 calendar days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of any Other Registered Debt Security, if all of the systems through which it is cleared or settled are closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or are permanently closed for business or have announced an intention permanently to cease business and in any such situations Freddie Mac is unable to locate a single successor within 90 calendar days of such closure; or (iii) an Event of Default has occurred and continues unremedied. In such circumstances, Freddie Mac shall cause sufficient definitive Debt Securities to be executed and delivered as soon as practicable (and in any event within 45 calendar days of Freddie Mac's receiving notice of the occurrence of such circumstances) to the Global Agent or its agent for completion, authentication and delivery to the relevant registered holders of such definitive Debt Securities. A person having an interest in a DTC Registered Debt Security or Other Registered Debt Security issued in global form shall provide Freddie Mac or the Global Agent with a written order containing instructions and such other information as Freddie Mac or the Global Agent may require to complete, execute and deliver such definitive Debt Securities in authorized denominations.

(b) *Title*

The person in whose name a definitive Debt Security is registered in the Register shall be the **"Holder"** of such definitive Debt Security. Freddie Mac, the Global Agent and the Registrar may treat the Holders as the absolute owners of definitive Debt Securities for the purpose of making payments and for all other purposes, whether or not such definitive Debt Securities shall be overdue and notwithstanding any notice to the contrary.

(c) *Payments*

Interest on a definitive Debt Security shall be paid on the applicable Interest Payment Date. Such interest payments shall be made by check mailed to the Holder thereof at the close of business on the Record Date preceding such Interest Payment Date at such Holder's address appearing in the Register. The principal of each definitive Debt Security, together with accrued and unpaid interest thereon, shall be due on the Principal Payment Date (subject to the right of the Holder thereof on the related Record Date to receive interest due on an Interest Payment Date that is on or prior to such Principal Payment Date) and shall be paid against presentation and surrender of such definitive Debt Security at the offices of the Global Agent or other paying agent. Payments on the Principal Payment Date shall be made by check provided at the appropriate office of the Global Agent or other paying agent or mailed by the Global Agent to the Holder of such definitive Debt Security. U.S. dollar checks shall be drawn on a bank in the United States. Checks in a Specified Payment Currency other than U.S. dollars shall be drawn on a bank office located outside the United States.

Notwithstanding the provisions described in the preceding paragraph relating to payments by check, the Holder of an aggregate principal amount of at least $10,000,000 of an issue of Debt Securities of which definitive Debt Securities form a part (or, in the case of a definitive Debt Security denominated in a Specified Currency other than U.S. dollars, the Specified Currency equivalent of at least $10,000,000) may elect to receive payments thereon by wire transfer of immediately available funds in the Specified Payment Currency to an account in such Specified Payment Currency with a bank designated by such Holder that is acceptable to Freddie Mac; provided, that such bank has appropriate facilities therefor and accepts such transfer and such transfer is permitted by any applicable law or regulation and will not subject Freddie Mac to any liability, requirement or unacceptable charge. In order for such Holder to receive such payments, the relevant paying agent (including the Global Agent) must receive at its office from such Holder (i) in the case of payments on an Interest Payment Date, a written request therefor not later than the close of business (a) on the related Record Date in the case of a definitive Debt Security or (b) 15 days prior to such Interest Payment Date in the case of a Registered Debt Security issued in the global form; or (ii) in the case of payments on the Principal Payment Date, a written request therefor not later than the close of business on the date 15 days prior to such Principal Payment Date and the related definitive Debt Security not later than two Business Days prior to such Principal Payment Date. Such written request must be delivered to the relevant paying agent (including the Global Agent) by mail, by hand delivery or by tested or authenticated telex. Any such request shall remain in effect until the relevant paying agent receives written notice to the contrary.

All payments on definitive Debt Securities shall be subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or similar restrictions, payments in respect of the related definitive Debt Securities may be made at the office of any paying agent in the United States.

