



# Structured Agency Credit Risk ("STACR") Investor Overview Deck

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# Executive Summary

## Freddie Mac: Building Today for the Future



- Freddie Mac is **innovating** to create a new and better housing finance system **today** to help borrowers, renters, taxpayers and lenders
  - » Innovating to benefit taxpayers
    - Leading the industry in transferring credit risk to private investors, away from taxpayers
    - Developing greater expense and capital efficiency
    - Returning funds to taxpayers – \$110.1 billion aggregate cash dividends paid to Treasury through September 30, 2017, \$38.8 billion more than cumulative cash draws received
  - » Creating a better customer experience – for lenders of all sizes
  - » Responsibly shrinking our retained portfolio
  - » All while providing constant support to renters and borrowers
    - Provided \$299 billion in liquidity to the mortgage market in the first nine months of 2017
    - Helped approximately 50,000 borrowers retain their homes or otherwise avoid foreclosure in the first nine months of 2017

<b>Founded</b>	By Congress in 1970 to provide liquidity, stability and affordability to the U.S. housing market
<b>Corporate Headquarters</b>	McLean, VA with regional offices in Atlanta, Chicago, Dallas, Los Angeles and New York
<b>Employees</b>	Approximately 6,000
<b>CEO</b>	Donald H. Layton (since May 2012)
<b>Business Lines</b>	<ul style="list-style-type: none"><li>▪ Single-family Guarantee</li><li>▪ Multifamily</li><li>▪ Capital Markets</li></ul>
<b>Conservatorship</b>	<ul style="list-style-type: none"><li>▪ Operating under conservatorship that commenced on September 6, 2008, under the direction of the Federal Housing Finance Agency (FHFA), our Conservator</li><li>▪ FHFA as our Conservator:<ul style="list-style-type: none"><li>» Assumed all powers of the Board, management and shareholders</li><li>» Has directed and will continue to direct certain of our business activities and strategies</li><li>» Delegated certain authority to our Board of Directors to oversee, and to management to conduct, day-to-day operations</li></ul></li></ul>

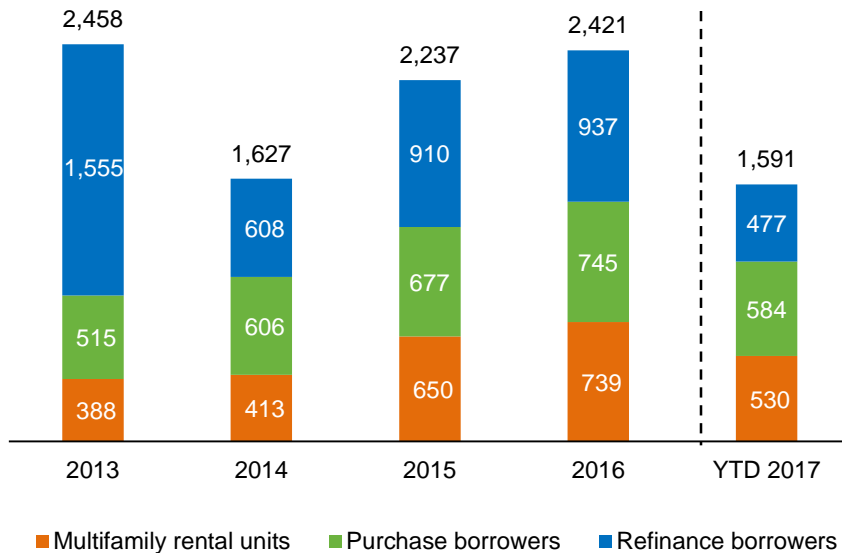
- Freddie Mac has several years of consistent underwriting and management history
- Due to Freddie Mac's strong, consistent, and transparent approach to underwriting and quality control, the company has been able to make historical loan-level data publically available to investors, broker-dealers and rating agencies

# Housing Market Support

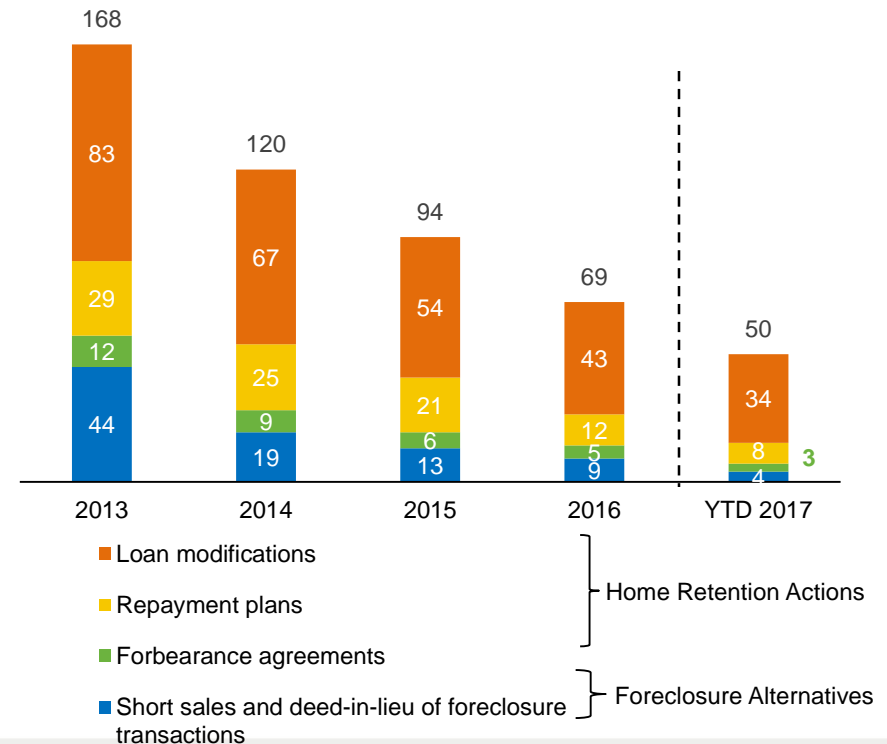


- Freddie Mac provided \$299 billion in liquidity to the market in the first nine months of 2017 through its purchases of loans and issuances of mortgage-related securities
- Freddie Mac continued to help struggling borrowers retain their homes or otherwise avoid foreclosure, completing approximately 50,000 single-family loan workouts in the first nine months of 2017

Number of families Freddie Mac helped to own or rent a home  
*In Thousands*



Number of single-family loan workouts  
*In Thousands*



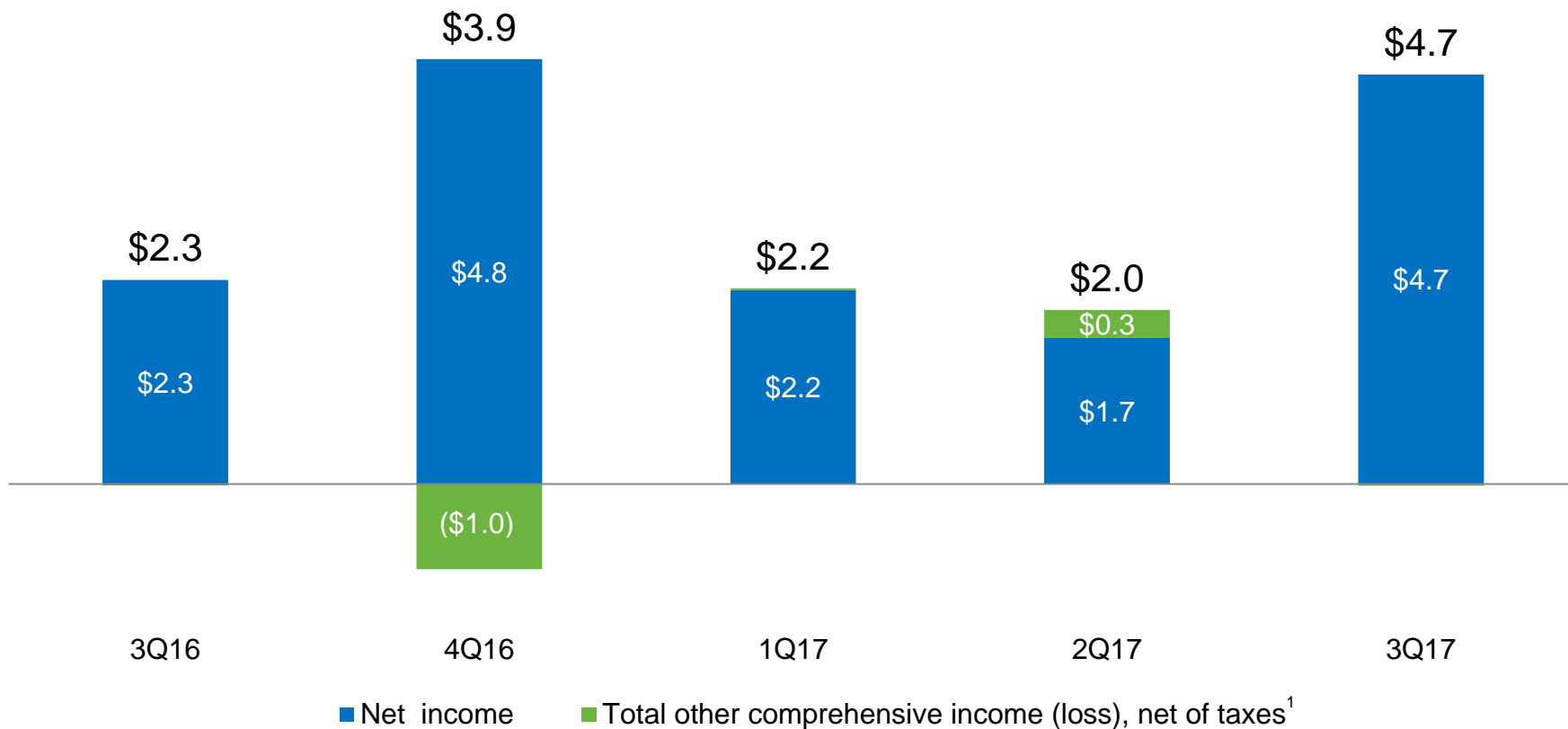
Note: Totals may not add due to rounding.

