

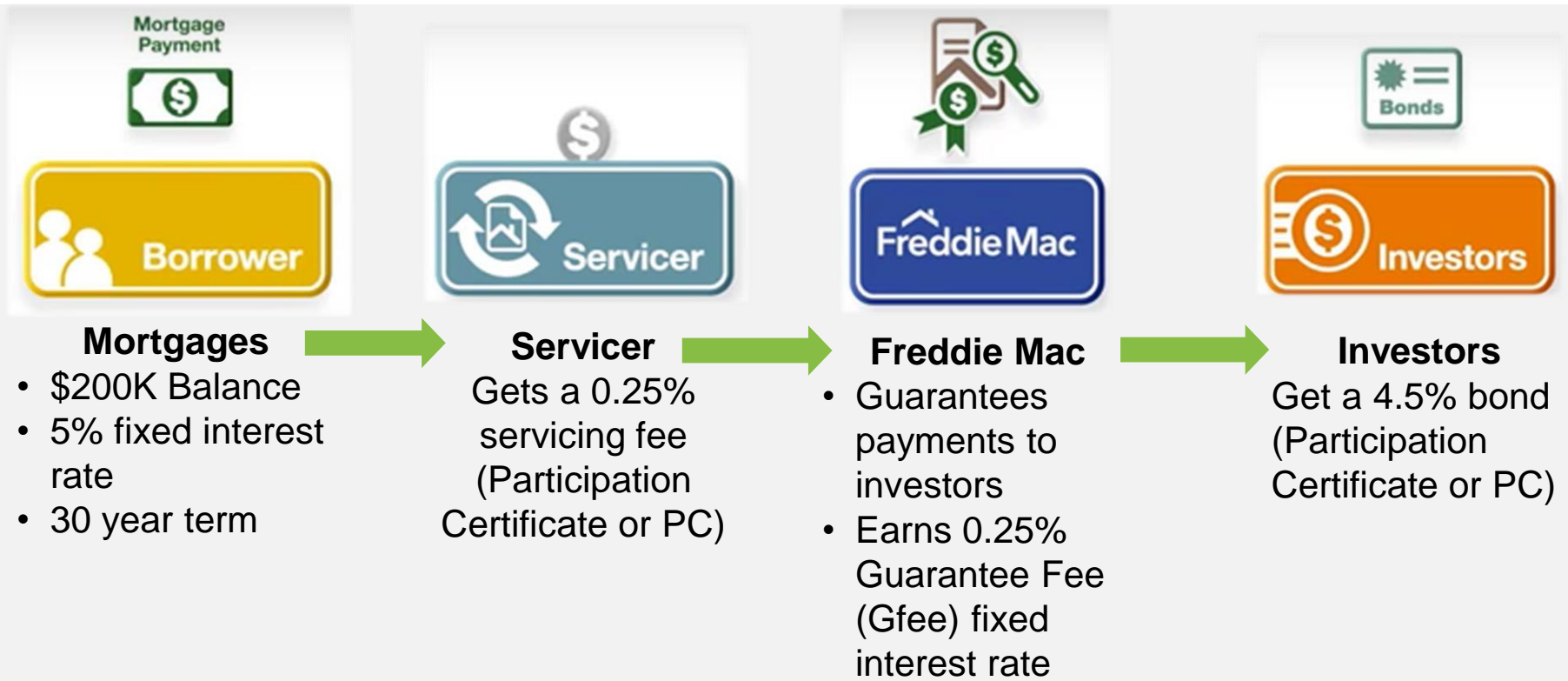


Introduction to Freddie Mac and the ACIS™ Program

October 2016

Introduction to Freddie Mac

- Freddie Mac was chartered by the federal government in 1970 to provide liquidity, stability, and affordability to the housing market. Freddie Mac buys loans from originators, securitizes them, and sells bonds into the capital markets.