(d) *Partial Redemption*

Definitive Debt Securities subject to redemption in part by Freddie Mac shall be selected by the Global Agent by lot or in such other manner as the Global Agent deems fair and appropriate, subject to the requirement that the principal amount of each outstanding definitive Debt Security after such redemption is in an authorized denomination.

(e) *Transfer and Exchange*

Definitive Debt Securities shall be presented for registration of transfer or exchange (with the form of transfer included thereon properly endorsed, or accompanied by a written instrument of transfer, with such evidence of due authorization and guaranty of signature as may be required by the Registrar, duly executed) at the office of the Registrar or any other transfer agent upon payment of any taxes and other governmental charges and other amounts, but without payment of any service charge to the Registrar or such transfer agent for such transfer or exchange. A transfer or exchange shall not be effective unless, and until, recorded in the Register.

A transfer or exchange of a definitive Debt Security shall be effected upon satisfying the Registrar with regard to the documents and identity of the person making the request and subject to such reasonable regulations as Freddie Mac may from time to time agree with the Registrar. Such documents may include forms prescribed by U.S. tax authorities to establish the applicability of, or the exemption from, withholding or other taxes regarding the transferee Holder. Definitive Debt Securities may be transferred or exchanged in whole or in part only in the authorized denominations of the DTC Registered

Debt Securities or Other Registered Debt Securities issued in global form for which they were exchanged. In the case of a transfer of a definitive Debt Security in part, a new definitive Debt Security in respect of the balance not transferred shall be issued to the transferor. In addition, replacement of mutilated, destroyed, stolen or lost definitive Debt Securities also is subject to the conditions discussed above with respect to transfers and exchanges generally. Each new definitive Debt Security to be issued upon transfer of such a definitive Debt Security, as well as the definitive Debt Security issued in respect of the balance not transferred, shall be mailed to such address as may be specified in the form or instrument of transfer at the risk of the Holder entitled thereto in accordance with the customary procedures of the Registrar.

ARTICLE V

Secured Debt Securities

If so provided in the applicable Supplemental Agreement, the indebtedness represented by certain Debt Securities shall be secured obligations of Freddie Mac. In such event, the description of the security interest and the terms of the grant of the security interest shall be set forth in the applicable Supplemental Agreement.

ARTICLE VI

Currency Conversions

Section 6.01. Currency Conversions for DTC Registered Debt Securities.

(a) In the case of DTC Registered Debt Securities whose Specified Payment Currency is other than U.S. dollars, the Currency Exchange Bank specified in the applicable Supplemental Agreement, for Holders of such DTC Registered Debt Securities, shall convert any amounts paid by Freddie Mac in such Specified Payment Currency into U.S. dollars, unless such Holders elect to receive payments in such Specified Payment Currency as hereinafter described. Freddie Mac shall have no responsibility for the conversion of the Specified Payment Currency for such DTC Registered Debt Securities into U.S. dollars.

(b) The U.S. dollar amount to be received by a Holder of a DTC Registered Debt Security in respect of which payments are to be converted from the Specified Payment Currency into U.S. dollars shall be determined by the Currency Exchange Bank in the morning of the day that would be considered the date for "spot" settlement of the Specified Payment Currency on the applicable payment date in accordance with market convention (generally two New York business days prior to such payment date) at the market rate determined by the Currency Exchange Bank to accomplish the conversion on such payment date of the aggregate amount of the Specified Payment Currency payable in respect of DTC Registered Debt Securities scheduled to receive payments converted into U.S. dollars. All currency exchange costs shall be borne by the Holders of such DTC Registered Debt Securities (and, accordingly, by the related Beneficial Owners) by deductions from such payments. In the event all or any portion of a Specified Payment Currency is not convertible into U.S. dollars, Holders of such DTC Registered Debt Securities shall receive payment in the Specified Payment Currency.

(c) A Holder of a DTC Registered Debt Security to be paid in a Specified Payment Currency other than U.S. dollars shall have the option to receive payments of the principal of and any interest on such DTC Registered Debt Security in the Specified Payment Currency by notifying DTC no later than the date 12 days prior to such Principal Payment Date or Interest Payment date, as applicable.

