Freddie Mac Multifamily Securitization
Small Balance Loan Program (SB-Deals)

as of September 30, 2016

Freddie Mac MULTIFAMILY

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Multifamily Business – Key Facts

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- The Multifamily Division of Freddie Mac helps to ensure an ample supply of affordable rental housing by purchasing mortgages secured by apartment buildings with five or more units
- Freddie Mac buys loans from a network of approved Multifamily Seller/Servicers that have over 150 branches nationwide, substantial lending experience and established performance records
- Freddie Mac follows a prior-approval underwriting approach and completes the underwriting and credit reviews of all multifamily mortgages in-house
- Employs 812 experienced professionals in four regional offices (plus headquarters) and seven field offices
- Has provided more than $432 billion in financing for approximately 69,600 multifamily properties since 1993
- As of September 30, 2016, Freddie Mac had a multifamily whole loan portfolio of $40.6 billion, a multifamily investment securities portfolio of $14.0 billion, and a multifamily guarantee portfolio of $148.7 billion

Multifamily Business – YTD 2016 Q3

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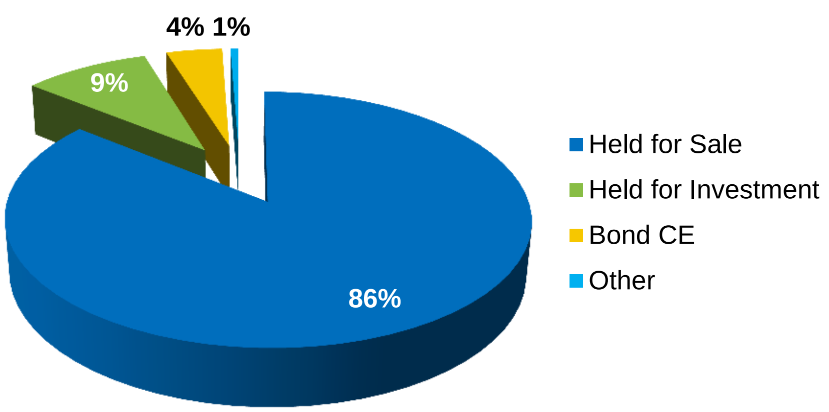
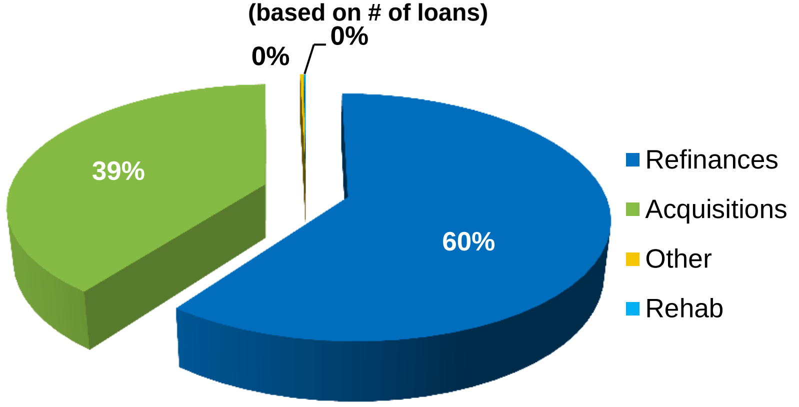
- Freddie Mac Multifamily funded $39.1 billion in new business volume YTD 2016 Q3, which provided financing for more than 3,060 multifamily properties (representing approximately 522,800 apartment units)
- $34.9 billion of multifamily loans were securitized into K-Deal product during YTD 2016 Q3
- Freddie Mac's portfolio delinquency rate was 1 basis point as of September 30, 2016
- Freddie Mac's K-Deal delinquency rate was 0 basis points as of September 30, 2016
- Freddie Mac has not realized any credit losses on our K-Deal guarantees as of September 30, 2016