Data as of September 30, 2017.

# Comprehensive Income



\$ Billions



<sup>1</sup> Consists of the after-tax changes in: (a) the unrealized gains and losses related to available-for-sale securities; (b) the effective portion of derivatives previously designated as cash flow hedges; and (c) defined benefit plans.

Note: Totals may not add due to rounding.

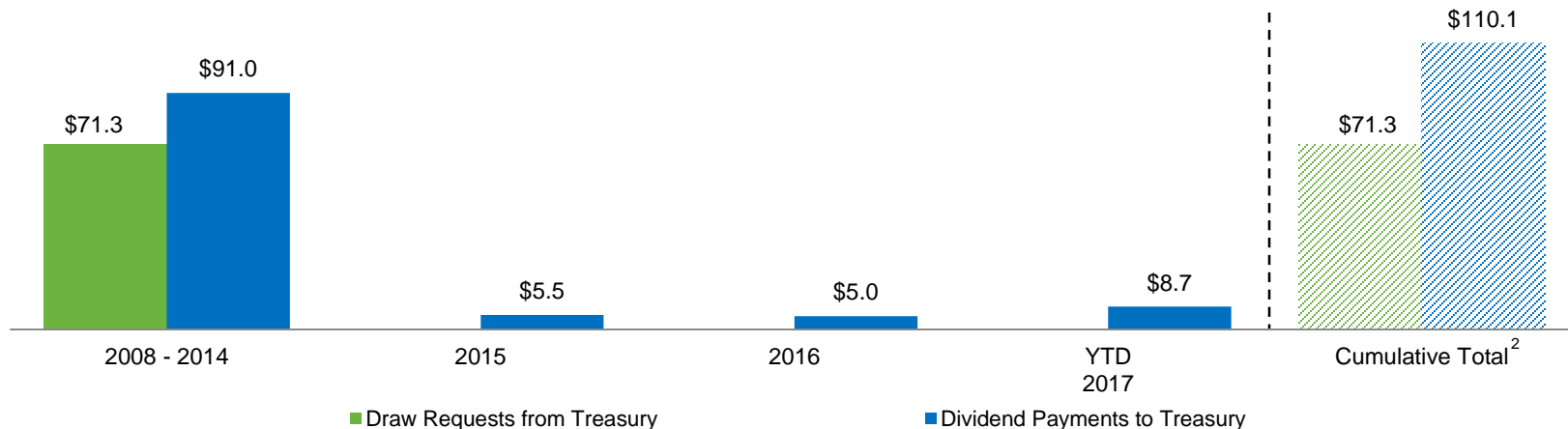
# Treasury Draw Requests and Dividend Payments



- Treasury still maintained a liquidation preference of \$72.3 billion on the company's senior preferred stock as of September 30, 2017.
  - » Dividend payments do not reduce the outstanding liquidation preference of the senior preferred stock
  - » Any future draws will increase the aggregate liquidation preference
- Since entering conservatorship in September 2008, Freddie Mac has:
  - » Paid aggregate cash dividends to Treasury of \$110.1 billion through September 30, 2017
  - » Received cumulative cash draws of \$71.3 billion from Treasury
- The amount of remaining Treasury funding currently available to Freddie Mac under the Purchase Agreement is \$140.5 billion. Any future draws will reduce this amount.

## Treasury draw requests<sup>1</sup> and dividend payments

\$ Billions



<sup>1</sup> Excludes the initial \$1 billion liquidation preference of senior preferred stock issued to Treasury in September 2008 as consideration for Treasury's funding commitment. The company received no cash proceeds as a result of issuing this initial \$1 billion liquidation preference of senior preferred stock.

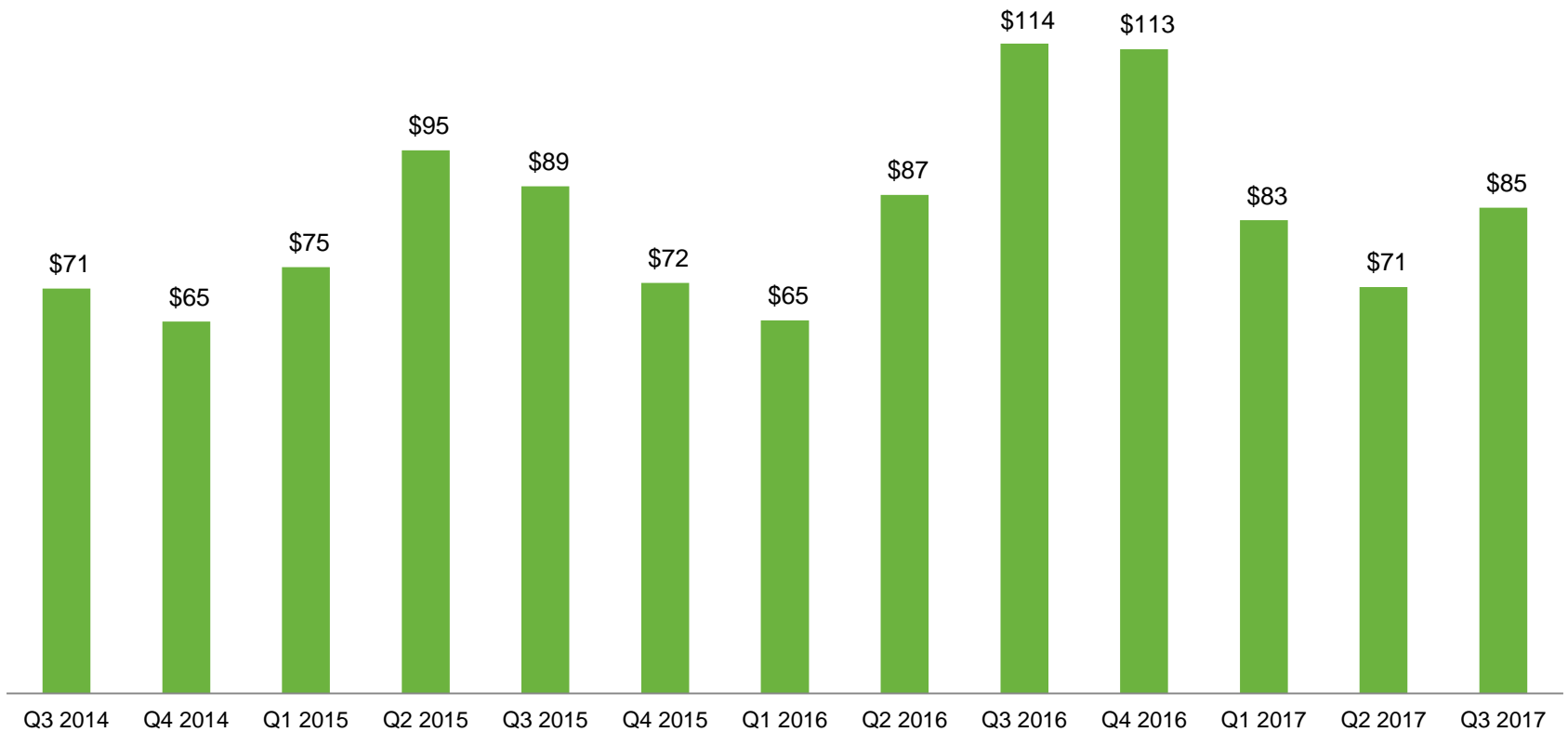
<sup>2</sup> As of September 30, 2017.



# Single-Family Loan Purchase Activity



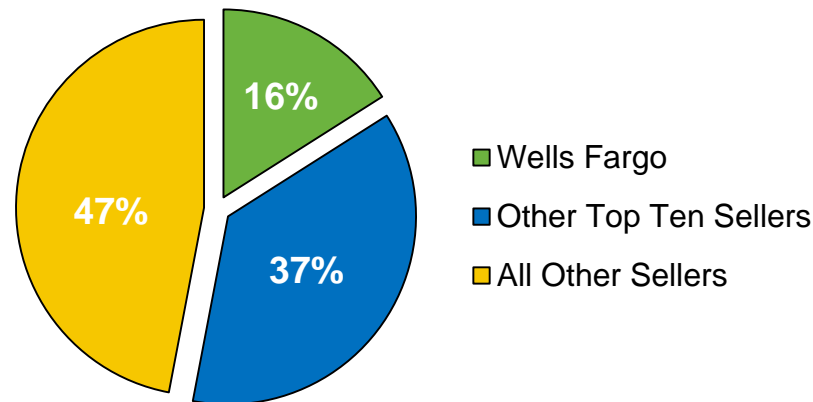
Single-Family Purchase and Issuance Volume<sup>1</sup>  
(Excluding Relief Refinance Mortgages)  
\$ Billions



