

Multifamily Securitization Small Balance Loan Program (SB-Deals)

As of June 30, 2017



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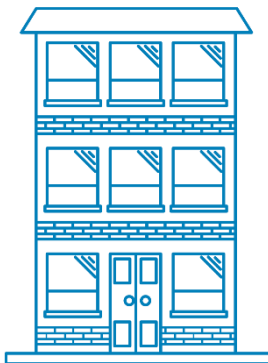
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Freddie Mac Multifamily SB-Deals Business Introduction

SB-Deal Key Facts

Freddie Mac has approved a specialty network of 11 Seller/Service providers and SBL lenders with extensive experience in the SBL market who source small balance loans across the country



Freddie Mac Multifamily formally announced the addition of the Small Balance Loan (SBL) line of business to its lending platform in October 2014 (see article [here](#))



Freddie Mac purchases and aggregates individual loans from Sellers and securitizes pools with approximately \$275 million



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



Bulk seasoned pool purchase path is also available



Over 70 professionals in Production, Underwriting, Capital Markets and Asset Management & Operations are solely focused on SBL in various offices



Entire flow, from quote through post-securitization monitoring, leverages K-Deal processes



FRESB deals are not rated and are generally issued by a third-party trust



Through June 30, 2017, Freddie Mac has funded over \$8.8 billion on more than 3,500 loans for the SBL line of business since the inception

- Through Q2 2017, Freddie Mac has settled eight SB securitizations for approximately \$2.11 billion of collateral across 910 loans



Freddie Mac Multifamily Small Balance Loan

Overview

Property Characteristics and Key Benefits

Freddie Mac Multifamily generally refers to SBL as loans between \$1M and \$6M, 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.

We offer 5, 7 and 10-yr fixed rate balloon products as well as 20-year hybrid balloon mortgages with 5, 7 and 10-yr initial fixed-rate periods followed by 6-month floating rate LIBOR reset periods

Partial interest only (IO) and full-term IO may be available

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

Cash-out proceeds might be allowed

Credit and underwriting standards consistent with Freddie Mac Multifamily Conventional line of business

Freddie Mac is the Master Servicer post-securitization

SBL Terms – Prepayment Provisions

Prepayment varies by term but offers both step-down or yield maintenance provisions for all products.

Option	Hybrid ARMs ¹			Fixed-Rate		
	5+15 Year	7+13 Year	10+10 Year	5 Year	7 Year	10 Year
1	54321, 1%	5544321, 1%	5544332211, 1%	54321	5544321	5544332211
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)
3 ³	(YM or 1%) + 1%, 1%	(YM or 1%) + 1%, 1%	(YM or 1%) + 1%, 1%	YM or 1%	YM or 1%	YM or 1%
4 ⁴	310(3), 0%	N/A	N/A	310(3)	N/A	N/A

¹Hybrid 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 6-months, the floating 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

²Prepay 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

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

⁴Top Markets only on 5-year Fixed and Hybrid ARMs

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

Sourcing Our SBL Business

The dedicated SBL production group sources its loans from a select group of 11 experienced multifamily lenders



The small size of the SBL 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 1, 2016, except for certain legacy arrangements, we no longer allow the forward purchase path and instead require that Sellers must either buy their own B-piece or allow Freddie Mac to place the B-piece



SBL Mortgage Guidelines

The following are the general guidelines for our SBL product¹:

Property Type

- Conventional multifamily housing with five or more 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) and properties with Land Use Restriction Agreement (LURA) (exception for expiring Low-Income Housing Tax Credits (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 Freddie Mac Multifamily Conventional
 - Floating rate based on 6-month LIBOR + margin, subject to the periodic cap, floor and lifetime ceiling
 - Prepayment fee varies by term but offers both step-down or yield maintenance provisions for all products
 - Early rate-lock available
 - See [here](#) for loan term details
-

¹ Subject to certain exceptions

SBL Mortgage Guidelines (Continued)

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 year one proforma with consideration for tax reassessments and year one loan term insurance premiums
- 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 DSCR

- Maximum LTV of 80%, minimum amortizing DSCR of 1.25x; for Top SBL Markets 1.20x (See [here](#) for details)
- For full-term interest-only, maximum LTV of 65%, minimum amortizing DSCR of 1.35x (Top and Standard Markets)
- All loans require a maturity test. The LTV at maturity must be less than 70%.