YTD 2016 Q3 New Business Volume
(based on loan UPB)



YTD 2016 Q3 New Business Volume
(based on # of loans)



SB-Deals Business Introduction

SB-Deals Business Introduction

- Freddie Mac Multifamily formally announced the addition of the SB line of business to its lending platform in October, 2014 (see article here)
- Freddie Mac has approved a specialty network of eleven seller/servicers and SB lenders with extensive experience in the SB market who source SB loans across the country
- Over seventy professionals in Production, Underwriting, Capital Markets and Asset Management & Operations are solely focused on SB in various offices
- Freddie Mac purchases and aggregates individual loans from sellers and securitizes pools with a minimum size of approximately $100M.
- Entire flow, from quote through post securitization monitoring, leverages K-Deal processes
- Consistent with other existing non K-Deal securitizations (such as M and Q deals), SB deals have a separate "SBXX" designation on the "FRESB" shelf
- FRESB deals are not rated and are generally issued by a third party trust
- Bulk seasoned pool purchase path also available
- Through September 30, 2016, Freddie Mac has funded nearly $4.6 billion on more than 1,800 loans for the SB line of business
  - For the three quarters of 2016, Freddie Mac has settled 11 SBL securitizations for approximately $2.8 billion of collateral on over 1,100 properties, with 8 different Sellers/Lenders

Production, Sales & Underwriting

Property Characteristics and Key Benefits

- Freddie Mac Multifamily generally refers to SBL as loans between $1M and $5M, though in the Commercial Real Estate world "small loans" can often refer to loans <$15M. Certain regulatory agencies refer to small loans as having 5-50 units.
- A typical mortgage product is a hybrid with a 20-year term (amortizing at a 30-year rate), with a five, seven or ten-year initial fixed period followed by 6-month floating rate LIBOR reset periods
- We also offer 5, 7 and 10-year fixed-rate balloon mortgages
- Interest-only period (5/1, 7/2, 10/3) and full term IO available as part of our product offering
- Originated and serviced through SBL Seller/Servicers
- Streamlined due diligence process with expedited underwriting and commitment execution
- Competitive, transparent pricing – mortgage note rate grid published weekly
- Streamlined non-negotiable loan documents
- Available in all markets
- Early rate-lock options (60, 75, 90 and 120 days)
- Cash-out proceeds allowed on refinances
- Credit and underwriting standards consistent with Conventional line of business
- Freddie Mac will be the Master Servicer post-securitization

SBL Terms - Prepayment Provisions

	Hybrid ARMs[1]			Fixed-Rate		
	5+15 Year	7+13 Year	10+10 Year	5 Year	7 Year	10 Year
Option 1	54321, 1%	5544321, 1%	5544332211, 1%	54321	5544321	5544332211
Option 2[2]	321(3), 1%	3(2)2(2)1(3), 1%	3(3)2(3)1(4), 1%	321(3)	3(2)2(2)1(3)	3(3)2(3)1(4)
Option 3[3]	YM, 1%	YM, 1%	YM, 1%	YM	YM	YM

[1]Hybrid ARM consists of initial fixed-rate period followed by floating-rate period. 5-year hybrid floating rate coupon is based on 6 month LIBOR + 325 margin. 7-year and 10-year floating rate coupon are based on 6 month LIBOR + a 275 basis point margin. Every six months, the rate may increase or decrease by up to 1%, with a maximum lifetime cap equal to the initial fixed rate +5% and a lifetime floor equal to the initial fixed rate

[2]Prepay description: e.g., “321(3), 1%” refers to 3% for year 1, 2% for year 2, 1% for the next 3 years, then 1% during the remaining floating-rate period

[3]Higher of yield maintenance (YM) or 1% during fixed-rate period; 1% during floating-rate period

All prepayment options are open for prepayment without penalty 3 months prior to maturity. Pricing varies by prepay type