# Approved Sellers and Servicers

- Freddie Mac approves sellers and servicers of mortgage loans based on a number of factors, including their financial condition, operational capability, and origination and servicing experience
- In approving sellers and servicers, Freddie Mac verifies references and performs a background review, functional area reviews – such as quality control, originations and underwriting – servicing and privacy compliance prior to approving an entity as a seller or servicer
- Freddie Mac acquires a significant portion of its single-family mortgage loan purchase volume from several large sellers
  - » Freddie Mac's top 10 single-family sellers provided approximately 53% of Freddie Mac's single-family purchase volume in the nine months ended September 30, 2017
  - » Wells Fargo Bank, N.A accounted for 16% of Freddie Mac's single-family mortgage loan purchase volume and was the only single-family seller that comprised 10% or more of Freddie Mac's purchase volume in the nine months ended September 30, 2017

**Seller Distribution**



# Loan Limits and Requirements



- The Freddie Mac Act establishes requirements for and limitations on the mortgage loans that Freddie Mac may purchase:
  - » “Single-family mortgages”: mortgage loans that are secured by one- to four-unit residential properties
  - » Upper limitation (“conforming loan limit”) on the original principal balance of mortgage loans
  - » Maximum LTV ratio limit of 80% unless there is one or more of the following credit protections, which are designed to offset any additional credit losses that may be associated with higher LTVs:
    - Mortgage insurance on the portion of the original principal balance above 80% from a qualified mortgage insurer
    - Seller’s agreement to repurchase or replace (for periods and under conditions as Freddie Mac may determine) any mortgage loan that has defaulted; or
    - Retention by the seller of at least a 10% participation interest in such mortgage loans
  
- In addition to the standards in the Freddie Mac Act, Freddie Mac seeks to manage the credit risk with respect to purchased mortgage loans through its underwriting and servicing standards reflected in the Freddie Mac Single-Family Seller/Servicer Guide (the “Guide”) and associated purchase agreements
  - » The Guide provides the underwriting standards for loans acceptable for purchase by Freddie Mac and details its requirements for servicing mortgage loans
  - » The terms of the Guide are revised from time to time, usually several times a year, through bulletins, and the Guide, bulletins and other information about underwriting and servicing requirements can be accessed through [www.allregs.com](http://www.allregs.com) or [www.freddiemac.com](http://www.freddiemac.com)

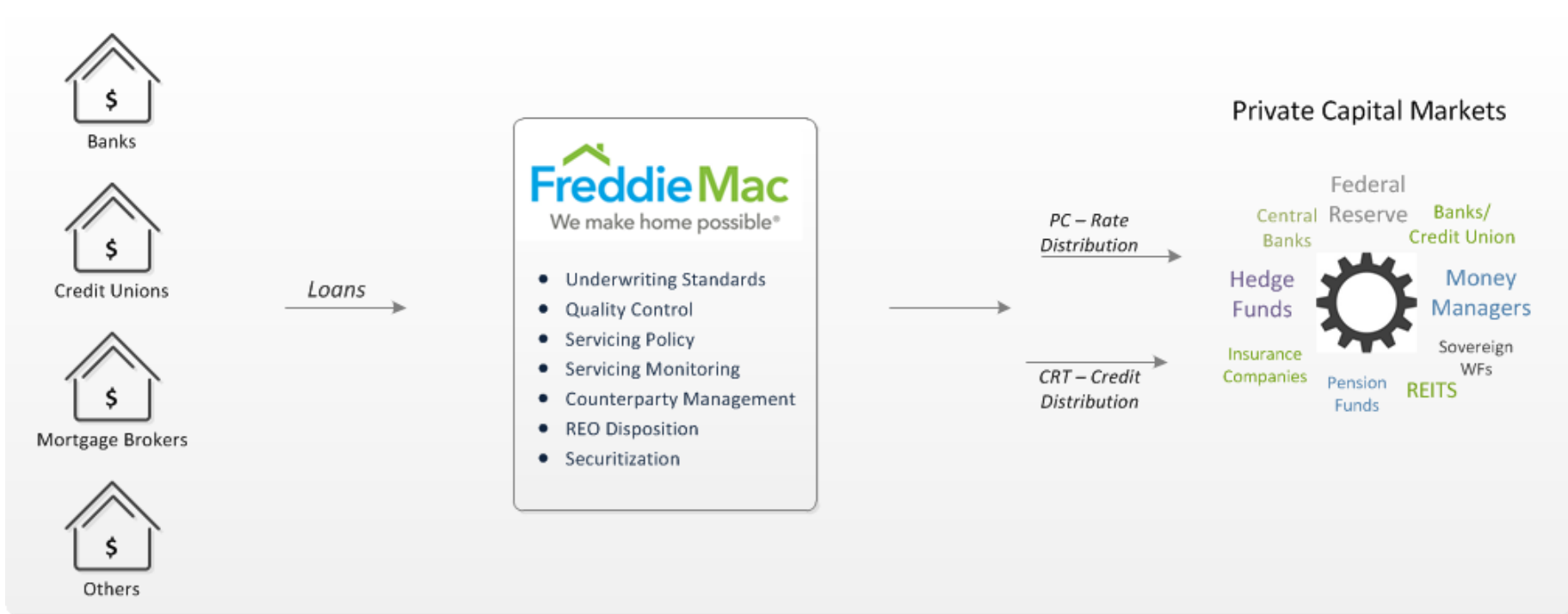
## 2017 Base Conforming Loan Limits

Property Type	Maximum Base Conforming Loan Limits for properties NOT located in Alaska, Hawaii, Guam & U.S. Virgin Islands		Maximum Base Conforming Loan Limits for properties located in Alaska, Hawaii, Guam & U.S. Virgin Islands	
	2018	2017	2018	2017
1-unit	\$453,100	\$424,100	\$679,650	\$636,150
2-unit	\$580,150	\$543,000	\$870,225	\$814,500
3-unit	\$701,250	\$656,350	\$1,051,875	\$984,525
4-unit	\$871,450	\$815,650	\$1,307,175	\$1,223,475

## 2017 Loan Limits for High-cost Areas and Freddie Mac's Super Conforming Mortgages

Property Type	Maximum Base Conforming Loan Limits for properties NOT located in Alaska, Hawaii, Guam & U.S. Virgin Islands		Maximum Base Conforming Loan Limits for properties located in Alaska, Hawaii, Guam & U.S. Virgin Islands	
	2018	2017	2018	2017
1-unit	\$679,650	\$636,150	\$1,019,475	\$954,225
2-unit	\$870,225	\$814,500	\$1,305,325	\$1,221,750
3-unit	\$1,051,875	\$984,525	\$1,577,800	\$1,476,775
4-unit	\$1,307,175	\$1,223,475	\$1,960,750	\$1,835,200

# Freddie Mac's Role in US Housing Finance



## ■ Delegated Underwriting

- » Freddie Mac uses a process of delegated underwriting whereby loans are purchased from seller/servicers that make representations and warranties that the loans meet the standards and requirements of their contracts with Freddie Mac.
- » Approximately 500 out of more than 1,100 active mortgage sellers approved by Freddie Mac are provided negotiated terms of business (“TOB”) which may amend, waive or otherwise alter certain terms of the Guide.
  - Prior to approving a TOB, Freddie Mac engages in a review process to assess potential implications and impacts of any proposed TOB across Freddie Mac and monitors TOBs on a go forward basis.
- » Ninety-nine\* percent of the loans purchased by Freddie Mac are underwritten using an automated underwriting system (“AUS”), either Freddie Mac’s proprietary system, Loan Prospector® (“LP”) which is currently known as Loan Product Advisor<sup>SM</sup> (“LPA”), the seller/servicer’s own system, or Fannie Mae’s proprietary system, Desktop Underwriter® (“DU”).
  - In permitting a seller to use an AUS other than LPA, Freddie Mac requires a number of additional credit standards for mortgage loans evaluated by such other AUS.

## ■ Underwriting Standards

- » Mortgage loans sold to Freddie Mac must, at a minimum, have documented property values and a mortgage file which reflects an acceptable level of documentation and evidence of the mortgagor’s ability to repay.
- » Freddie Mac requires a seller to obtain credit scores through credit bureaus when underwriting a mortgage loan.
  - The Guide requires a minimum credit score of 620 for manually underwritten loans.
  - LPA evaluates the borrower’s credit profile and determines if it is acceptable and in some cases, LPA may accept Credit Scores below 620 based on compensating factors.
- » Other factors considered in the underwriting are the applicant’s credit history, the amount of the applicant’s debts compared to his or her gross monthly income, the intended occupancy of the subject property, the property type, and the purpose of the loan transaction.
- » Freddie Mac requires the seller to conduct a valuation of the mortgaged property as collateral for each mortgage.
  - With few exceptions this collateral valuation is determined by an appraisal report where the mortgaged property and the neighborhood are inspected by an appraiser and the value of the mortgaged property is estimated by the appraiser.

## ■ Documentation Standards

- » Freddie Mac requires the Seller to obtain verifications and documentation for each source of qualifying income and assets identified by the mortgagor in the application.
  - Streamlined Accept Documentation: qualifying income for a salaried mortgagor would require documentation that includes a verification of employment, a year-to-date paystub or evidence of thirty (30) days of income, and W-2 form(s) for the most recent year. Assets listed on the application and required to qualify for the mortgage loan that are in a checking account would require a bank statement covering the most recent one month.
  - Standard Documentation: qualifying income for a salaried mortgagor would require documentation that includes a verification of employment, a year-to-date paystub or evidence of thirty (30) days of income, and W-2 form(s) for the most recent two years. Assets listed on the application and required to qualify for the mortgage loan that are in a checking account and would require a bank statement covering the most recent two months.