Borrowers

- Individuals who are U.S. 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 DSCR and 80% LTV

SBL Market Credit Alignment

DSCR/LTV Baseline		
	Minimum Amortizing DSCR	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 explored to secure applications when LTV/DSCR 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



Freddie Mac Multifamily SB-Deals Performance

SBL Historical Performance

For historical context, the Freddie Mac Multifamily Research Group performed an in-depth study of 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



Loss severity was higher for small property loans, 33 percent, compared to 26 percent 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



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 percent and 1.6 percent 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

SBL Historical Performance (continued)



SBLs typically have a fixed percentage step-down structure vs. yield maintenance and defeasance, which are more common in the GSE and CMBS space

- A common SBL 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 has a flat 1 percent fee, however)



These step-down and hybrid features generally cause prepays to increase during the loan term and at a faster rate than conventional CMBS and fixed-rate Agency loans

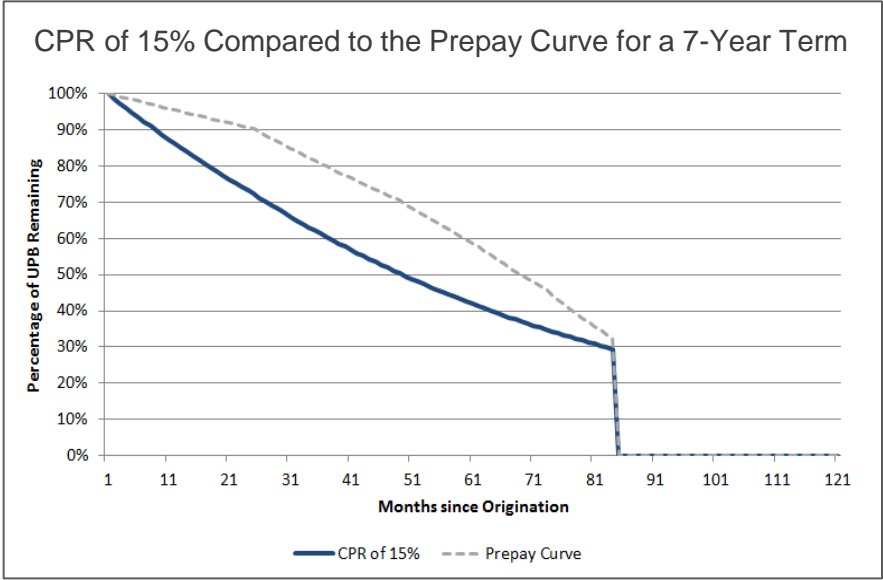


Our research found that an annual prepayment rate of 15 percent Constant Prepayment Rate (CPR) approximates the historical prepay speeds

The table below illustrates the observed historical prepayment speeds (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 Performance

Freddie Mac is an active and consistent issuer of high-grade multifamily securities, featuring transparency and consistency on collateral and deal information



Freddie Mac's SB-Deal program from inception through June 2017

- 33 SB-Deal transactions
- \$7.77 billion in combined issuance
- 3,146 loans (original loan count)



84 loans have paid off through June 2017



1 loan is delinquent (120+ days)



Delinquent loan in special servicing (represents ~4.1 bps of outstanding principal)



4.32 percent (134 loans) of the outstanding loan population (by outstanding principal) is on the Servicers' Watchlist*



Freddie Mac publishes an SB-Deal Performance report, located [here](#)