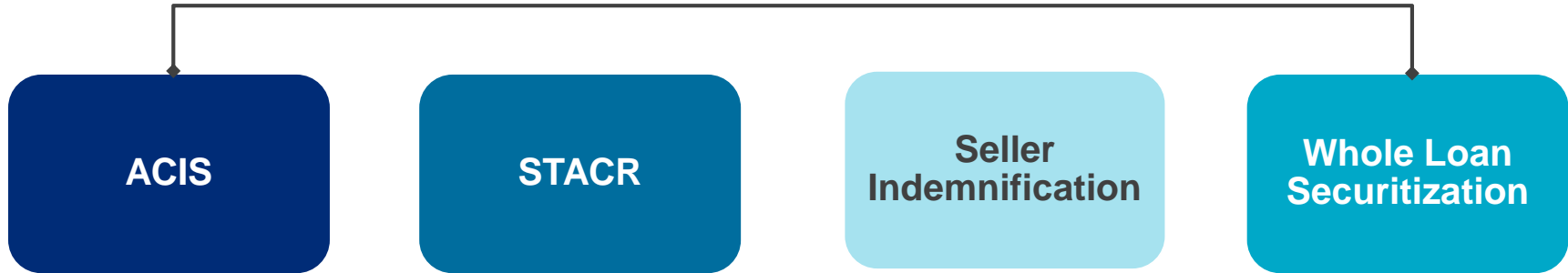
FHFA Mandate and Freddie Mac's Go-Forward Strategy

- Freddie Mac continues to operate under the conservatorship that commenced on September 6, 2008, under the direction of Federal Housing Finance Agency (FHFA).
- FHFA's statutory mandate is to oversee the conservatorships of Freddie Mac and Fannie Mae (the "Enterprises") in their current state and ensure that the Enterprises' infrastructure meets the needs of their current credit guarantee business and other operations.
- FHFA as our Conservator:
 - Assumed all powers of the Board, management and shareholders
 - Has directed and will continue to direct certain of our business activities and strategies
 - Delegated certain authority to our Board of Directors to oversee, and to management to conduct, day-to-day operations

- On May 13, 2014, FHFA released its 2014 Strategic Plan, which provides an updated vision of FHFA's implementation of its obligations as Conservator of the Enterprises.
- The plan sets forth three reformulated strategic goals:
 - **Maintain**, in a safe and sound manner, foreclosure presentation activities and credit availability for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets.
 - **Reduce** taxpayer risk through increasing the role of private capital in the mortgage market.
 - **Build** a new single-family securitization infrastructure for use by the Enterprises and adaptable for use by other participants in the secondary mortgage market in the future.

- In 2011, Freddie Mac began developing a strategic plan to reduce the credit risk incurred on single-family loans.
- CRT addresses the following needs in the housing finance system:
 - » Reduce risk to taxpayer
 - » Develop new investor base
 - » Reduce concentration of mortgage risk
 - » Minimizes volatility through economic cycles
 - » Maintain borrower access to credit
- Credit Risk Transfer (“CRT”) has developed into a core business strategy, which is securely transferring very large amounts of credit risk to private capital via securities and insurance markets.
- Freddie Mac has now transferred over \$20 Billion of credit risk on single-family loans to private investors on over \$500 Billion of loans.

Freddie Mac's Credit Risk Transfer Structures



Agency Credit Insurance Structure (ACIS®), insurance policies issued by or ceded to global reinsurance companies to cover a portion of the remaining risk (retained vertical slice) on the STACR or standalone reference pools.

Structured Agency Credit Risk (STACR®) debt notes are unsecured and unguaranteed bonds issued by Freddie Mac whose principal repayments are determined by the delinquency and principal payment experience on a reference pool of single-family mortgages guaranteed by Freddie Mac (STACR reference pools).

Seller Indemnification (SI), risk share agreement in which Seller/Service providers cover a portion of loss on the loans they originate and sell or service.

Whole Loan Securities (WLSSM), whole loans aggregated by Freddie Mac and subsequently deposited into a trust that issues guaranteed senior and non-guaranteed subordinated securities to the market.

- Creating a CRT market in GSE scale requires the development of multiple CRT offering products.