\* Excluding Relief Refinance and Bulk Loan Purchases

## ▪ Representations and Warranties

- » Freddie Mac relies on representations and warranties of each seller covering such matters as, but not limited to:
  - The accuracy of the information provided by the mortgagor and seller,
  - The validity of each mortgage loan as a first lien,
  - The fact that payments are current on each mortgage loan,
  - The physical condition of the Mortgaged Property,
  - The originator's compliance with applicable laws, including state anti-predatory lending statutes.
- » Representations and warranties on loans will no longer be in effect and Freddie Mac will no longer have recourse to the related seller and servicer for breaches of such representations or warranties, if:
  - Following the date Freddie Mac purchased the loan (the “Settlement Date”) the mortgagor made the first 36 monthly payments due with no more than two 30-day delinquencies, and no 60-day or greater delinquencies and was not 30 or more days delinquent with respect to the 36th monthly payment
  - Following the Settlement Date, the loan was subjected to Freddie Mac’s quality control review and was determined to satisfactorily comply with the Guide and any applicable TOBs.
  - Following the Settlement Date, the loan became subject to an agreement whereby the related seller and Freddie Mac settled claims for outstanding and future breaches of origination representations and warranties.
- » In any event, a seller or servicer will not be relieved from the enforcement of breaches of its representations and warranties on any loans with respect to the following seven “life-of-loan” matters:
  - (i) compliance with the Freddie Mac Act; (ii) misstatements, misrepresentations and omissions; (iii) data inaccuracies; (iv) clear title/first-lien enforceability; (v) compliance with laws and responsible lending practices; (vi) single-family mortgage product eligibility; and (vii) systemic fraud.

## ▪ Performing Loan Quality Control Review

- » Each month Freddie Mac selects a sample of the single-family mortgage loans it acquired in the previous month in order to conduct a quality control review of performing mortgage loans, with supplemental targeted sampling to focus on loan attributes or sellers that may be of particular interest or concern.
- » Freddie Mac verifies that each mortgage loan complies with Freddie Mac’s underwriting guidelines and other requirements set forth in the Guide as may be modified in any applicable TOBs.

## ▪ Non-Performing Loan Quality Control Review

- » In addition to reviewing samples of newly-acquired mortgage loans, Freddie Mac also reviews a significant portion of the mortgage loans that default within the first few years after purchase or guarantee by Freddie Mac.
- » The review of non-performing mortgage loans follows a similar process as the on-going quality control reviews performed on samples of newly purchased loans.
- » Freddie Mac plans to review every loan that suffers a Credit Event for a STACR transaction provided the applicable representations and warranties are still in effect and the loan age is less than five years.
- » Freddie Mac may at its discretion, review Credit Event Reference Obligations with a loan age of five years or greater.

## ▪ Seller In-House Quality Control (QC)

- » Freddie Mac requires each seller to have an in-house QC program that has written procedures, operates independently of the origination and underwriting functions, includes re-verification and/or re-underwriting processes, regularly monitors the overall quality of mortgage production, and employs effective sampling and reporting procedures under which sellers agreed to sell mortgage loans to Freddie Mac.
- » Freddie Mac reviews, monitors and provides feedback on sellers, QC and origination practices in a variety of ways, including performing on-site reviews of its largest sellers.

## ▪ Credit Review

- » For mortgage loans selected to be reviewed, files are sent to vendors to re-verify factual information and then the files are placed in a queue for review.
- » All mortgage loans reviewed are compared against the underwriting standards set forth in the Guide and as may be modified by any applicable TOBs in effect at the time of purchase by Freddie Mac, including a review of the original appraisals of the Mortgaged Properties that were obtained in connection with the origination of those mortgage loans.
- » The original appraisal value of the Mortgaged Property is reviewed against a value from Freddie Mac's automated valuation model, Home Value Explorer ("HVE"), when available, as well as a desk review by an underwriter, in order to assess if the original appraisal report supported the value and marketability of the subject property.
  - To the extent HVE indicates that the original appraisal report significantly exceeded the actual value, Freddie Mac uses other tools, including review appraisals, to determine if value and marketability of the Mortgaged Property was supported.
- » Freddie Mac also captures the names of parties to the sampled mortgage loan transactions and compares them to Freddie Mac's exclusionary list, which is comprised of individuals and companies that are prohibited from participating in transactions involving Freddie Mac, either directly or indirectly, due to lack of integrity or business competency.

## ▪ Compliance Review

- » Some mortgage loans are selected for anti-predatory lending reviews and are reviewed to assess whether those mortgage loans were originated in compliance with certain applicable laws and regulations.
- » This assessment includes, for example, whether the mortgage loans reviewed met the definition of "high cost" loans under HOEPA or similar state or local laws.
- » Mortgage loans in the sample that violate Freddie Mac's charter or anti-predatory laws are required to be repurchased by the applicable seller.

## ▪ Quality Assurance

- » A Quality Assurance review is a secondary review performed on a small percentage of the mortgage loans in the Quality Control process, to evaluate quality and consistency of the Quality Control underwriters' and third-party vendors' decisions and processes with Freddie Mac's credit policies and procedures.

## ▪ Underwriting Defects

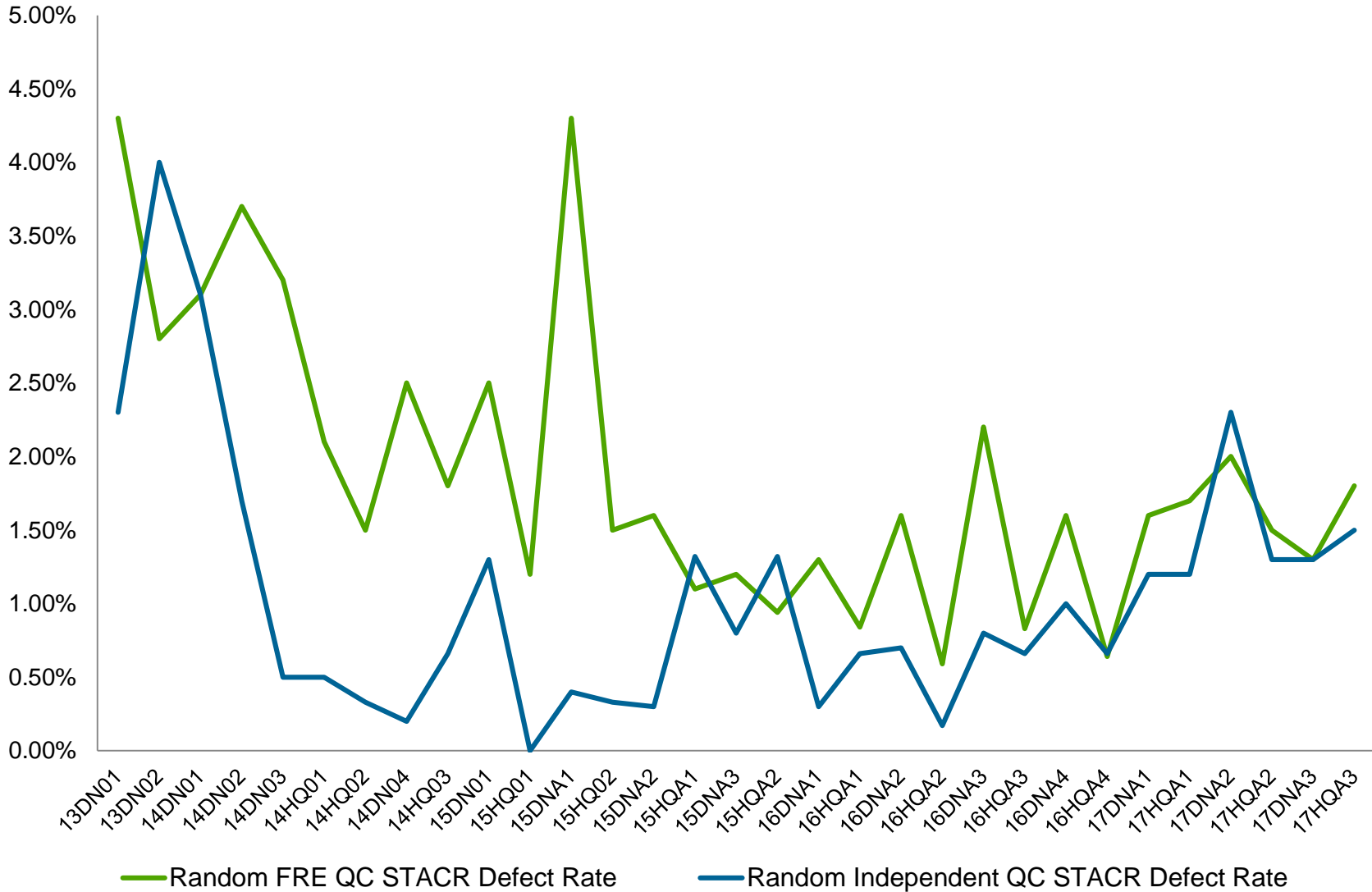
- » In its sole discretion, Freddie Mac determines that a loan has an underwriting defect, through the identification of one of the following:
  - a material violation of the underwriting guidelines and other requirements in the Guide and as may be modified by the related seller contract with respect to such loan,
  - inadequate collateral securing such loan; or
  - as of the origination date, repayment in full cannot be expected.
- » The most common Underwriting Defects found in the reviews of loans purchased during 2015 related to insufficient income and inability to calculate income. Other common defects include insufficient funds to close, excessive obligations and the original appraisal not supporting the value of the property.