Sourcing Our SBL Business

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The dedicated SBL Production group sources its loans from a select group of eleven experienced multifamily lenders

- The small size of the network promotes quality originations and a high level of service to lenders and borrowers
- Lenders must meet our standards for both origination and servicing loans, which include meeting minimum financial requirements and obtaining satisfactory annual audits
- As of October 1st 2016, we are no longer allowing the forward purchase path and instead requiring that sellers must either buy their own B piece or allow Freddie Mac to place the B piece

ARBOR Commercial Mortgage, LLC

Capital One Commercial Banking

CBRE

Community Preservation Corporation

GREYSTONE

HUNT

PennyMac COMMERCIAL REAL ESTATE FINANCE

Pinnacle FINANCIAL PARTNERS

READYCAP COMMERCIAL, LLC

SABAL FINANCIAL

red capital group

SBL Mortgage Guidelines

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The following are the general guidelines for our SBL product (subject to certain exceptions):

Property Types:

- Conventional multifamily housing with 5-50 residential units
- Section 8 vouchers, tax abatements, and cooperatives in the boroughs of New York and Long Island counties allowed
- Properties may include up to 40% commercial income
- Not allowed: Seniors Housing, Student Housing (greater than 50% concentration), military housing (greater than 50% concentration), Targeted Affordable Housing, and properties with LURA (exception for expiring LIHTC)

Loan Terms:

- 20-year Hybrid ARM structures of 5, 7 or 10 year initial fixed-rate period followed by 6-month floating periods
- 5-, 7-, and 10-year fixed balloon loan terms
- Maximum amortization of 30 years for both hybrid and balloon products
- May contain initial interest-only periods of 1-3 years; full term interest-only may be available
- Credit parameters consistent with Conventional Freddie Mac Multifamily
- Floating rate period based on 6-month LIBOR and includes step up, rate floor and rate ceiling parameters consistent with the market
- Prepayment fee varies by term but generally follows stepdown points for hybrids or yield maintenance for balloons
- Early Rate-Lock available
- See here for loan term details

SBL Mortgage Guidelines, (cont'd)

Underwriting:

- Effective gross income is calculated based on trailing 3-months actual rent collections or the annualized current rent roll minus a minimum 5% vacancy rate subject to submarket data and actual rent collections
- Expenses are generally calculated based on trailing 12 months plus an inflation factor
- Real estate taxes and insurance are based on actual annual expenses
- Property values are based on third-party appraisals and internal value confirmation
- Replacement reserves range from $200 - $300 per unit based on the property condition rating. Escrows required for "Below Average" properties only.
- Tax escrows required for LTV over 65% and insurance escrows are not required
- Streamlined third party reports (e.g., combined Property Condition and Environmental Report)

LTV and DCR:

- Maximum LTV of 80%, Minimum Amortizing DCR of 1.25x; for top SBL markets 1.20 (See here for details)
- For full term interest only, Maximum LTV of 65%, Minimum Amortizing DCR of 1.35x (Top and Standard Markets).
- All loans require a maturity test. The LTV at maturity must be less than 70%.

SBL Mortgage Guidelines, (cont'd)

Borrowers:

- Individuals who are US citizens
- Limited partnerships
- Limited Liability companies
- Single Asset Entities (SAE)
- Multiple Asset Entities (MAE)
- Special Purpose Entities (SPE)
- Tenancy-in-Common (TIC)
- Trusts (with warm body guarantor)

Supplemental Financing:

- Supplemental loans from Freddie Mac are not available
- Subordinate debt allowed 1 year after securitization
- Must be provided by the Seller/Servicer and the combined debt cannot exceed 1.25x DCR and 80% LTV

SBL Market Credit Alignment

DCR/LTV Baseline		
	Minimum Amortizing DCR	Maximum LTV
Top SBL Markets	1.20x	80%
Standard SBL Markets	1.25x	80%
Small SBL Markets	1.30x	70% for Cash Out Refi 75% for Acquisition
Very Small SBL Markets	1.40x	