Progress to Date & Future Goals

2011 & 2012	2013 & 2014	2015	Future
<p>Inception</p> <ul style="list-style-type: none"> ▪ Freddie Mac establishes team to develop CRT concepts ▪ FHFA later establishes guidelines governing GSE risk sharing 	<p>Establishing the Market</p> <ul style="list-style-type: none"> ▪ Historical loan credit data released to develop investor demand ▪ First STACR transaction (debt) kick-starts the market ▪ First ACIS transaction (reinsurance) ▪ Structure: 10 years, fixed severity only 	<p>Achieving Scale & Depth</p> <ul style="list-style-type: none"> ▪ New CRT tools added – Seller Indemnification, Whole Loan Securitization. ▪ More risk transferred via "actual loss severity" and longer maturities ▪ Over 80-LTV loan first included ▪ Obtained critical mass re: investor participation - over ~195 globally 	<p>Complete development of broad and mature market of GSE-scale</p> <ul style="list-style-type: none"> ▪ Innovate further products to complete a range of structures to transfer risk efficiently ▪ Further develop investors globally to be long-term holders of mortgage credit risk

Expanding out CRT to GSE Scale will take several more years

Freddie Mac's Credit Guaranty Business

Focus on four fundamental drivers to analyze credit risk and performance

❖ **Home Prices**

Macro Variables

❖ **Interest Rates**

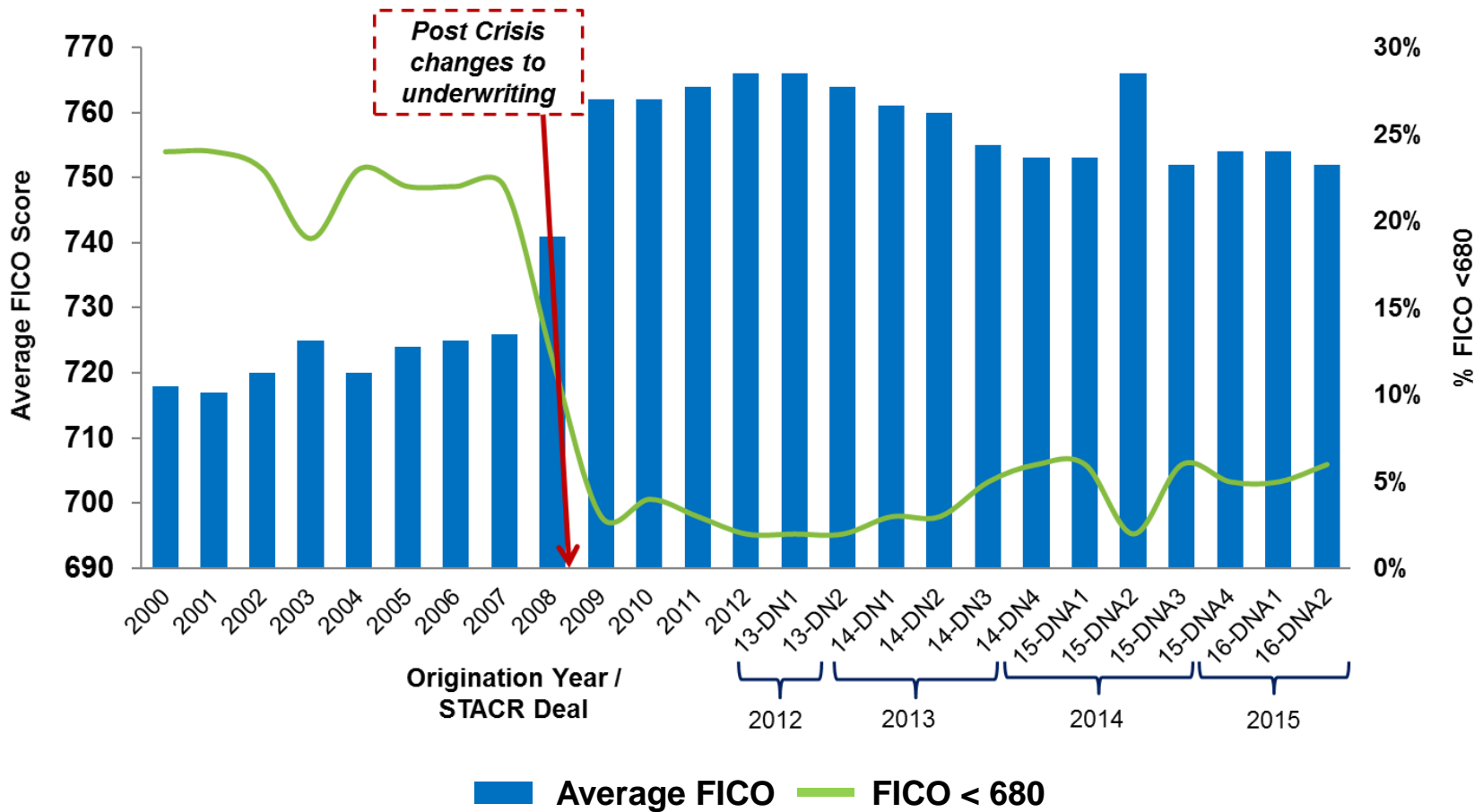
❖ **Loan to Value**

Micro Variables

❖ **Credit Score (FICO)**

Average credit score has significantly improved since the crisis

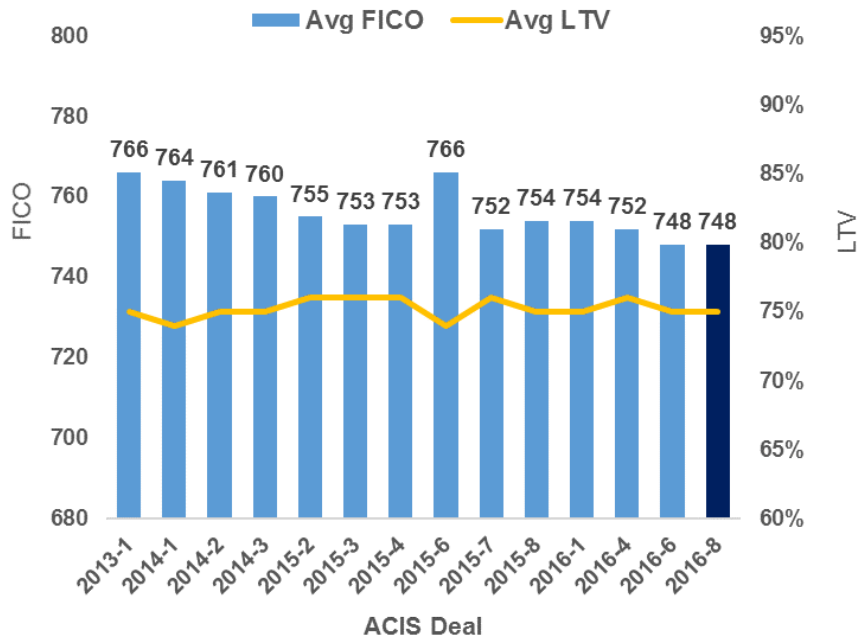
Credit Score (FICO) Changes



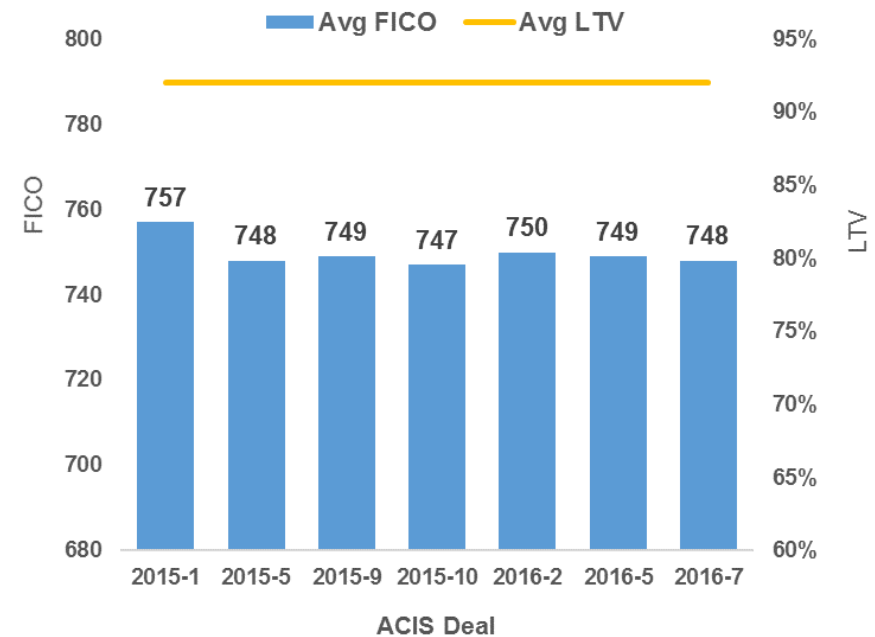
Source: Freddie Mac Single Family Loan-Level Dataset, 30yr fixed rate loans with original LTV's between 60-80, FICO <680

Key drivers of reference pool performance have remained stable across STACR/ACIS transactions.

