A Closer Look: Our Market Contributions

At Freddie Mac Multifamily, we contribute to U.S. rental housing in many ways:

- Mortgage funding for apartment loans throughout the nation, in good economic times and bad
- A strong credit discipline that produces high-quality loans
- Sound business operations that have yielded good financial results
- Pioneering mortgage securities that transfer virtually all credit risk to private investors
- And an affordable housing focus

How are we performing in these and other areas? Let’s take a closer look at the market contributions of Freddie Mac Multifamily.

**Multifamily Has Been A Profitable Business**

Freddie Mac Multifamily has weathered the Great Recession and its after-effects better than most. After posting losses in 2008–09, the business swung back to profitability and has sustained that position ever since. In 2013, Multifamily earned $2.4 billion, a record high. Since 2008, the business has produced net segment earnings of $6.2 billion.

Note: Negative segment earnings in 2008–09 resulted mainly from a significant loss provision, an expense later reversed as market conditions improved and significant losses failed to materialize.
We Provide A Reliable Source of Liquidity for Rental Housing

Freddie Mac Multifamily purchased $25.9 billion in apartment loans in 2013, our second biggest year. Our 2013 purchases financed rental housing for 388,000 households nationwide. Since 2008, we have financed more than $131 billion in apartment loans that support 2 million households.

Our Fundings Are Counter-Cyclical

As a government-sponsored enterprise, Freddie Mac Multifamily ensures that residential mortgage markets do not suffer from liquidity shocks. In short, we are there when we are most needed. When private sources exited the market during the Great Recession in 2008-09, we expanded our business to ensure availability of funding for apartment loans. As markets recovered and private capital returned, our market share returned to historical levels.
We Fund Loans in All Parts of the Nation

The industry divides apartments by three geographic tiers, each representing about one-third of housing stock. Tier 1 represents major metropolitan areas, Tier 2 the next largest, and Tier 3 the remainder. Freddie Mac Multifamily has been a constant source of liquidity in all three market types. In 2013, one-third of loan purchases were in Tier 1 markets, and two-thirds in Tiers 2 and 3.

Market Distribution of New Business (by Purchase UPB)

Almost Every Loan We Finance Supports Affordable Rental Housing

Historically, roughly 90 percent of loans financed by Freddie Mac Multifamily has supported low and moderate income households. In 2013, that figure was 89 percent. A closer look: during 2013, 17 percent of our loan fundings supported households with very low incomes who earn no more than 50 percent of the local area median income (AMI), and 72 percent of our fundings supported households earning between 50-100 percent AMI.
Our Loans Have Superior Credit Quality

Sound underwriting enables Freddie Mac Multifamily to maintain a constant market presence and attract high demand for our securities. Our performance? At year-end 2013, our delinquency rate was 9 basis points; in contrast, multifamily delinquencies in commercial mortgage backed securities were 70 times greater. On a total mortgage portfolio of $134 billion, our credit losses were just $12 million, or less than 1 basis point. Our number of real-estate owned properties at year end: 1.

Serious Delinquency Rates

K-Deal Securities Transfer Virtually All Credit Risk to Private Capital

At Freddie Mac Multifamily, we don’t share credit risk, we get rid of it. We have done this by changing from a buy-and-hold investor to a buy-and-distribute conduit. Here, we securitize almost all loans rather than retaining them in portfolio. Our K-Deal securities place private capital in a first-loss position, exposing our business, and by extension U.S. taxpayers, to virtually no credit risk. That’s a business model policymakers point to as the future of housing finance.

How We Fund New Loans