Full Term IO Adjustments* Full Term IO or IO during Fixed Rate Period of Hybrid ARM		
	Add to the Baseline	Maximum LTV
Top and Standard SBL Markets	0.15x	65%
Small and Very Small SBL Markets	0.10x	60%

(*) Maximum available **Partial IO Period** for Small and Very Small SBL Markets is limited to:

Zero (0) years on 5-year term
One (1) year for a 7-year term
Two (2) years for a 10-year term/20 year hybrid

Alternative measures to explore to secure applications when LTV/DCR adjustments are necessary based on competition in market:

- Maintain static principal payments
- Shorter amortization
- Reduce interest-only period during fixed-rate term
- Use of some base recourse

SB-Deals Performance

SBL Historical Performance

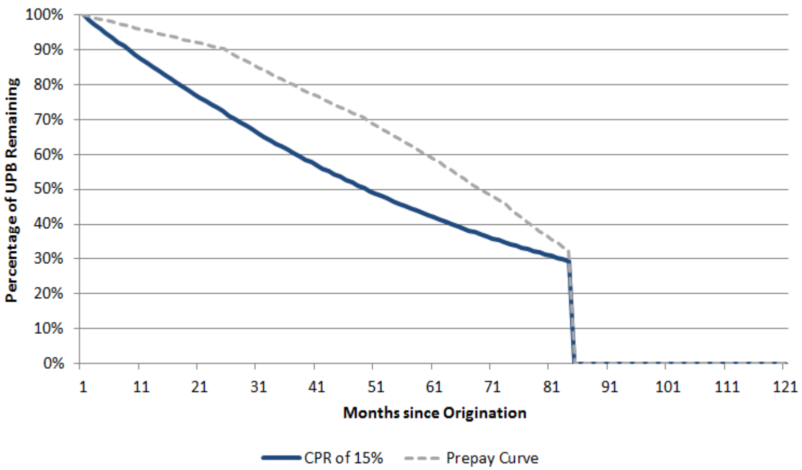
- For historical context, the Freddie Mac Multifamily Research Group performed an in-depth study of the small loans in the context of the CMBS space. The following summarizes the findings of their research paper, located here.
- From 1995 through 2012, roughly one-third of the properties backing the 30,000 non-agency securitized multifamily loans had less than 50 units
- Historical credit performance is similar between small and large properties
  - The average conditional delinquency rate, which shows the likelihood of a loan ever having a credit event, was 1.5% and 1.6% for small and large properties, respectively
  - Both property types had a similar credit performance time profile, with higher losses during recessionary years
  - Delinquency rates were higher for small loans in major markets, but about the same in non-major markets
- Loss severity was higher for small property loans, 33%, compared to 26% for the larger size cohort, and both exhibit similar severity profiles during varying economic conditions
- Historical losses noted above are informative, but do not take into account any "Agency effect," or reflection of the Agencies' delinquency rate being significantly lower than CMBS
- There have been no delinquencies or defaults in the Freddie Mac SBL program to date. Freddie Mac publishes an SB-Deal Performance report, located here.

SBL Historical Performance (cont'd)

- Small balance loans typically have a fixed percentage stepdown structure, vs. yield maintenance and defeasance, which are more common in the GSE and CMBS space
  - A common small balance loan product is the Hybrid ARM, with an initial fixed rate period followed by a longer floating period with multiple rate reset points
  - This floating period is also often pre-payable at par (Freddie Mac will have a flat 1% fee, however)
- These stepdown and hybrid features generally cause small loan prepays to increase during the loan term and at a faster rate than conventional CMBS and fixed-rate Agency loans
- Our research found that an annual prepayment rate of 15% CPR approximates the historical prepay speeds

The table below illustrates the observed historical prepayment speeds (Conditional Prepayment Rate, or CPR) for each prepayment premium, while the chart on the right compares the flat 15% CPR to the derived prepay curve.*