DN Series Credit Profile 60 - 80 LTV Loans

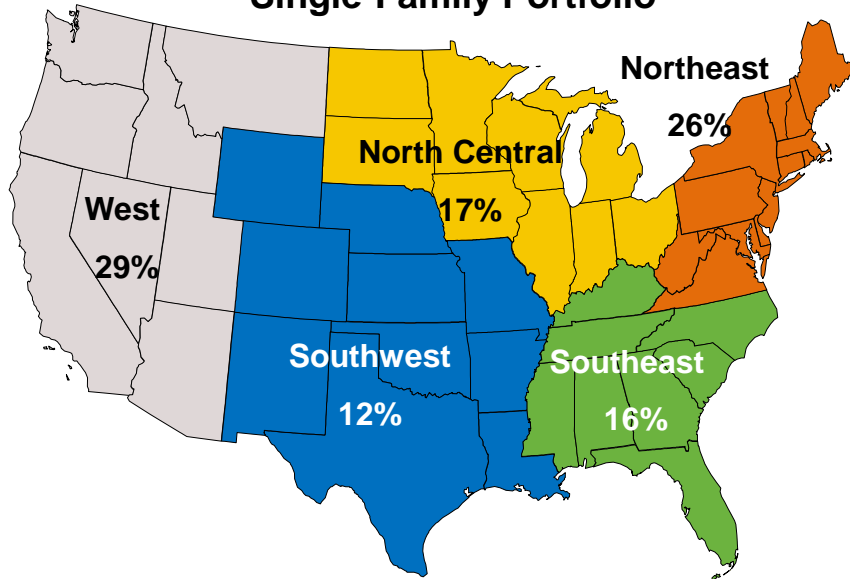


HQ Series Credit Profile > 80 LTV Loans



Diversified portfolio less susceptible to localized downturns

Freddie Mac's Single-Family Portfolio



Geographic Concentrations of STACR Deals to Date

DN Series 60 - 80 LTV Loans	Top 5 State Concentrations	HQ Series > 80 LTV Loans	Top 5 State Concentrations
California	24.50%	California	9.74%
Texas	5.42%	Texas	7.54%
Florida	4.42%	Illinois	4.64%
Virginia	4.30%	Florida	4.62%
Illinois	4.01%	Virginia	4.28%
Other States	57.35%	Other States	69.18%

¹ Based on the unpaid principal balance of the single-family credit guarantee portfolio, which includes unsecured single-family mortgage loans held by the company on its consolidated balance sheets and those underlying Freddie Mac mortgage-related securities, or covered by the company's other mortgage-related guarantees.

Source: Freddie Mac. Data as of December 31, 2015.



- Established a robust post-crisis infrastructure to manage credit risk
- Consistent, high-quality underwriting standards and standardized servicing guidelines
- Internal and external fraud prevention and quality control review processes

Underwriting

- ❖ Documentation Standards and Credit Eligibility Requirements
- ❖ Delegated Underwriting Guidelines
- ❖ Seller Representations and Warranties

Loan Quality Control

- ❖ Post-Close Credit Review
- ❖ Quality Assurance
- ❖ Compliance Review
- ❖ Performing Loan Quality Control Review
- ❖ Non-Performing Loan Quality Control Review
- ❖ Underwriting Defects Repurchase Process

Seller / Servicer Management

- ❖ Seller In-House Quality Control
- ❖ Seller Servicer Approval Standards
- ❖ Loan Servicer Performance Monitoring and Scorecard

Credit Risk Transfer

ACIS & STACR are the leading products in the GSE Risk Transfer Market

CRT Focus

- Since 2013, Freddie Mac has focused on transferring the credit risk on fixed rate 30 year products, which represents the majority of new loans and nearly all of new credit risk.
 - Expanding credit risk transfer to include additional mortgage products, such as fixed rate 15 year.
- Majority of CRT is through the STACR debt note and ACIS (re)insurance offering; tranche structure offers multiple risk preferences.