* The respective Servicers maintain a watchlist for each securitization. Loans are added to and removed from the watchlist in accordance with criteria established by the CREFC

SB-Deals Performance (continued)

SB-Deal	Settlement Date	Seller/Originator	Original Balance (Millions)	Current Balance (Millions)	Factor	Senior Subordination Level			Original Loan Count	Active Loan Count	Cum Deal Loss	% DQ= 60+/F/REO	Cum Appraisal Reduction	% Specially Serviced
						Original	Current	Change						
SB-1	8/18/2015	Greystone	\$ 120.36	\$ 104.99	0.8723	10.00%	10.00%	0.00%	44	40	\$ -	-	\$ -	-
SB-2	8/28/2015	Arbor	\$ 121.62	\$ 108.43	0.8916	10.00%	10.00%	0.00%	42	38	\$ -	-	\$ -	-
SB-3	9/23/2015	Banc of California	\$ 192.75	\$ 123.12	0.6388	10.00%	10.00%	0.00%	74	47	\$ -	-	\$ -	-
SB-4	10/14/2015	Greystone	\$ 191.86	\$ 183.19	0.9548	10.00%	10.00%	0.00%	71	69	\$ -	-	\$ -	-
SB-5	10/22/2015	Centerline	\$ 144.44	\$ 135.89	0.9409	10.00%	10.00%	0.00%	66	63	\$ -	-	\$ -	-
SB-6	10/30/2015	Arbor	\$ 202.33	\$ 187.84	0.9284	10.00%	10.00%	0.00%	73	69	\$ -	-	\$ -	-
SB-7	11/18/2015	Sabal	\$ 100.16	\$ 96.51	0.9636	10.00%	10.00%	0.00%	40	39	\$ -	-	\$ -	-
SB-8	11/24/2015	First Foundation	\$ 102.03	\$ 77.39	0.7585	10.00%	10.00%	0.00%	51	40	\$ -	-	\$ -	-
SB-9	12/22/2015	Arbor and Greystone	\$ 445.24	\$ 429.61	0.9649	10.00%	10.00%	0.00%	155	152	\$ -	-	\$ -	-
SB-10	12/30/2015	CBRE	\$ 148.17	\$ 145.42	0.9814	10.00%	10.00%	0.00%	60	59	\$ -	-	\$ -	-
SB-11	1/29/2016	ReadyCap	\$ 109.96	\$ 94.51	0.8595	10.00%	10.00%	0.00%	55	49	\$ -	-	\$ -	-
SB-12	2/19/2016	Centerline	\$ 167.02	\$ 163.24	0.9774	10.00%	10.00%	0.00%	67	65	\$ -	-	\$ -	-
SB-13	3/4/2016	Arbor and Greystone	\$ 400.89	\$ 391.89	0.9776	10.00%	10.00%	0.00%	160	157	\$ -	-	\$ -	-
SB-14	3/30/2016	CBRE and Sabal	\$ 309.78	\$ 300.89	0.9713	10.00%	10.00%	0.00%	115	112	\$ -	-	\$ -	-
SB-15	4/29/2016	Arbor and Greystone	\$ 301.63	\$ 292.40	0.9694	10.00%	10.00%	0.00%	117	114	\$ -	-	\$ -	-
SB-16	5/27/2016	CBRE, CPC, Greystone, RED	\$ 349.50	\$ 342.35	0.9795	10.00%	10.00%	0.00%	154	153	\$ -	-	\$ -	-
SB-17	6/27/2016	Arbor and Hunt	\$ 386.37	\$ 378.80	0.9804	10.00%	9.99%	0.01%	165	162	\$ -	0.70%	\$ 1,709,990.58	0.70%
SB-18	7/26/2016	ReadyCap	\$ 118.04	\$ 115.91	0.9820	10.00%	10.00%	0.00%	58	57	\$ -	-	\$ -	-
SB-19	7/28/2016	First Foundation	\$ 264.53	\$ 242.57	0.9170	10.00%	10.00%	0.00%	84	78	\$ -	-	\$ -	-
SB-20	8/18/2016	CBRE and Greystone	\$ 293.08	\$ 290.09	0.9898	10.00%	10.00%	0.00%	118	117	\$ -	-	\$ -	-