## ▪ Underwriting Defects Repurchase Process

- » Freddie Mac may require or permit the seller or servicer of a mortgage loan to repurchase any such loan if there is an underwriting defect discovered through the credit review, compliance review, or quality assurance process.
- » To the extent that Freddie Mac determines that the origination of a mortgage loan has an underwriting defect relating to a representation or warranty given by a seller, the applicable seller or servicer generally will be obligated to repurchase the mortgage loan within 60 days after receipt of notice from Freddie Mac of such defect.
- » Upon receipt of a repurchase notice, the seller or servicer may file an appeal if it has additional supporting information and/or documentation that may affect Freddie Mac's decision. The appeal must be filed within 60 days from the date of Freddie Mac's notice requiring repurchase.
- » An underwriting defect becomes confirmed when:
  - Such loan is repurchased by the related seller or servicer,
  - In lieu of repurchase, an alternative remedy (such as indemnification) is mutually agreed upon by both Freddie Mac and the seller or servicer; or
  - Freddie Mac, in its sole discretion, elects to waive the enforcement of a remedy against the seller or servicer in respect of such underwriting defect.



# Freddie Mac and Independent Quality Control Defect Rate



## ▪ Servicing Overview

- » Servicers are required to perform customary mortgage loan servicing functions, including:
  - collection of payments from mortgagors and remitting payments to Freddie Mac;
  - maintenance of primary mortgage loan insurance (MI) and property insurance, filing and settlement of property insurance claims, and delivery of supporting documentation for MI claims;
  - maintenance of escrow accounts of some mortgagors for payment of taxes, insurance, and other items required to be paid by the mortgagors pursuant to terms of the related mortgage loan;
  - processing of assumptions, substitutions, payoffs and releases;
  - attempting to cure delinquencies and mitigate losses;
  - supervising foreclosures or repossessions;
- » Freddie Mac retains the right to revoke, re-assign or terminate servicing of any servicer, subject to the terms of the Guide (as modified) and as may be further modified by terms of business applicable to a servicer.

## ▪ Loss Mitigation

- » Servicers are required to contact a delinquent mortgagor early in the delinquency process and throughout the delinquency cycle in order to mitigate the risk of default.
- » Freddie Mac's loss mitigation strategy emphasizes early intervention by servicers in delinquent mortgage loans and provides alternatives to foreclosure, including:
  - Forbearance agreements, where reduced payments or no payments are required during a defined period, generally less than one year (Freddie Mac does not permit principal forgiveness).
  - Repayment plans, which are contractual plans to make up past due amounts.
  - Loan modifications, which may involve changing the terms of the mortgage loan, or capitalizing outstanding indebtedness, (such as delinquent interest), to the unpaid principal balance of the mortgage loan, or a combination of both. Freddie Mac may grant partial principal forbearance as part of a modification but does not utilize principal forgiveness.
  - Short sales, which involve allowing the mortgagor to sell the Mortgaged Property to an unrelated third party for an amount that is insufficient to pay off the mortgage loan in full.
  - Deeds in lieu of foreclosure which are processed similar to a short sale except that the Mortgaged Property is not sold to a third party but is conveyed directly to Freddie Mac.
  - Mortgage assumption by which a new party assumes the obligations of the mortgagor under the Mortgage Note, and may be performed simultaneously with a loan modification.
- » If a loan workout has not been reached by the 120th day of delinquency, servicers are generally required to accelerate payment of principal from the mortgagor and initiate foreclosure proceedings with respect to a Mortgage in accordance with the provisions of the Guide (as modified) and as may be modified any terms of business applicable to a servicer.

## Freddie Mac monitors servicers to ensure they are properly implementing servicing standards

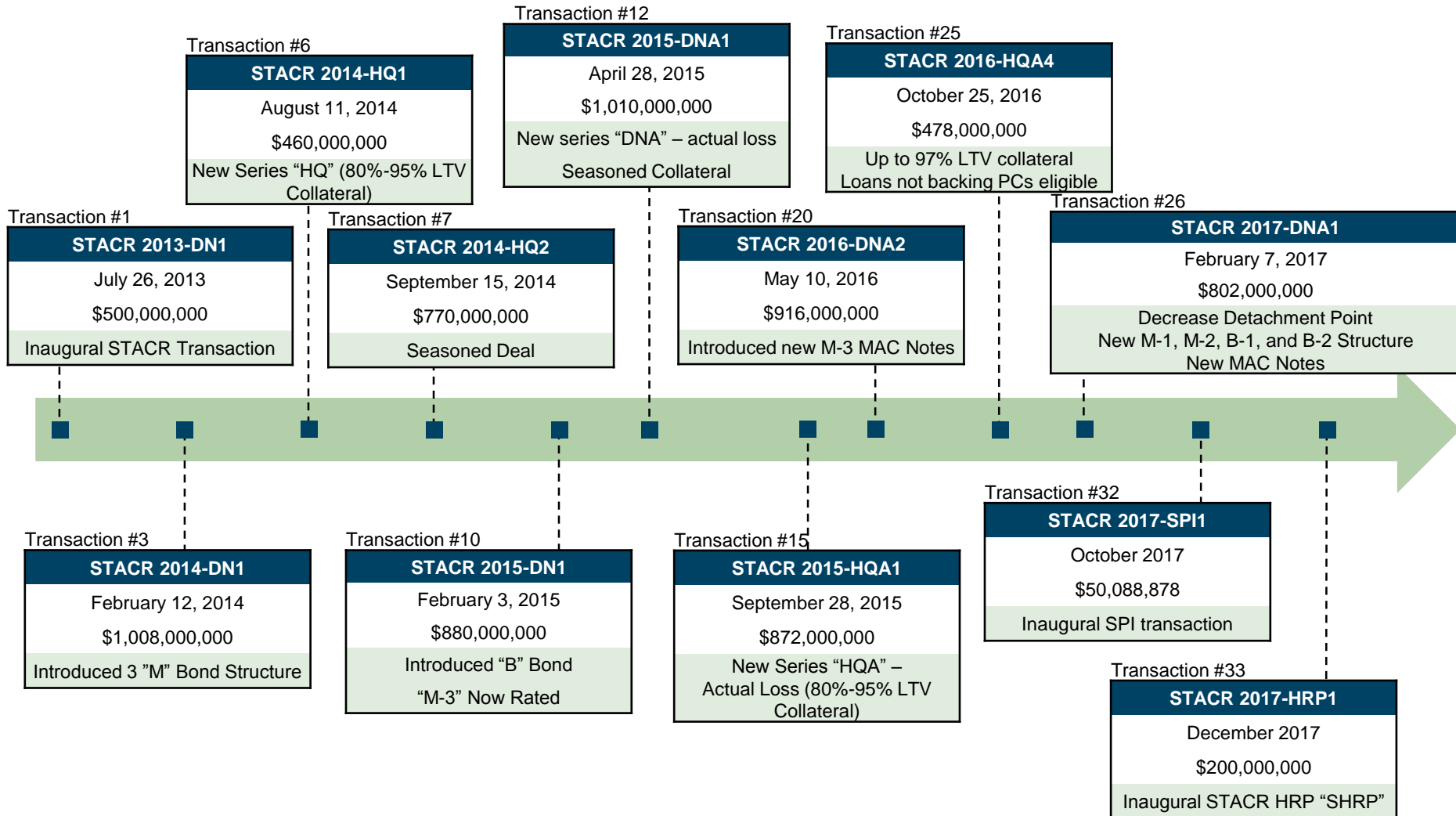
- Freddie Mac requires servicers to report regularly on their servicing activities, including adverse matters, charge-offs, reporting to credit repositories, foreclosures, monthly delinquencies, real-estate owned repurchases and transfers of ownership.
- Freddie Mac has an internal unit dedicated to monitoring and improving servicing performance, by performing the following functions:
  - » assigning account managers to provide individualized attention to their assigned servicer or group of servicers.
  - » collecting information about servicer performance, from both internal and external sources, and regularly assessing this data.
  - » focusing on default servicing and management by monitoring various metrics.
  - » measuring a servicer's performance based on key criteria in two categories: investor reporting and remitting, and default management.
- Freddie Mac also conducts file reviews of some servicers, both remotely and in the servicers' offices, in order to assess servicing and default management performance. These file reviews are in addition to credit and compliance reviews Freddie Mac undertakes as part of its quality assurance process
- Freddie Mac may also conduct the following types of Servicer Success File Reviews:
  - » Prudent Servicing Review: An assessment of the Servicer's collection activities, loss mitigation activities, timeline management, and property preservation processes.
  - » Short Sale Compliance Review: An assessment of the Servicer's compliance with the requirements of the Guide as may be modified by terms of business, regarding completed short sales.
  - » Loan Modification Compliance Review: An assessment of the Servicer's compliance with the requirements of the Guide as maybe modified by terms of business, as applicable, regarding completed modifications.
- Freddie Mac considers factors such as trends in performance, adequacy of staffing, audit results, scorecard results, Servicer Success File Reviews, and/or compliance with all requirements of the Guide or as may be modified by terms of business in evaluating whether the servicer's overall performance is unacceptable for purposes of disqualification or suspension as an approved servicer.
- If a servicer is placed in the bottom 25% of the list of all servicers based on their Servicer Success Scorecard, in accordance with the terms of the Guide or as may be modified by a servicer's contract, or a servicer does not meet the goals set forth in a term of business, Freddie Mac may remove servicing, either partially or in full from the servicer.