STACR

- Structured as bond; interest paid to investors based on tranches.
- The notes are issued at par and include a 12.5 year final maturity.
- Static reference pools: No new loans can be added to the reference pool.

ACIS

- Targets multi-line diversified reinsurers with strong balance sheet / credit ratings, and low correlation to mortgage credit risk.
- Can be linked to STACR reference pool or execute on an independent reference pool through ACIS Standalone.
- Partial collateralization.

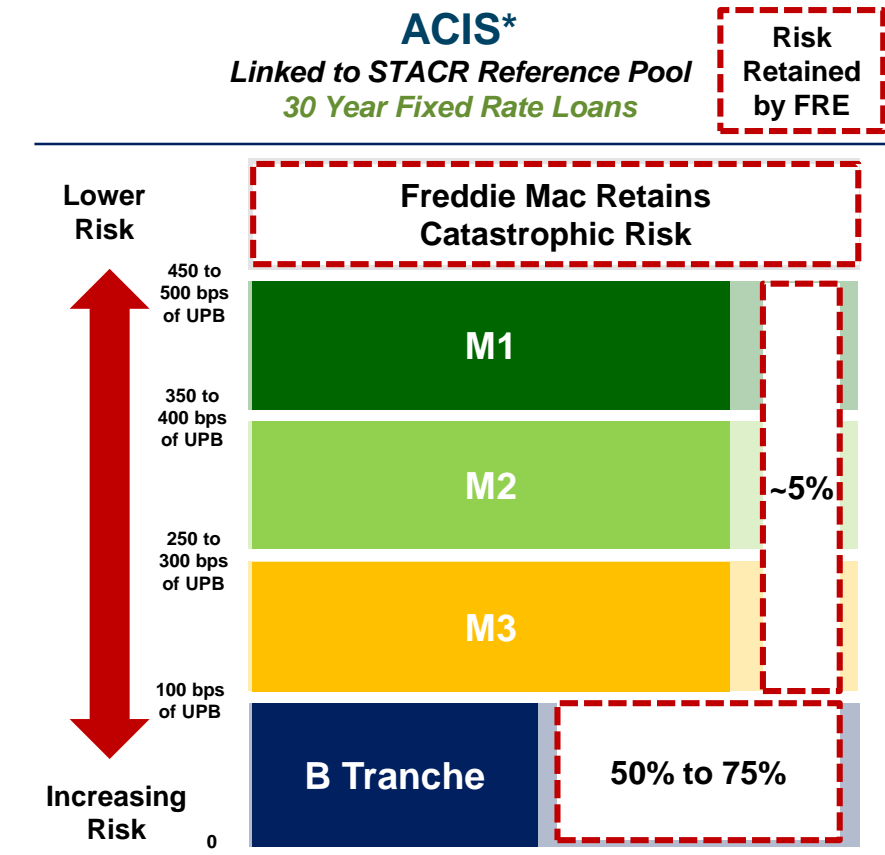
STACR and ACIS programmatically transfer risk on the same reference pool and leverage the same mezzanine pool structure.

Key Structural Considerations

- Freddie Mac transfers risk on mezzanine tranches and a first loss B Tranche; structured similar to an aggregate excess of loss contract
- Freddie Mac retains a vertical slice of every tranche to align incentives and manage credit risk efficiently
- Actual loss calculation mimics cash flows from underlying collateral

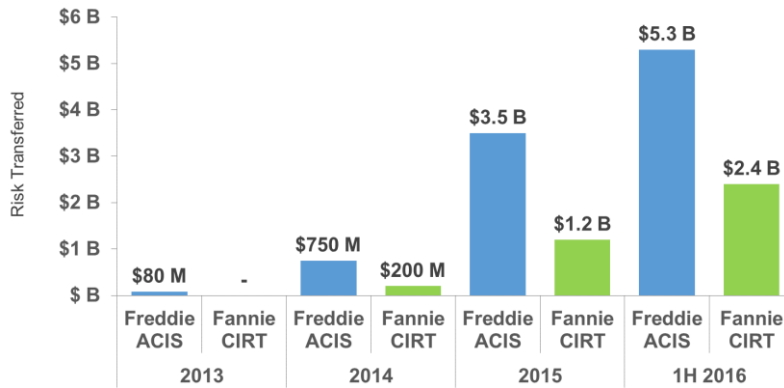
Program Offerings

- Multiple offerings based on mortgage product and risk characteristics:
 - 60 to 80% LTV (30 Year Fixed Rate)
 - > 80 LTV (30 Year Fixed Rate)
 - 15 Year Fixed Rate (ACIS Standalone)