Remaining Years	7	6	5	4	3	2	1
Prepay Premium	5%	5%	4%	4%	3%	2%	1%
Prepay Curve	5%	5%	10%	10%	15%	20%	30%



*Sources: Trepp, Freddie Mac

SB-Deals Securitization and Structure Overview

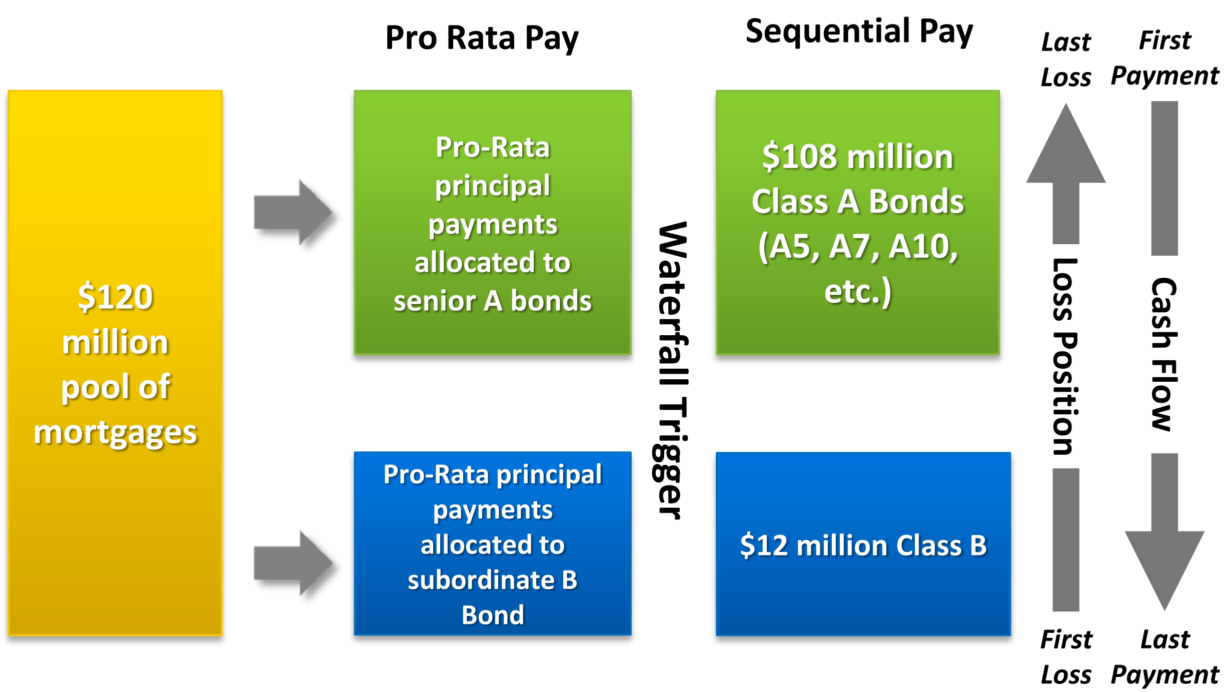
SBL Securitization Timeline

Small Balance Security Issuance Timeline

Pool Preparation	Full Due Diligence	Marketing/ Placement	Closing/ Settlement	Surveillance
	3-4 weeks	*1 week*	*1-2 weeks*	*Ongoing*
- Identified and designate Seller- specific pool collateral - Pool preparation including data tapes and mortgage files - Seller begins collateralizing their B-piece purchase	- Perform accounting and legal due diligence - Select Trustee (FRE is Master) - Finalize exceptions to representations and warranties - Finalize preliminary offering documents (OCS, PSA, Term Sheet)	- Broker-Dealer announces transaction - Respond to Investor inquiries - Launch and price securities	- Prepare for closing - Finalize offering documents (OC, PSA, MLPA) - Settlement - Mortgage files transferred to Trustee and Master Servicer - Seller purchases B-piece	- Serve as Guarantor - Surveillance - Review and clear Trustee exception reports