ARTICLE VII

Events of Default and Remedies

Section 7.01. Events of Default.

(a) An "**Event of Default**" with respect to a specific issue of Debt Securities shall consist of (i) any failure by Freddie Mac to pay to Holders of such Debt Securities any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac to perform in any material respect any other covenant or agreement in this Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of not less than 25% of the outstanding principal amount (or notional principal amount) of such Debt Securities; (iii) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, or sequestrator (or other similar official) of Freddie Mac or for all or substantially all of its property, or order the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (iv) Freddie Mac shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, or sequestrator (or other similar official) of Freddie Mac or any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over Freddie Mac, whether or not Freddie Mac consents to such appointment, will not constitute an Event of Default.

Section 7.02. Rights Upon Event of Default.

(a) As long as an Event of Default under this Agreement remains unremedied, Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities to which such Event of Default relates may, by written notice to Freddie Mac, declare such Debt Securities due and payable and accelerate the maturity of such Debt Securities. Upon such acceleration, the principal amount of such Debt Securities and the interest accrued thereon shall be due and payable.

(b) No Holder has any right under this Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, or for the appointment of a receiver or trustee, or for any other remedy, unless (i) such Holder previously has given to Freddie Mac written notice of an Event of Default and of the continuance thereof; (ii) the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities to which such Event of Default relates have given written notice to Freddie Mac of such Event of Default; and (iii) such Event of Default continues uncured for a period of 60 days following such notice. No Holder of an issue of Debt Securities has any right in any manner whatsoever by virtue of or by availing itself of any provision of this Agreement to affect, disturb or prejudice the rights of any other such Holder, or to obtain or seek to obtain preference or priority over any other such Holder or to enforce any right under this Agreement, except in the manner provided in this Agreement and for the ratable and common benefit of all such Holders.

(c) Prior to or after the institution of any action or proceeding relating to an issue of Debt Securities, the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of such Debt Securities may waive an Event of Default, whether or not it has resulted in a declaration of an acceleration of the maturity of such Debt Securities, and may rescind and annul any previously declared acceleration.

(d) Whenever in this Agreement it is provided that the Holders of a specified percentage in outstanding principal amount (or notional principal amount) of an issue of Debt Securities may take any action (including the making of any demand or request, or the giving of any authorization, notice, consent or waiver), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by a writing, or any number of writings of similar tenor, executed by Holders in person, or by an agent or proxy appointed in writing.

ARTICLE VIII

Miscellaneous Provisions

Section 8.01. Limitations on Liability of Freddie Mac and Others.

Neither Freddie Mac nor any of its directors, officers, employees or agents shall be under any liability to the Holders or Beneficial Owners for any action taken, or not taken, by them in good faith under this Agreement or for errors in judgment. This provision will not protect Freddie Mac or any other related person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of obligations and duties under this Agreement. Freddie Mac and such related persons shall have no liability of whatever nature for special, indirect or consequential damages, lost profits or business, or any other liability or claim (other than for direct damages), even if reasonably foreseeable or Freddie Mac has been advised of the possibility of such loss, damage, liability or claim.

In performing its responsibilities under this Agreement, Freddie Mac may employ agents or independent contractors. Except upon an Event of Default (as defined herein), Freddie Mac shall not be subject to the control of Holders in any manner in the discharge of its responsibilities pursuant to this Agreement.

Freddie Mac shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its responsibilities under this Agreement and which in its opinion may involve it in any expense or liability. However, Freddie Mac may in its discretion undertake any such legal action which it may deem necessary or desirable in the interests of the Holders. In such event, the legal expenses and costs of such action shall be expenses and costs of Freddie Mac.

Section 8.02. Binding Effect of this Agreement.

(a) By receiving and accepting a Debt Security, each Holder, financial intermediary and Beneficial Owner of such Debt Security unconditionally agrees, without any signature or further manifestation of assent, to be bound by the terms and conditions of this Agreement, as supplemented, modified or amended pursuant to its terms.