- STACR is the leading product in the GSE Risk Transfer Market and has issued a combined total of ~\$23.7bn of credit risk transfer (“CRT”) securities to date
- STACR Notes are unsecured general obligations of Freddie Mac, which are also subject to the credit risk of a certain pool of residential mortgage loans (the “Reference Obligations”) guaranteed by Freddie Mac
- STACR transactions provide credit protection to Freddie Mac with respect to the Reference Obligations by reducing the outstanding Class Principal Balance due on the Notes in an amount based on the **actual realized losses** on the Reference Obligations
  - » The Notes are issued at par and are uncapped LIBOR-based floaters, and include a 12.5 year final maturity with an optional redemption at the earlier of a 10% pool factor or 10 years
  - » Although the Notes are unsecured general obligations of Freddie Mac, the payment characteristics have been designed so that the Notes are paid principal similarly to securities in a senior/subordinate private label residential mortgage backed securities (“RMBS”) structure
  - » Freddie Mac will make monthly payments of principal and accrued interest to the Noteholders
    - Actual cash flows from the Reference Obligations will not be paid or otherwise made available to the holders of the Notes

# STACR Evolution



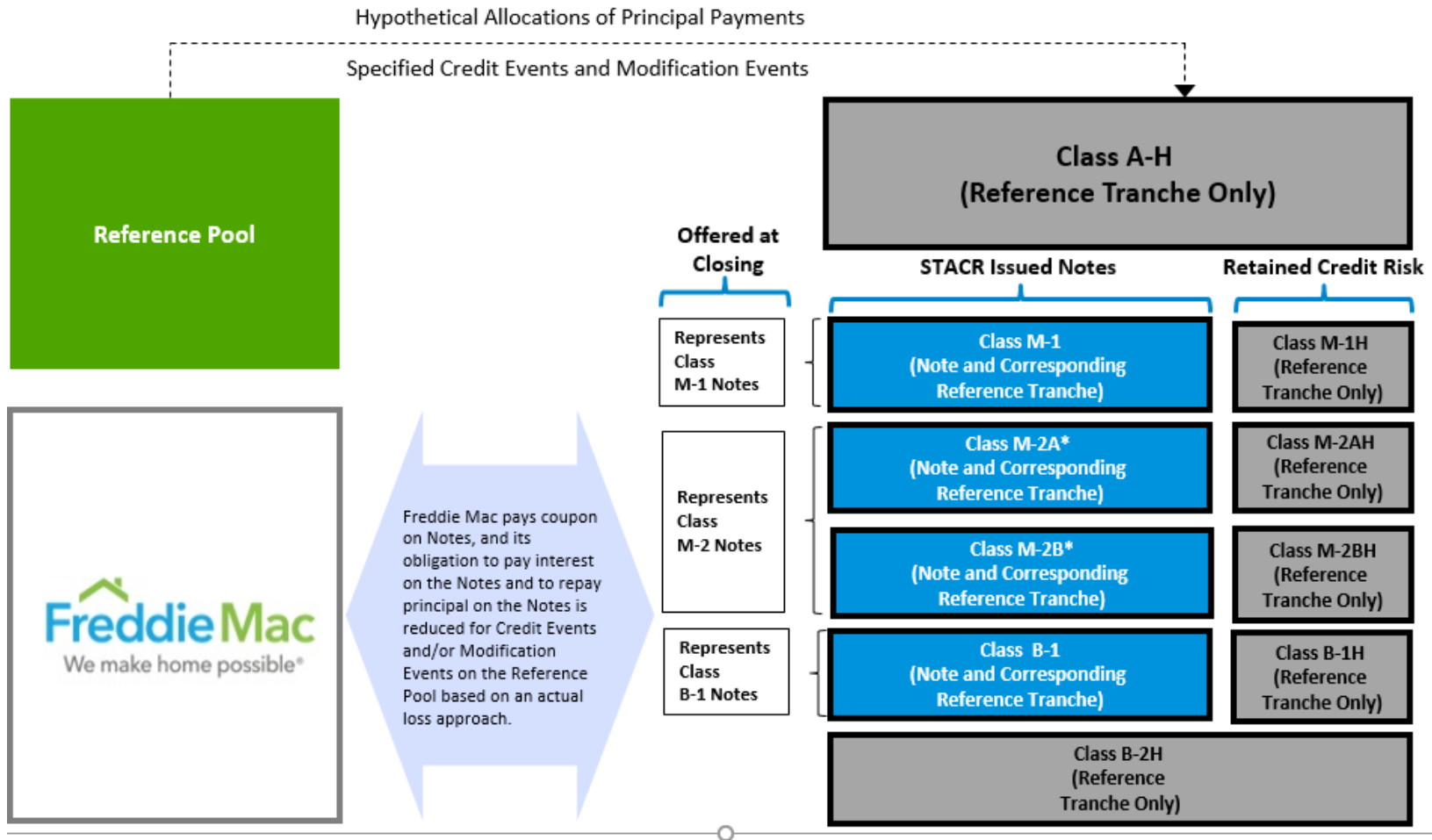
- Freddie Mac has issued 33 STACR transactions to date:



- Losses are passed at disposition, except for modification shortfalls and bankruptcy cramdowns, which are passed on a monthly basis.
- Adding investor protection from servicing defects:
  - » Major Servicing Defect (repurchase or make whole are removed from reference pool and treated as prepayments or result in a reversal of a credit event)
  - » Minor Servicing Defect (share reimbursement proceeds with investors)
- 12.5 year final maturity, with optional redemption at 10 years.
- Four bond structure; 2 Mezz bonds and 2 B bonds.
- Freddie Mac retains MI counterparty risk.
- Freddie Mac will retain a portion of all mezz and sub tranches.
- Removal of loans from initial reference pool where borrower has filed for bankruptcy.
- All bonds are issued in book entry form.
- The Class B bonds should be treated as derivative for U.S. federal income tax purposes (except with respect to Non-U.S. Beneficial Owners for purposes of U.S. federal withholding tax). Freddie Mac intends to withhold on Non-U.S. Beneficial Owners of Class B Notes with respect to non-principal Class B payments. However, depending on the residence of a Non-U.S. Beneficial Owner, Treaty rates may apply to reduce the withholding rate.
- Modification losses will be allocated to the notes to reduce interest paid and/or cause principal write-downs.

- The Class B Notes (including Class B-1 and B-2 Notes) should be treated as derivatives for U.S. federal income tax purposes
- Freddie Mac will treat the Class B Notes as a contingent notional principal contract (“NPC”) (except with respect to Non-U.S. Beneficial Owners for purposes of U.S. federal withholding tax) and will bind investors to such treatment
- Freddie Mac (and holders, unless a holder already has chosen another method) will tax account for the Class B Notes under a mark-to-market method and will be required to treat the initial payment for the Class B Notes as a deemed loan pursuant to the NPC accounting rules (tax accounting guidance will be provided in the Offering Circular)
- The Class B Notes are issued as DTC Eligible Notes
- Freddie Mac intends to withhold on Non-U.S. Beneficial Owners of Class B Notes with respect to non-principal Class B payments. However, depending on the residence of a Non-U.S. Beneficial Owner, Treaty rates may apply to reduce the withholding rate.
- Sample Treaty rates:
  - United Kingdom: 0% for Business Profits, 0% for Other Income
  - Spain: 0% for Business Profits, 0% for Other Income
  - Luxembourg: 0% for Business Profits, 0% for Other Income