Structure and Waterfall Overview

Structure mirrors the typical Floating Rate K-deal pro-rata structure* with senior Freddie Mac guaranteed A bonds, a single Freddie Mac guaranteed Interest-Only bond (the X1), and a single subordinate bond



Cash Flow Waterfall Illustration

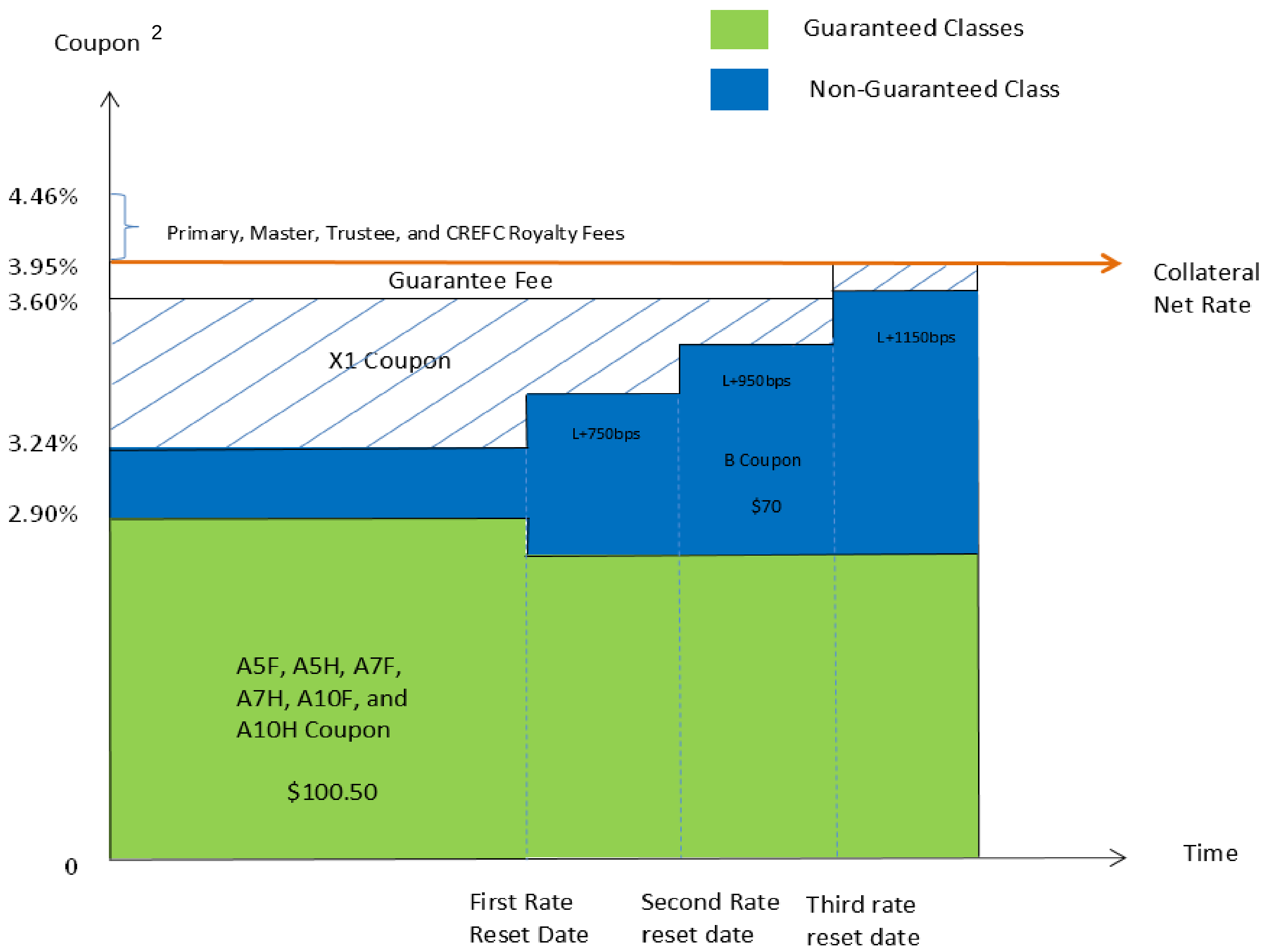
Class or Fee	Weight	Rate	Remaining Interest
Collat Gross WAC		4.20%	
Less Admin Fees*		0.60%	
Collat Net wac		3.60%	3.60%
Less Gfee		0.35%	
	90%	0.32%	3.29%
Wtd Avg A coupon		2.75%	
	90%	2.48%	0.81%
B Net WAC		3.60%	
	10%	0.36%	0.45%
X1 coupon		0.45%	0.00%