(b) This Agreement shall be binding upon and inure to the benefit of any successor to Freddie Mac.

Section 8.03. Replacement.

Any Registered Debt Security in definitive form that becomes mutilated, destroyed, stolen or lost shall be replaced by Freddie Mac at the expense of the Holder upon delivery to the Global Agent of evidence of the destruction, theft or loss thereof, and an indemnity satisfactory to Freddie Mac and the Global Agent. Upon the issuance of any substituted Registered Debt Security, Freddie Mac or the

Global Agent may require the payment by the Holder of a sum sufficient to cover any taxes and expenses connected therewith.

Section 8.04. Conditions to Payment, Transfer or Exchange.

Freddie Mac, its agent or any other person potentially required to withhold with respect to payments on a Debt Security shall have the right to require a Holder of a Debt Security, as a condition to payment of principal of or interest on such Debt Security, or as a condition to transfer or exchange of such Debt Security, to present at such place as Freddie Mac, its agent or such other person shall designate a certificate in such form as Freddie Mac, its agent or such other person may from time to time prescribe, to enable Freddie Mac, its agent or such other person to determine its duties and liabilities with respect to (i) any taxes, assessments or governmental charges which Freddie Mac, any Federal Reserve Bank, the Global Agent or such other person, as the case may be, may be required to deduct or withhold from payments in respect of such Debt Security under any present or future law of the United States or jurisdiction therein or any regulation or interpretation of any taxing authority thereof; and (ii) any reporting or other requirements under such laws, regulations or interpretations. Freddie Mac, its agent or such other person shall be entitled to determine its duties and liabilities with respect to such deduction, withholding, reporting or other requirements on the basis of information contained in such certificate or, if no certificate shall be presented, on the basis of any presumption created by any such law, regulation or interpretation, and shall be entitled to act in accordance with such determination.

Section 8.05. Amendment.

(a) Freddie Mac may modify, amend or supplement this Agreement and the terms of an issue of Debt Securities, without the consent of the Holders or Beneficial Owners, (i) to cure any ambiguity, or to correct or supplement any defective provision or to make any other provision with respect to matters or questions arising under this Agreement or the terms of any Debt Security that are not inconsistent with any other provision of this Agreement or the Debt Security; (ii) to add to the covenants of Freddie Mac for the benefit of the Holders or surrender any right or power conferred upon Freddie Mac; (iii) to evidence the succession of another entity to Freddie Mac and its assumption of the covenants of Freddie Mac; (iv) to conform the terms of an issue of Debt Securities or cure any ambiguity or discrepancy resulting from any changes in the Book-Entry Rules or any regulation or document that are applicable to book-entry securities of Freddie Mac; (v) to increase the amount of an issue of Debt Securities as contemplated under Section 2.09; or (vi) in any other manner that Freddie Mac may determine and that will not adversely affect in any material respect the interests of Holders or Beneficial Owners at the time of such modification, amendment or supplement.