* Information presented in the table is as of June 30, 2017

* From SB-Deal Performance report published by Freddie Mac, located [here](#)

SB-Deals Performance (continued)

SB-Deal	Settlement Date	Seller/Originator	Original Balance (Millions)	Current Balance (Millions)	Factor	Senior Subordination Level			Original Loan Count	Active Loan Count	Cum Deal Loss	% DQ= 60+/F/REO	Cum Appraisal Reduction	% Specially Serviced
						Original	Current	Change						
SB-21	9/24/2016	CapitalOne	\$ 93.95	\$ 93.77	0.9980	10.00%	10.00%	0.00%	37	37	\$ -	-	\$ -	-
SB-22	10/25/2016	Sabal	\$ 254.86	\$ 253.81	0.9959	10.00%	10.00%	0.00%	94	94	\$ -	-	\$ -	-
SB-23	10/28/2016	Arbor and Pinnacle	\$ 341.75	\$ 336.38	0.9843	10.00%	10.00%	0.00%	123	122	\$ -	-	\$ -	-
SB-24	11/17/2016	CBRE and Greystone	\$ 258.82	\$ 258.42	0.9984	10.00%	10.00%	0.00%	107	107	\$ -	-	\$ -	-
SB-25	12/22/2016	CBRE, Greystone, Hunt, CPC	\$ 232.73	\$ 232.14	0.9975	10.00%	10.00%	0.00%	106	106	\$ -	-	\$ -	-
SB-26	1/30/2017	Sabal	\$ 220.57	\$ 220.13	0.9980	10.00%	10.00%	0.00%	84	84	\$ -	-	\$ -	-
SB-27	2/27/2017	Arbor	\$ 246.33	\$ 246.16	0.9993	10.00%	10.00%	0.00%	93	93	\$ -	-	\$ -	-
SB-28	3/27/2017	CBRE, Greystone, RED	\$ 322.96	\$ 322.78	0.9994	10.00%	10.00%	0.00%	151	151	\$ -	-	\$ -	-
SB-29	4/19/2017	Hunt	\$ 217.19	\$ 217.11	0.9996	10.00%	10.00%	0.00%	100	100	\$ -	-	\$ -	-
SB-30	5/15/2017	CBRE, Sabal, Greystone, RED	\$ 306.94	\$ 306.86	0.9998	10.00%	10.00%	0.00%	132	132	\$ -	-	\$ -	-
SB-31	5/30/2017	CapitalOne, Pinnacle, CPC	\$ 263.90	\$ 263.85	0.9998	10.00%	10.00%	0.00%	98	98	\$ -	-	\$ -	-
SB-32	6/19/2017	CBRE and Greystone	\$ 322.21	\$ 322.21	1.0000	10.00%	10.00%	0.00%	144	144	\$ -	-	\$ -	-
SB-33	6/27/2017	ReadyCap	\$ 219.85	\$ 219.85	1.0000	10.00%	10.00%	0.00%	108	108	\$ -	-	\$ -	-
			\$ 7,771.81	\$ 7,498.53					3146	3056				