* primary servicing, trustee, etc.

- *The figures above are hypothetical but based on actual Freddie Mac SBL collateral*

*Principal is distributed pro rata, unless a Waterfall Trigger Event has occurred and is continuing (explained on the slide 23)

Sample SB-Deal Rate Coupon and Subordination[1]



1 The graph above demonstrates Pro Rata Pay structure before Waterfall Trigger

2 Pass-through rates (Coupon) for A-5F, A7F and 10F classes pay fixed coupon. A-5H, A-7H, A-10H have fixed coupon on initial period and then switch to 1-month LIBOR + 70 bps. Pass-through rates (Coupon) for B and X1 are variable based, during certain periods, on 6-Month LIBOR. All classes will be subject to capped rates in accordance with offering documents

Structure and Waterfall Overview (Cont'd)

- The securitization will switch from pro-rata to sequential pay if a Waterfall Trigger Event occurs. The trigger events are:

  (1) The UPB of the collateral (excluding specially serviced loans) is less than or equal to 15% of the initial pool balance

  (2) The aggregate 60-day delinquency is greater than 3% of the collateral. In the event the 60-day delinquency subsequently goes below 3%, the transaction will revert to pro-rata pay

  (3) Credit support to the Class A is less than 7.5%. Once credit support increases to 10%, the transaction will revert to pro-rata pay

- Each securitization will have a clean up call (Optional Termination) when the collateral balance reaches 5% of the original pool balance, as outlined below
  - The holders of a majority interest of the Controlling Class (excluding Freddie Mac), the Special Servicer, and any third party Master Servicer, in that order, will each in turn have the option to purchase all of the SBL loans and all other property remaining in the Trust on any distribution date on which the total stated principal balance of the mortgage pool is less than 5% of the initial mortgage pool balance

Sample SB-Deal Rate Coupon and Subordination (Cont'd)

- The B Piece coupon will reset based upon the weighted average reset date of the pool (please see example below) at which time the B Piece coupon will switch to 6-month LIBOR + 750 bp
- The Second Coupon Reset date will be 60 months after the First Coupon Reset date and the B-Piece coupon will reset to 6-month LIBOR + 950 bp
- The Third Coupon Reset date will be 60 months after the Second Coupon Reset date and the B Piece coupon will increase to 6-month LIBOR + 1150 bp
- The B-Piece coupon is subject to an available funds cap

Period	Timing	Coupon
Fixed Period	Prior to First Coupon Reset WAC	WAC
First Coupon Reset	See Calculation	6-mo L+750
Second Coupon Reset	60 months after First Coupon Reset	6-mo L+950
Third Coupon Reset	60 months after Second Coupon Reset	6-mo L+1150

- First Coupon Reset Date is defined as the UPB Weighted Average Reset Date of the collateral. The maturity date on fixed rate loans will be used as the reset date. See the following example