(b) In addition, either (i) with the written consent of the Holders of at least 50% of the aggregate then outstanding principal amount or notional principal amount of an issue of Debt Securities affected thereby, excluding any such Debt Securities owned by Freddie Mac; or (ii) by the adoption of a resolution at a meeting of Holders at which a quorum is present, by the Holders of at least 50% of the aggregate then outstanding principal amount or notional principal amount of an issue of Debt Securities represented at such meeting, excluding any such Debt Securities owned by Freddie Mac, Freddie Mac may from time to time and at any time modify, amend or supplement the terms of an issue of Debt Securities for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of such Debt Securities or modifying in any manner the rights of the Holders; provided, however, that no such modification, amendment or supplement may, without the written consent or affirmative vote of each Holder of a Debt Security; (A) change the Maturity Date or any Interest Payment Date of such Debt Security; (B) materially modify the redemption or repayment provisions, if any, relating to the redemption or repayment price of, or any redemption or repayment date or period for, such Debt Security; (C) reduce the principal amount of, delay the principal payment of, or materially modify the rate of interest or the calculation of the rate of interest on, such Debt Security; (D) in the case of Registered Debt Securities only, change the Specified Payment Currency of such Registered Debt Security; or (E) reduce the percentage of Holders whose consent or affirmative vote is necessary to modify, amend or supplement the terms of the relevant issue of Debt Securities. A quorum at any meeting of Holders called to adopt a resolution shall be Holders entitled to vote a majority of the then aggregate outstanding principal amount or notional principal amount of an issue of such Debt Securities called to such meeting and, at any reconvened meeting adjourned for lack of a quorum, 25% of the then aggregate outstanding principal amount or notional principal amount of such issue of Debt Securities, in both cases excluding any such Debt Securities owned by Freddie Mac. It shall not be necessary for the Holders to approve the particular form of any proposed amendment, but it shall be sufficient if such consent or resolution approves the substance of such change. If any modification, amendment or supplement of the terms of an issue of Debt Securities that have been separated into Interest and Principal Components requires the consent of Holders, only the Holders of the Principal Components will be entitled to give or withhold that consent. Holders of Interest Components will have no right to give or withhold such consent.

(c) The "principal amount," for purposes of the preceding paragraph, for a Debt Security that is a Zero Coupon Debt Security or for a Debt Security issued at an "issue price" of 80% or less of its principal amount will be equal to (i) the issue price of such Debt Security; plus (ii) the original issue discount that has accrued from the Issue Date of such Debt Security to the OID Determination Date; minus (iii) any amount considered as part of the "stated redemption price at maturity" of such Debt Security that has been paid from the Issue Date of such Debt Security to the OID Determination Date.

The "principal amount," for purposes of the second preceding paragraph, of a Debt Security whose Specified Principal Currency is other than U.S. dollars will be the U.S. dollar equivalent, determined on the Issue Date, of the principal amount (or, in the case of the Debt Securities referred to in the preceding paragraph, the amount determined in accordance with the provisions described in such preceding paragraph) of such Debt Security. The "principal amount" of a Debt Security with principal determined by reference to an Index will be described in the applicable Supplemental Agreement. The "principal amount" of a Debt Security with principal determined by reference to an Index will be described in the applicable Supplemental Agreement.

(d) Freddie Mac may establish a record date for the determination of Holders entitled to vote at any meeting of Holders of Debt Securities, to grant any consent in respect of Debt Securities and to notice with respect to any such meeting or consent.

(e) Any instrument given by or on behalf of any Holder of a Debt Security in connection with any consent to any such modification, amendment or supplement shall be irrevocable once given and shall be conclusive and binding on all subsequent Holders of such Debt Security or any Debt Security issued, directly or indirectly, in exchange or substitution therefor, irrespective of whether or not notation in regard thereto is made thereon. Any modification, amendment or supplement of this Agreement or of the terms of Debt Securities shall be conclusive and binding on all Holders of Debt Securities affected thereby, whether or not they have given such consent or were present at any meeting (unless by the terms of this Agreement a written consent or an affirmative vote of such Holders is required), and whether or not notation of such modification, amendment or supplement is made upon the Debt Securities.

Section 8.06. Securities Acquired by Freddie Mac.

Freddie Mac may, from time to time, repurchase or otherwise acquire (either for cash or in exchange for newly-issued Debt Securities) all or a portion of any issue of Debt Securities. Any Debt Securities owned by Freddie Mac shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority or distinction as among such Debt Securities, except that in determining whether the Holders of the required percentage of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities have given any required demand, authorization, notice, consent or waiver under this Agreement, any Debt Securities owned by Freddie Mac or any person directly or indirectly controlling or controlled by or under direct or indirect common control with Freddie Mac shall be disregarded and deemed not to be outstanding for the purpose of such determination.

Section 8.07. Notice.