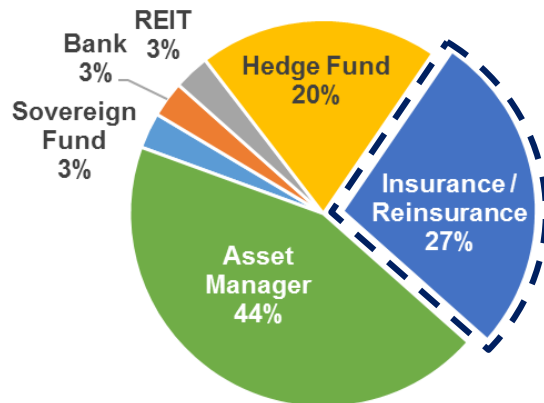


* Structure is for illustration purposes only, portions of transactions insured through ACIS or retained can vary with each deal. Image is not drawn to scale.

**Cumulative Credit Risk Transferred
Freddie Mac's ACIS and Fannie Mae's CIRT**



**Type of Investors in
Freddie Mac CRT Transactions**



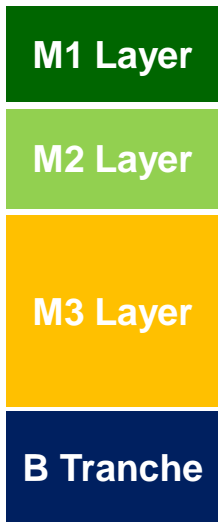
- Since inception, Freddie Mac has transferred over \$5 Billion of mortgage credit risk through the ACIS program.
- ACIS is the leading (re)insurance product in the GSE credit risk transfer marketplace.
- Reinsurers have become a core investor our CRT program through ACIS.
- Freddie Mac is actively expanding reinsurer participation through ACIS enhancements.