* Information presented in the table is as of June 2017

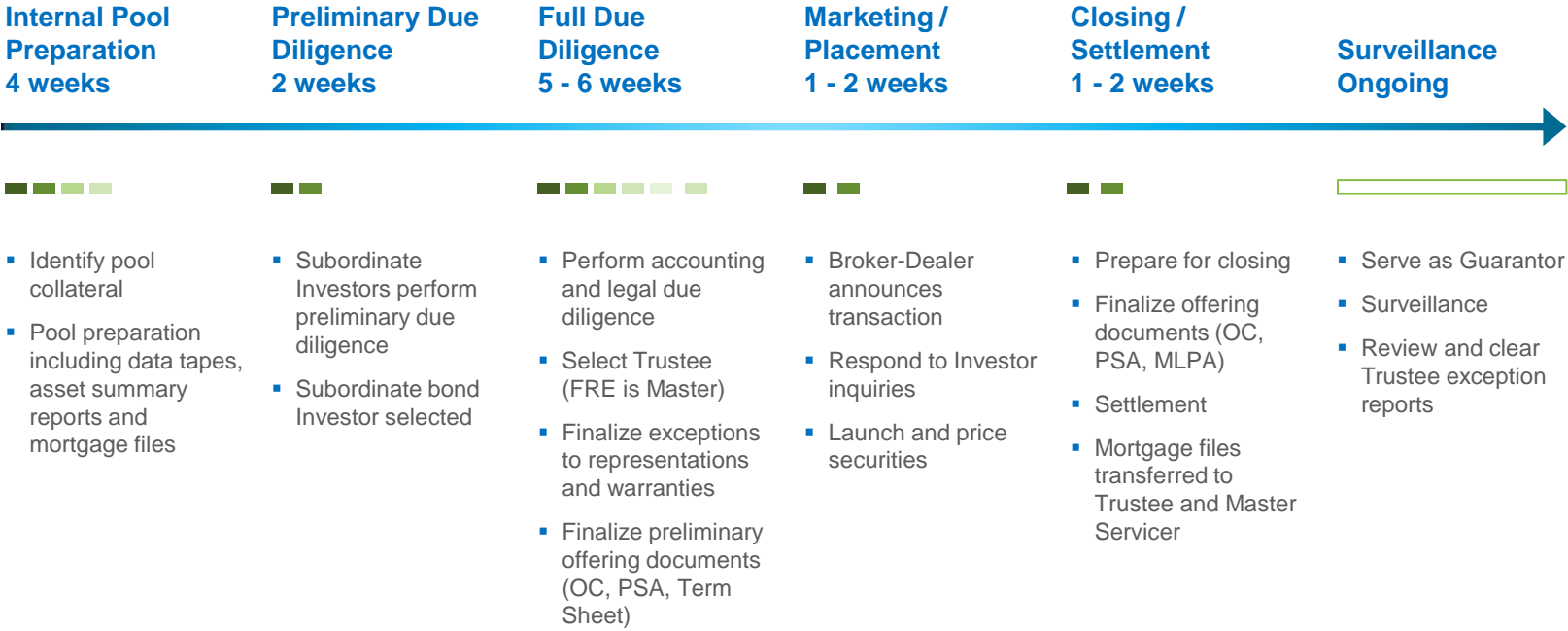
* From SB-Deal Performance report published by Freddie Mac, located [here](#)