Loan Type	UPB $M	Balloon Term, months	Fixed Term, months	Months for First Reset Calc.
Hybrid ARM 5/15	50	n/a	60	55
Hybrid ARM 7/13	10	n/a	84	81
Hybrid ARM 10/10	10	n/a	120	116
5-yr fixed balloon	10	60	n/a	57
7-yr fixed balloon	10	84	n/a	81
10-yr fixed balloon	10	120	n/a	115
	100			73

***NOTE**: In this example, the first reset date will be in month 73. Example shows expected seasoning during Freddie Mac's aggregation period*

FRESB 2016-SB17 Transaction Highlights

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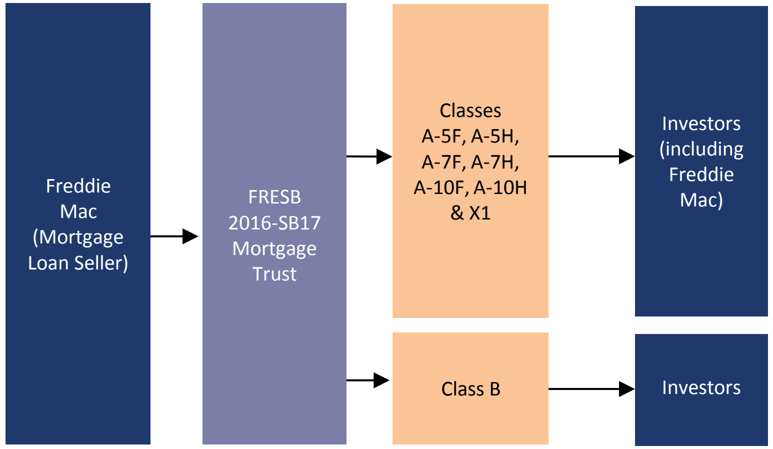
Overview of Deal Structure
Pricing Date: June 6, 2016

Class	Initial Principal or Notional Amount	Pass-Through Rate	Assumed Weighted Average Life[1]
Offered FRESB 2016-SB17 Certificates:			
A-5F	$48,659,000	1.86%	4.13
A-5H	$138,055,000	2.16%	4.16
A-7F	$37,586,000	2.15%	5.54
A-7H	$27,538,000	2.40%	5.54
A-10F	$80,302,000	2.42%	7.36
A-10H	$15,596,000	2.66%	7.22
X1	$386,373,698	0.89%	5.29
Total Guaranteed	**$347,736,000**		

[1] Assumes a 5% CPR prepayment speed until the earlier of each loan's maturity date or first interest reset date, at which time the loan is assumed to pay in full

Structural Diagram



General Characteristics

Seller/ Servicer: Arbor, Hunt

Master Servicer: Federal Home Loan Mortgage Corporation

Special Servicer: Arbor, Hunt

Collateral Rate Type Breakout: Fixed (47.9%) Hybrid ARM (52.1%)

Initial Underlying Pool Balance: $386,373,699

Mortgage Loans: 165

Rating Agencies: Not Rated

WA Initial Fixed Mortgage Interest Rate: 4.017%

WA DSCR: 1.38x

WA LTV: 69.3%

WA Original Maturity: 170 Months

Waterfall Structure: Pro Rata[2]

Top 5 State Concentrations: CA (19.3%) NY (18.6%) WA (9.3%) TX (9.1%) FL (8.7%)

Selected Characteristics of Hybrid ARM Mortgages

Range of Initial Fixed Mtg Rates: 3.250% - 4.920%

WA Initial Fixed Mtg Rate: 3.809%

Pool Margin: 2.750%

Index: 6-Month LIBOR

Periodic Rate Adjustment Limit: Semi-Annual; +/- 1.000%

Range of Lifetime Max Mtg Rates: 8.250% - 9.920%

WA Lifetime Max Mtg Rate: 8.809%

Range of Months to Initial Loan Reset : 60 – 120

WA Months to Next Interest Reset: 69

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