ACIS 2016-6 (STACR 2016-DNA3) Proxy Cohort Performance

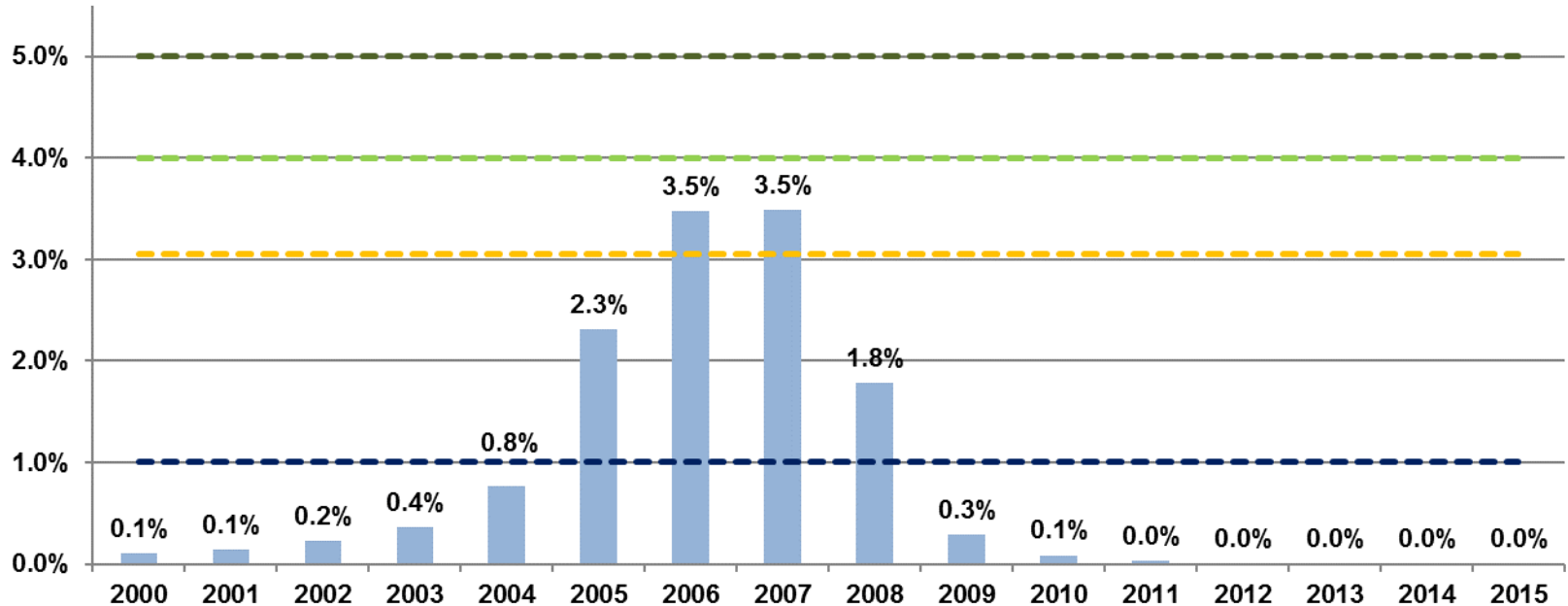


Historical losses would be lower than ACIS detachment point even during crisis period

ACIS 2016-6 Structure



Historical Losses (% of UPB) on Reference Pool Proxy *Adjusted for FICO and LTV mix of ACIS reference pool*



For Freddie Mac data above:

- Net Losses are calculated as follows: Collateral Deficiency + Delinquent Interest + Expenses – MI Recoveries – Non MI Recoveries
- Freddie Mac data does not include bulk settlements
- Assumes 35bps servicing fee to calculate delinquent interest
- Collateral Deficiency: Defaulted UPB – Net Sales Proceeds

Source: Freddie Mac Single Family Loan-Level Dataset, Fannie Mae Single Family Loan-Level Dataset

Notes: Performance reflects activity through September 2015 using the March 2016 data release on loans with LTV > 60% and <=80%.
cumulative Losses do not include modification losses
Data is weighted in proportion to 2016-DNA3 FICO cohort

Broad availability of tools and data transparency to help investors assess mortgage credit risk and credit risk transfer transactions

Freddie Mac's Single-Family Loan-Level Dataset

- Publicly disclosed loan-level origination and monthly loan performance data on a portion of Freddie Mac's single-family mortgages.
- Full data set includes ~21.8 million fixed-rate mortgages originated between January 1, 1999 and March 21, 2015.
- Includes actual loss data and credit performance information up to and including property disposition.
 - This level of quality and historical data is generally not seen in the private label RMBS market.
- Freddie Mac has created a smaller dataset for those who do not require the full dataset or do not have the capability to download the full dataset.
- Investors can rely upon the dataset to model transaction projections and performance.

STACR Datasets and Third-Party Tools

- Freddie Mac also releases loan level data for all STACR deals on a monthly basis. New disclosure fields include updated credit score and estimated loan to value.
- Several broker dealers and third-party providers have models available for investors to analyze credit risk transfer transaction, e.g. Bloomberg and Corelogic.

Two paths for reinsurer participation in ACIS

Streamlined



- Enables reinsurer to participate at limited levels, establish familiarity with ACIS transactions and mortgage credit.
- Approval based on review of publicly available information.
- Does not guarantee full approval.
- Includes market-based partial collateralization; collateral levels driven by ratings and tranche participation.

Full Approval



- Enables greater levels of participation and potential for lower collateral.
- Meet with reinsurer senior management.
- Assess reinsurer risk management framework and management of mortgage credit risk.
- Analyze public and non-public information to evaluate credit quality, financial strength, capital adequacy; benchmark against peers.

Financial & Operating Performance

- Stable historical performance; financial statements of the entity writing the ACIS policy.
- Investment portfolio composition.
- Existing exposure to mortgage-related securities (e.g., non-Agency MBS).

Capital Adequacy

- Rating agency excess capital assessment (e.g. S&P Excess Capital and A.M. Best stressed BCAR score).
- Internal economic capital model results.
- Third-party reserve studies/actuarial reports.

Risk Management

- Strength of risk management framework.
- PMLs and other risk exposure relative to limits (e.g., Realistic Disaster Scenarios).
- Business line and geographic diversification.

Support Structure

- Parental support agreements or internal reinsurance contracts with participating entity (if applicable).