Freddie Mac Multifamily SB-Deals Securitization and Structure

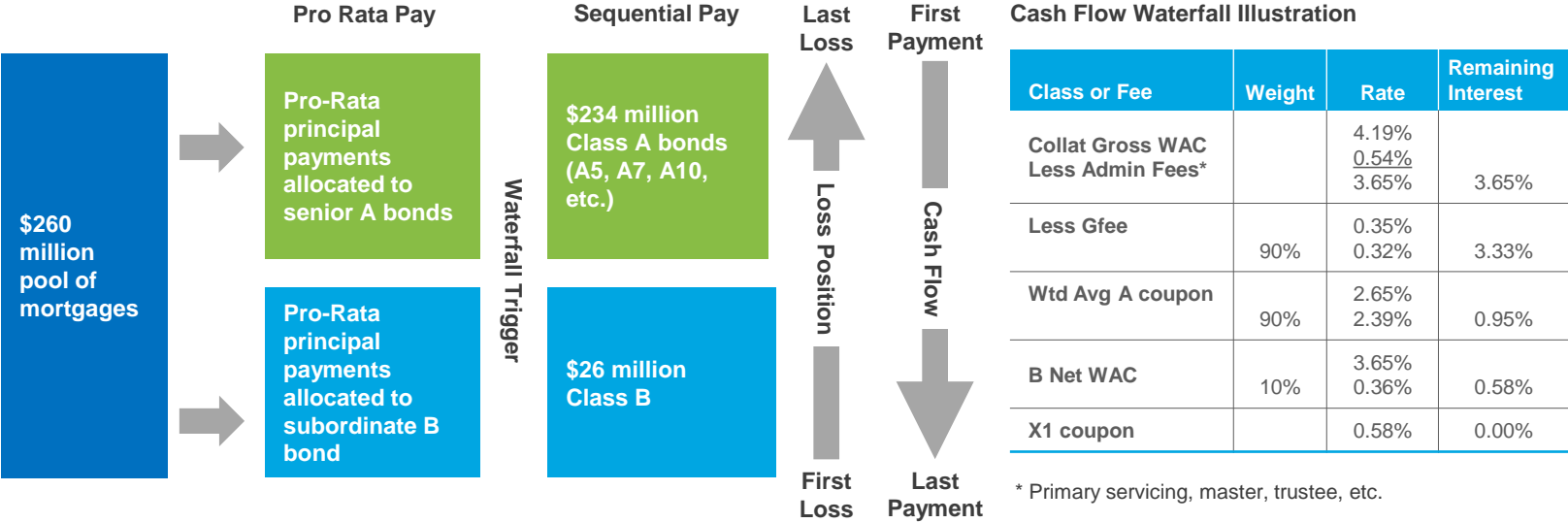
Overview

Typical SB-Deal Issuance Timeline



Structure and Waterfall Overview

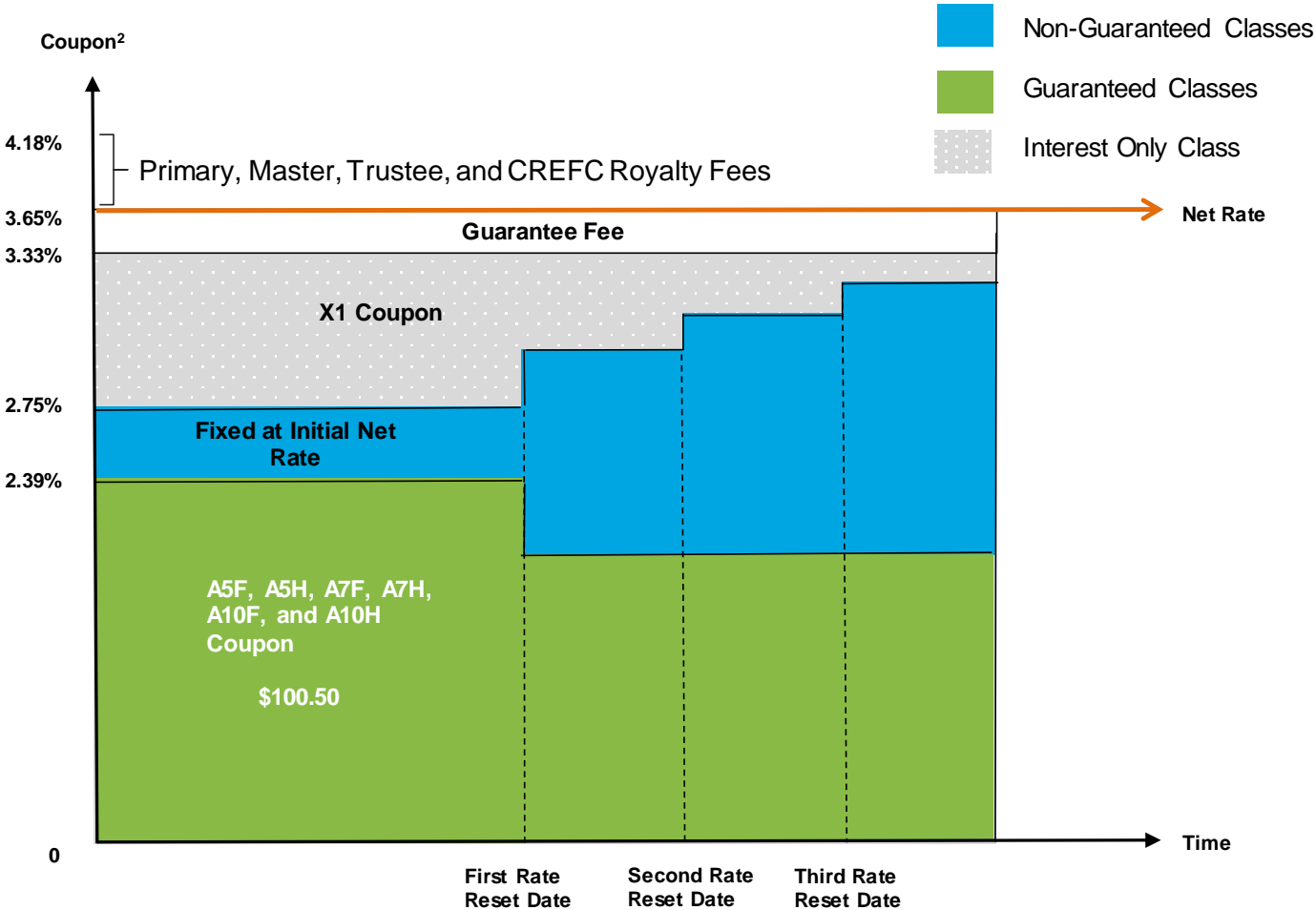
The SB-Deal structure mirrors the typical floating-rate K-Deal pro-rata structure¹ with senior Freddie Mac guaranteed A bonds, a single Freddie Mac guaranteed interest-only bond (the X1) and a single subordinate bond



- The securitization will switch from pro rata to sequential pay if a Waterfall Trigger Event occurs. The trigger events are:
 - » The UPB of the collateral (excluding specially serviced loans) is less than or equal to 15 percent of the initial pool balance
 - » The aggregate 60-day delinquency is greater than 3 percent of the collateral. In the event the 60-day delinquency subsequently goes below 3 percent, the transaction will revert to pro-rata pay
 - » Credit support to Class A is less than 7.5 percent. Once credit support increases to 10 percent, the transaction will revert back to pro-rata pay
- Each securitization will have a clean-up call (Optional Termination) when the collateral balance reaches 5 percent 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 percent of the initial mortgage pool balance

¹ Principal is distributed pro rata, unless a Waterfall Trigger Event has occurred and is continuing

Sample SB-Deal Rate Coupon and Structure¹



¹ The graph above demonstrates the pro-rata Pay structure before a Waterfall Trigger

² Passthrough rates (Coupon) for the fixed A classes pay a fixed coupon. Hybrid classes have a fixed coupon during the initial fixed period and then switch to 1-month LIBOR + 70 bps. The passthrough rate for the X1 is based on residual cash flow after paying the A's, B and G fee. The B, after a period of paying the fixed-net collateral rate, switches to 6-month LIBOR (see the mechanics on slide 24). All are classes subject to capped rates per offering documents

Sample SB-Deal B-Piece Coupon Structure

- 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 example on the right)
- 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 bps
- 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 bps

Period	Timing	Coupon
Fixed Period	Prior to First Coupon 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

- The B-piece coupon will reset based upon the weighted average reset date of the pool (see the example on the right) at which time the B-piece coupon will switch to 6-month LIBOR + 750 bps

Loan Type	UPB \$M	Balloon Term, months	Fixed Terms, 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