# 2017 Structure Illustration



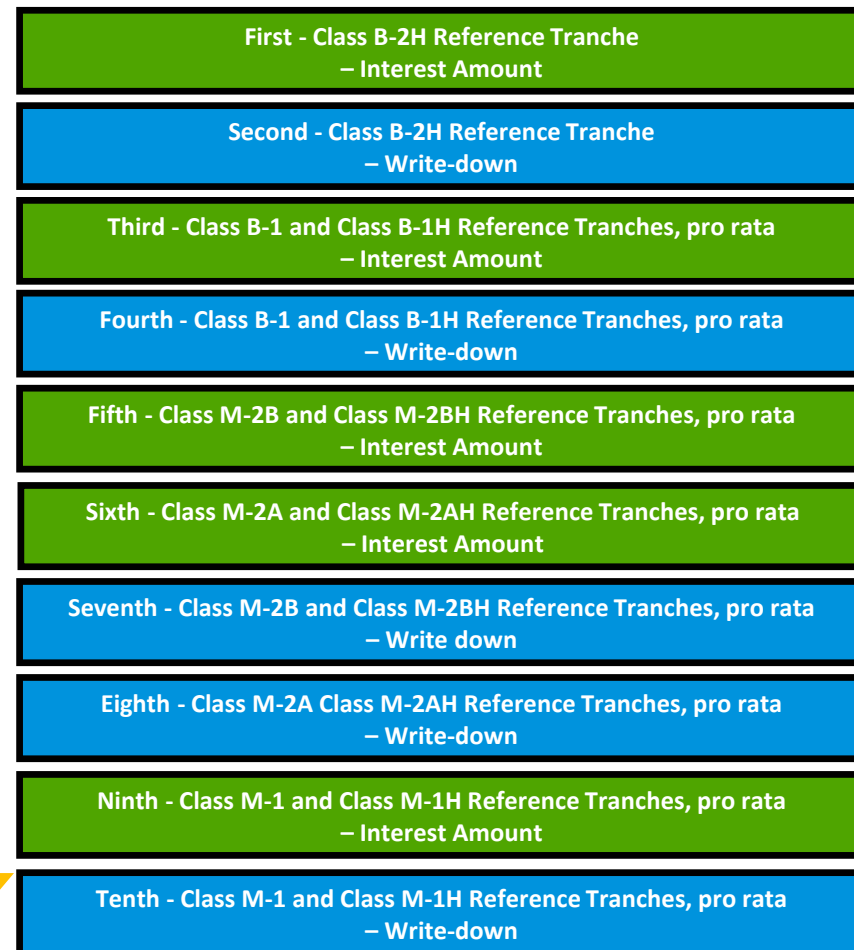
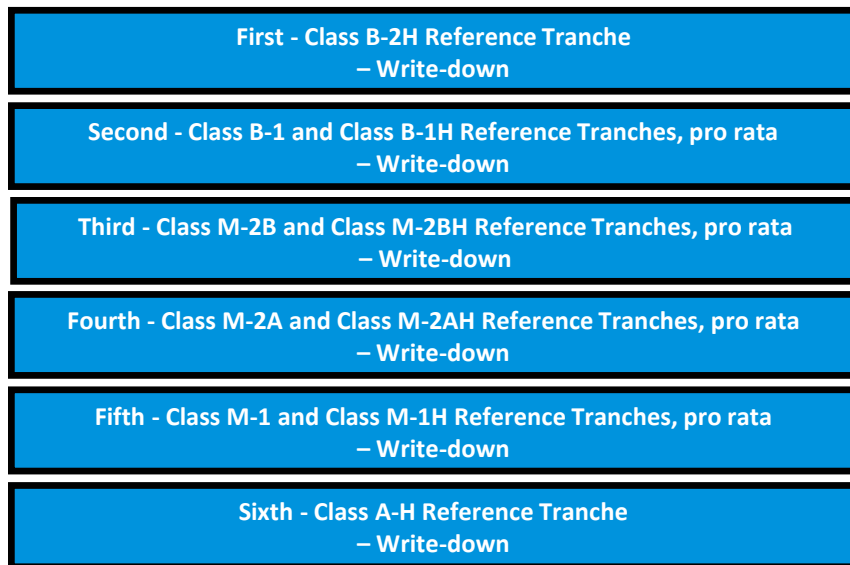
\* The Class M-2A and Class M-2B Notes and corresponding Reference Tranches relate to the Class M-2 Notes, which Class M-2A and Class M-2B Notes are exchangeable for the Class M-2 Notes, and vice versa. Freddie Mac may transfer a portion of the retained credit risk, but has agreed not to transfer or hedge more than a 95% pro rata share of the credit risk on any of (i) the Class A-H Reference Tranche, (ii) the Class M-1 and Class M-1H Reference Tranches (in the aggregate), (iii) the Class M-2A and Class M-2AH Reference Tranches (in the aggregate), (iv) the Class M-2B and Class M-2BH Reference Tranches (in the aggregate), (v) the Class B-1 and Class B-1H Reference Tranches (in the aggregate) or (vi) the B-2H Reference Tranche. Additionally, Freddie Mac does not intend, through this transaction or any subsequent transactions, to enter into agreements that transfer or hedge more than a 25% share of the credit risk on the Class B-2H Reference Tranche.



# STACR – Actual Loss Waterfall

Freddie Mac will utilize the below waterfalls to allocate actual losses

## Allocation of Loss on Dispositions



- Modification Loss Amount = Modification Shortfall minus Modification Excess

- » Modification Shortfall / Excess

- »  $1/12 * (\text{original interest rate} - 35 \text{ bps}) * \text{Current Actual UPB} - 1/12 * (\text{current interest rate} - 35 \text{ bps}) * \text{Current Interest Bearing UPB}$

# STACR – Actual Loss Calculation

## Calculation for Actual Loss

Losses at Disposition	1	(+)	UPB at time of removal from the Reference Pool (including prior principal forgiveness)
	2	(-)	Net Sales Proceeds
	3	(+)	Delinquent Accrued Interest (Non-Capitalized) <i>Interest Bearing UPB * min(Note Rate – 35bps, Accounting Net Yield) * (# of Months Delinquent/12)</i>
	4	(+)	Taxes and Insurance
	5	(+)	Legal Costs
	6	(+)	Maintenance and Preservation Costs <i>e.g. Property Inspection, Homeowner’s Association, Utilities, Rental Receipts, REO Management, etc.</i>
	7	(-)	MI Proceeds <i>Total Claim Amount * Coverage %</i>
	8	(+)	Miscellaneous Expenses <i>e.g. BPO, other sales expenses not included in item 2 above</i>
	9	(-)	Miscellaneous Credits <i>e.g. Positive Escrow, Insurance Refunds, Hazard Claim Proceeds, Make Whole Events, etc.</i>

Losses at Modification	10	(+)	Modification Costs <i>e.g. Interest Short Fall (Passed to investors on a monthly basis included in modification loss amount)</i>
	11	(+)	Bankruptcy Cramdown Costs (Passed to investors on a monthly basis included in write down loss amount)

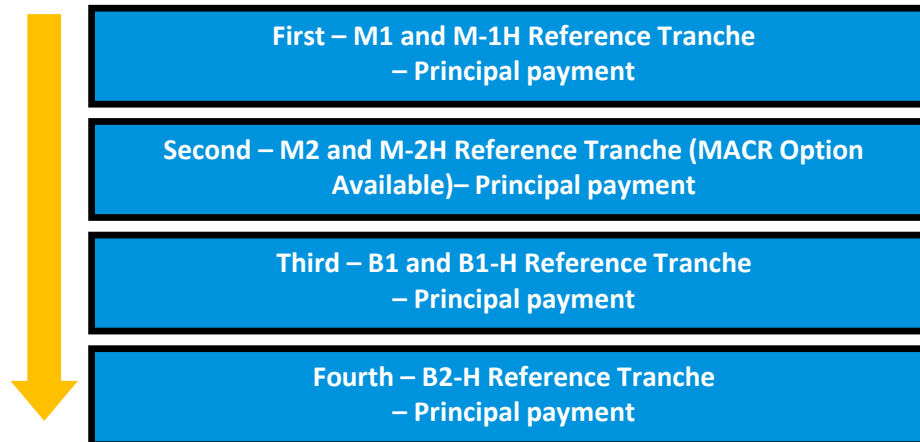
## Scheduled principal:

- Pro rata between senior and subordinate. Sequential pay among subordinate classes.

## Unscheduled principal:

- Pro rata between senior and subordinate if all triggers pass. Sequential pay among subordinate classes.
- Sequential between senior and subordinate if any trigger fails. Sequential pay among subordinate classes.

### Allocation of Principal Payment Among Subordinate Classes



# 2017-DNA3 Capital Structure



STACR 2017-DNA3							
Tranche	Expected Ratings		Balance (\$)	WAL (yrs.)*		Loss	
	DBRS	Fitch		10% CPR	5% CPR	Attach	Detach
M-1	BBB (low) (sf)	BBB-sf	\$400,000,000	2.37	3.96	2.50%	3.50%
M-2	B (high) (sf)	B+sf	\$600,000,000	6.75	9.23	1.00%	2.50%
B-1	NR	NR	\$200,000,000	9.98	9.98	0.50%	1.00%
<b>Total</b>			<b>\$1,200,000,000</b>				
November 1 <sup>st</sup> , 2016 – March 31 <sup>st</sup> , 2017 acquisitions							
Reference Pool is based on a pool of loans with a UPB of \$56.2bn, LTV range: 60% < LTV <= 80%							
Min C/E Test: 4.00%							
Cumulative Net Loss % Threshold: Year 1: 0.10%, with 0.10% step-ups each year							
Delinquency Test: 50% of subordinate balance							

\*Calculated Weighted Average Life ("WAL") assuming either 5 CPR or 10 CPR and 0 CDR. WAL (years) to Early Redemption Date

# 2017-DNA3 Initial Cohort Pool to Reference Pool



## ■ Key Reference Pool Characteristics:

- » 100% Never Delinquent
- » 100% fully amortizing, fixed-rate, one-to-four unit, first lien mortgage loans with original terms of 241 to 360 months

- » No loans originated under Relief Refinance program (including HARP)
- » No government guaranteed loans
- » No IOs or Balloons
- » No LTV > 80% or <=60%

Category	Aggregate Original Loan Balance (\$ Billion)
All non-HARP loans funded between November 1, 2016 and March 31, 2017	159.0
Non-HARP loans, fixed	155.8
Non-HARP loans, fixed 241 to 360 months term	122.3
Non-HARP loans, fixed 241 to 360 months term, 60% < LTV <= 80%	66.0
Non-HARP loans, fixed 241 to 360 months term, 60% < LTV <= 80% & other filters <sup>(1)</sup>	64.5

Category	Loan Count	Aggregate Original Loan Balance (\$)	Average Original Loan Balance (\$)	Non-Zero Weighted Average Original Credit Score	Weighted Average Original LTV Ratio (%)	Non-Zero Weighted Average Original DTI (%)
<b>Initial Cohort Pool</b>	255,119	64,483,475,000	252,758	748	75	35
less loans that were removed because they are located in one of 82 counties listed by FEMA as a major disaster area following Hurricane Harvey and Hurricane Irma as of September 13, 2017 <sup>(2)</sup>	20,275	4,441,185,000	219,047	744	76	36
less loans that were removed due to incomplete data reconciliation or corrected data <sup>(3)</sup>	5	973,000	194,600	685	78	34
less loans that were repurchased or removed by quality control process <sup>(4)</sup>	363	95,193,000	262,240	714	74	39
less loans that were paid in full	7,127	1,910,082,000	268,006	748	75	36
less loans that were removed due to having failed delinquency criteria or the borrower having filed for bankruptcy <sup>(5)</sup>	3,764	978,999,000	260,095	727	75	36
<b>Reference Pool</b>	223,585	57,057,043,000	255,192	749	75	35

1) Other filters include: government guaranteed loans, IO only, balloons, etc.