(a) Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the mail, addressed to such Holder as such Holder's name and address may appear in the records of Freddie Mac, a Federal Reserve Bank or the Registrar, as the case may be, or, in the case of a Holder of a Fed Book-Entry Debt Security by transmission to such Holder through the communication system linking the Federal Reserve Banks, or, in the case of a Holder of a Debt Security maintained on DTC, by transmission to such Holder through the DTC communication system. In the event that the Federal Reserve Banks' communication system and/or the DTC communication system is unavailable, Freddie Mac may give notice to a Holder by making use of an alternate comparable communication system, platform or service. Such notice, demand or other communication to or upon any 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 by any provision of this Agreement is required or permitted to be given to or served upon Freddie Mac shall be given in writing addressed (until another address is published by Freddie Mac) as follows: Federal Home Loan Mortgage Corporation, 8200 Jones Branch Drive, McLean, Virginia 22102 Attention: General Counsel and Secretary. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

Section 8.08. Governing Law.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE HOLDERS AND FREDDIE MAC WITH RESPECT TO THE DEBT SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND 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 THEREBY, THE LAWS OF THE STATE OF NEW YORK SHALL BE DEEMED REFLECTIVE OF THE LAWS OF THE UNITED STATES.

Section 8.09. Headings.

The Article, Section and Subsection headings are for convenience only and shall not affect the construction of this Agreement.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Exhibit 12.1

RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

			Year Ended December 31,				
(Dollars in millions)	1Q 2018	1Q 2017	2017	2016	2015	2014	2013
Net income before income tax (expense) benefit and cumulative effect of changes in accounting principles	$ 3,674	$ 3,321	$ 16,834	$ 11,639	$ 9,274	$ 11,002	$ 25,363
Add:							
Total interest expense[1]	13,957	13,185	53,643	50,786	52,144	55,217	56,234
Interest factor in rental expenses	1	1	3	3	2	5	4
Earnings, as adjusted	$ 17,632	$ 16,507	$ 70,480	$ 62,428	$ 61,420	$ 66,224	$ 81,601
Fixed charges:							
Total interest expense[1]	$ 13,957	13,185	$ 53,643	50,786	52,144	55,217	56,234
Interest factor in rental expenses	1	1	3	3	2	5	4
Total fixed charges	$ 13,958	$ 13,186	$ 53,646	$ 50,789	$ 52,146	$ 55,222	$ 56,238
Senior preferred stock and preferred stock dividends[2]	—	6,679	33,167	7,437	5,510	19,610	47,591
Total fixed charges including preferred stock dividends	$ 13,958	$ 19,865	$ 86,813	$ 58,226	$ 57,656	$ 74,832	$ 103,829
Ratio of earnings to fixed charges[3]	1.26	1.25	1.31	1.23	1.18	1.20	1.45
Ratio of earnings to combined fixed charges and preferred stock dividends[4]	1.26	—	—	1.07	1.07	—	—

(1) 1Q 2017 data have been revised to conform to the current presentation.
(2) Senior preferred stock and preferred stock dividends represent pre-tax earnings required to cover any senior preferred stock and preferred stock dividend requirements computed using our effective tax rate.
(3) Ratio of earnings to fixed charges is computed by dividing earnings, as adjusted by total fixed charges.
(4) Ratio of earnings to combined fixed charges and preferred stock dividends is computed by dividing earnings, as adjusted by total fixed charges including preferred stock dividends. For the ratio to equal 1.00, earnings, as adjusted must increase by $3.4 billion, $16.3 billion, $8.6 billion and $22.2 billion for 1Q 2017 and for the years ended December 31, 2017, 2014, and 2013, respectively.

Exhibit 31.1

CERTIFICATION

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

I, Donald H. Layton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 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: May 1, 2018

/s/ Donald H. Layton

Donald H. Layton
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 March 31, 2018 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: May 1, 2018

/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 March 31, 2018 of the Federal Home Loan Mortgage Corporation (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Donald H. Layton, 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: May 1, 2018

/s/ Donald H. Layton

Donald H. Layton

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 March 31, 2018 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: May 1, 2018

/s/ James G. Mackey

James G. Mackey
Executive Vice President — Chief Financial Officer