- The B-piece coupon is subject to an available funds cap

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

SB33

Transaction Highlights

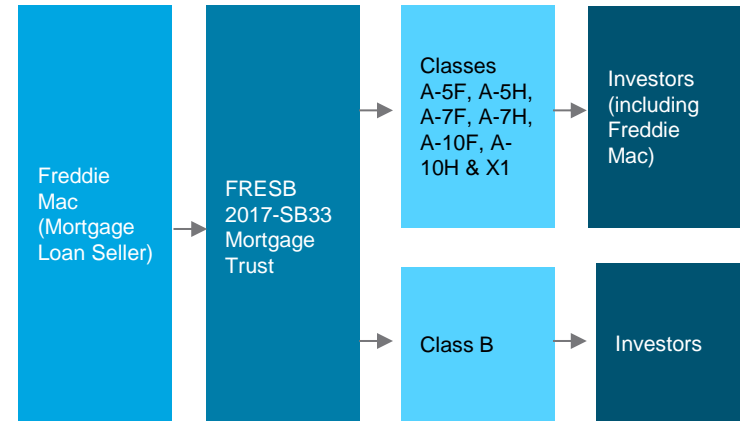
Overview of Deal Structure (Pricing Date: June 16, 2017)

Class	Initial Principal or Notional Amount	Pricing Spreads	Assumed Weighted Average Life ¹
Offered FRESB 2017-SB33 Certificates:			
A-5F	\$16,923,000	S+28	3.77
A-5H	\$44,390,000	S+40	3.92
A-7F	\$18,427,000	S+50	5.24
A-7H	\$23,202,000	S+70	5.21
A-10F	\$75,905,000	S+74	7.16
A-10H	\$19,020,000	S+95	7.04
X1	\$219,852,919	N/A	5.73
Total Guaranteed	\$197,867,000		

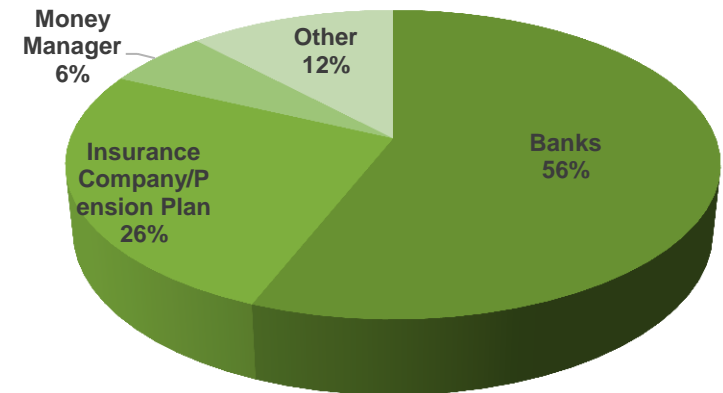
Deal Characteristics

Collateral Type	Multifamily Small Balance Loans
Initial Underlying Pool Balance	\$219,852,919
Mortgage Loans	108
Rating Agencies	Not Rated
WA Initial Fixed Mortgage Interest Rate	4.175%
WA DSCR	1.50x
WA LTV	65.0%
WA Original Maturity	164 Months
Waterfall Structure	Pro Rata ²
Top 5 State Concentrations	TX (15.2%), CO (10.7%), CA (9.2%), NY (7.2%), FL (6.3%)

Structural Diagram



Breakdown of Investors (Classes A-5F, A-5H, A-7F, A-7H, A-10F, and A-10H)



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

² Waterfall structure will change from pro rata to sequential upon the earlier of (i) the aggregate Stated Principal Balance of the underlying loans as of the related determination date is less than or equal to 15% of the initial Principal Balance of the pool (ii) aggregate loans that are at least 60 days delinquent is greater than 4% of pool balance UPB or (iii) the Class B percentage is less than 7.5% as of the related distribution date



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