2) Includes loans located in the 82 counties that FEMA has declared major disaster areas and in which FEMA has authorized individual assistance to assist homeowners as of September 13, 2017.

3) Loans removed because reconciliation with the related sellers regarding certain data they provided has not yet been completed or loans removed because data corrections or certain pilot programs made the loans ineligible.

4) Includes loans removed as a result of the findings of the Third-Party Diligence Provider, if applicable. Also includes Mortgage Loans repurchased by the seller/servicer as a result of their internal quality control process and/or voluntarily repurchased by the seller/servicer.

5) Out of the 3,764 loans that were excluded from the Reference Pool due to failing delinquency criteria or having filed for bankruptcy, 2,946 of those loans were reported to be currently performing as of July 31, 2017.

# Deal Management



- Freddie Mac actively monitors STACR markets
- Deal sizes are adjusted based on estimated investor demand

STACR Deal	Issuance Month-Year	Max Size (\$MM)	Actual Size (\$MM)	Actual % of Max.	Macro Economic Environment
15DN1 <sup>(1)</sup>	February 2015	1,057	880	83%	Uncertainty around Greek outcomes re-emerges
15HQ1 <sup>(1)</sup>	March 2015	947	860	91%	
15DNA1 <sup>(1)</sup>	April 2015	1,143	1,010	88%	
15HQ2	June 2015	426	426	100%	
15DNA2	June 2015	1,527	950	62%	Grexit fears, extreme volatility in Chinese Equities
15HQA1	September 2015	1,008	872	87%	
15DNA3	November 2015	1,772	1,070	60%	<ul style="list-style-type: none"> <li>•Crude oil in freefall – down 65% within LTM</li> <li>•Turmoil in Chinese Equity Markets</li> <li>•Weakening US Economic Data</li> <li>•Geopolitical concerns (North Korea / Middle East)</li> </ul>
15DNA3	December 2015	962	590	61%	
16DNA1	January 2016	1,536	996	65%	
16HQA1	March 2016	856	475	55%	Global credit capital markets sell-off in Q1 2016
16DNA2	May 2016	1,295	916	71%	
16DNA3	June 2016	881	627	71%	
16DNA3	May 2016	1,138	795	70%	
16HQA3	September 2016	750	515	69%	
16DNA4	September 2016	1,068	739	69%	
16HQA4	October 2016	661	478	72%	
17DNA1 <sup>(1)</sup>	January 2017	1,134	802	71%	
17HQA1	February 2017	1,064	753	71%	
17DNA2 <sup>(1)</sup>	April 2017	1,806	1,320	73%	
17HQA2 <sup>(1)</sup>	June 2017	1,051	735	70%	
17DNA3 <sup>(1)</sup>	October 2017	1,600	1,200	75%	Hurricane Harvey, North Korea concerns, Hurricane Irma
17HQA3 <sup>(1)</sup>	October 2017	822	600	73%	

(1) Deal was upsized.

Expected Issuance Window
January / February 2017
April 2017
June 2017
September 2017
October 2017
December 2017

Source: [http://www.freddie.mac.com/creditriskofferings/docs/2017\\_stacr\\_issuance\\_calendar.pdf](http://www.freddie.mac.com/creditriskofferings/docs/2017_stacr_issuance_calendar.pdf)

Freddie Mac retains sole discretion over whether or not the STACR issuances come to market and the timing thereof, which may be impacted by market conditions. As such, the information contained in this document does not guarantee the timing of any future Freddie Mac offerings or the amount of such offerings. This document may be amended, superseded or replaced. Please use this STACR issuance calendar for informational purposes only. This document is not an offer to sell any Freddie Mac securities.

- Freddie Mac has made available the Single-Family Loan-Level Dataset as part of a larger effort to increase transparency and help investors build more accurate credit performance models in support of the risk-sharing initiatives.
- The Single-Family Loan-Level Dataset includes loan-level origination and monthly loan performance data on a portion of single-family mortgages acquired by Freddie Mac. Approximately 22.5 million loans are in the “full” Single-Family Loan-Level Dataset, meeting the following selection criteria:
  - » Data included in tables were derived from Freddie Mac’s historical HARP loan level data set as of September 2017 refresh: Originations 2009 - September 30, 2016. Performance data: 2009-March 31, 2017, losses reported for loans liquidated as of 4Q2016.
- 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.
- Additionally, Freddie Mac releases loan level data for all STACR deals on a monthly basis.
  - » Actual loss data was first made available in November 2014.



# Disclosed Loan-Level Fields



For more information on file layout and field definition, please refer to the STACR Reference Pool Disclosure Guide ([http://www.freddiemac.com/creditriskofferings/docs/reference\\_pool\\_disclosure\\_guide.pdf](http://www.freddiemac.com/creditriskofferings/docs/reference_pool_disclosure_guide.pdf)).

#	Origination Records	SF LLD	STACR Relief Refi	STACR Pre-Relief Refi (Issuance Only)
1	LOAN IDENTIFIER	Y	Y	Y
2	PRODUCT TYPE	Y	Y	Y
3	SELLER NAME	Y	Y	Y
4	PROPERTY STATE	Y	Y	Y
5	POSTAL CODE (Zip 3)	Y	Y	N
6	MSA	Y	Y	Y
7	FIRST PAYMENT DATE	Y	Y	Y
8	MATURITY DATE	Y	Y	Y
9	ORIGINAL LOAN TERM	Y	Y	Y
10	ORIGINAL INTEREST RATE	Y	Y	Y
11	ORIGINAL UPB	Y	Y	Y
12	UPB AT ISSUANCE	N	Y	N
13	LOAN PURPOSE	Y	Y	Y
14	CHANNEL	Y	Y	Y
15	PROPERTY TYPE	Y	Y	Y
16	NUMBER OF UNITS	Y	Y	Y
17	OCCUPANCY STATUS	Y	Y	Y
18	NUMBER OF BORROWERS	Y	Y	Y
19	FIRST TIME HOMEBUYER	Y	Y	Y
20	PREPAYMENT PENALTY INDICATOR	Y	Y	Y
21	ORIGINAL CREDIT SCORE	Y	Y	Y
22	ORIGINAL LOAN-TO-VALUE (LTV)	Y	Y	Y
23	ORIGINAL COMBINED LOAN-TO-VALUE (CLTV)	Y	Y	Y
24	ORIGINAL DEBT-TO-INCOME (DTI) RATIO	Y	Y	Y
25	MORTGAGE INSURANCE PERCENTAGE (MI %)	Y	Y	Y
26	MI: LENDER OR BORROWER PAID	N	N	N

D = not disclosed, but derivable from other disclosed fields.

# Disclosed Loan-Level Fields (cont.)

For more information on file layout and field definition, please refer to the STACR Reference Pool Disclosure Guide ([http://www.freddie.com/creditriskofferings/docs/reference\\_pool\\_disclosure\\_guide.pdf](http://www.freddie.com/creditriskofferings/docs/reference_pool_disclosure_guide.pdf)).

#	Performance Records	SF LLD	STACR Relief Refi	STACR Pre-Relief Refi (at Issuance Only)
27	SERVICER NAME	Y	Y	N
28	LOAN AGE	Y	Y	N
29	REMAINING MONTHS TO LEGAL MATURITY	Y	Y	N
30	ADJUSTED REMAINING MONTHS TO MATURITY (RMM)	N	Y	N
31	CURRENT LOAN DELINQUENCY STATUS	Y	Y	N
32	PAYMENT HISTORY	D	Y	N
33	CURRENT INTEREST RATE	Y	Y	N
34	CURRENT ACTUAL UPB	Y	Y	N
35	CURRENT INTEREST BEARING UPB	D	Y	N
36	CURRENT DEFERRED UPB	Y	D	N
37	LOAN IN ELIGIBLE DISASTER AREA	N	Y	N
38	DUE DATE OF LAST PAID INSTALLMENT (DDLPI)	Y	Y	N
39	BANKRUPTCY FLAG	N	Y	N
40	DATE REFERRED TO FORECLOSURE	N	Y	N
41	MORTGAGE INSURANCE CANCELLATION INDICATOR	N	Y	N
42	ESTIMATED LOAN-TO-VALUE (LTV)	N	Y	N
43	FORECAST STANDARD DEVIATION (FSD)	N	Y	N
44	UPDATED CREDIT SCORE	N	Y	N

D = not disclosed, but derivable from other disclosed fields.

# Freddie Mac Key Contacts



Team Member	Email Address	Business Phone
<b>Michael S. Reynolds</b> Vice President	michael_s_reynolds@freddiemac.com	(571) 382-4852
<b>Christian Valencia</b> Director	christian_valencia@freddiemac.com	(571) 382-3727
<b>Dirk Niese</b> Transaction Manager	dirk_niese@freddiemac.com	(571) 382-4738
<b>Greg Kerr</b> Transaction Manager	gregory_kerr@freddiemac.com	(571) 382-3340
<b>Charlotte Gladwin</b> Portfolio Manager, Manager	charlotte_gladwin@freddiemac.com	(571) 382-3732
<b>Michael Murai</b> Portfolio Manager, Manager	michael_murai@freddiemac.com	(571) 382-5702
<b>Sonya Sheth</b> Portfolio Manager, Manager.	sonya_m_sheth@freddiemac.com	(571) 382-4376
<b>Peter Wu</b> Portfolio Manager, Sr.	zijun_wu@freddiemac.com	(571) 382-5367
<b>Jantsen Roney</b> Portfolio Manager, Prf.	jantsen_roney@freddiemac.com	(571) 382-3711