



# Freddie Mac Multifamily Securitization Seniors Housing

as of June 30, 2016



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# Multifamily Business – Key Facts

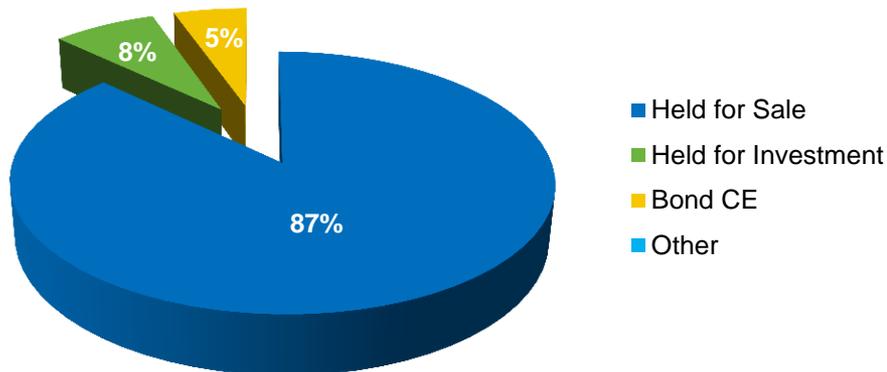
- The Multifamily Division of Freddie Mac helps to ensure an ample supply of affordable rental housing by purchasing mortgages secured by apartment buildings with five or more units
- Freddie Mac buys loans from a network of approved Multifamily Seller/Service providers that have over 150 branches nationwide, 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 approximately 780 experienced professionals in four regional offices (plus headquarters) and eight field offices
- Freddie Mac has provided more than \$420 billion in financing for approximately 68,700 multifamily properties since 1993
- As of June 30, 2016, Freddie Mac had a multifamily whole loan portfolio of \$41.4 billion, a multifamily investment securities portfolio of \$15.3 billion, and a multifamily guarantee portfolio of \$141.5 billion

# Multifamily Business – YTD 2Q16

- Freddie Mac Multifamily funded \$26.9 billion in new business volume YTD 2Q16, which provided financing for more than 2,050 multifamily properties (representing approximately 357,000 apartment units)
- \$25.2 billion of multifamily loans were securitized into K-Deal product during YTD 2Q16
- Freddie Mac's portfolio delinquency rate was 2 basis points as of June 30, 2016
- Freddie Mac's K-Deal delinquency rate was 1 basis point as of June 30, 2016
- Freddie Mac has not realized any credit losses on our K-Deal guarantees as of June 30, 2016

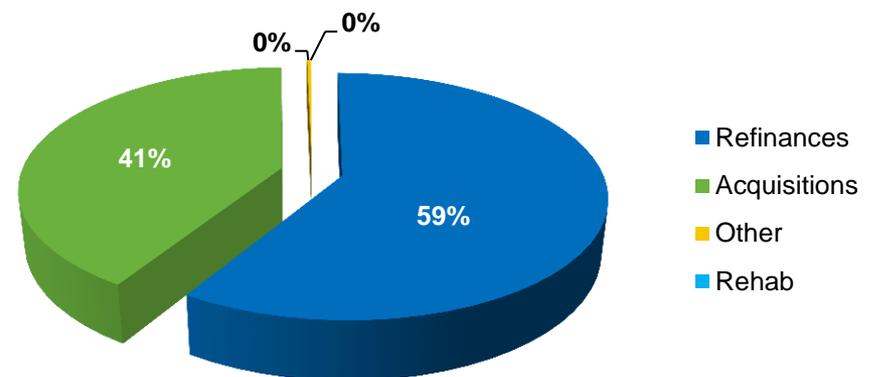
## YTD 2Q16 New Business Volume

(based on loan UPB)



## YTD 2Q16 New Business Volume

(based on # of loans)

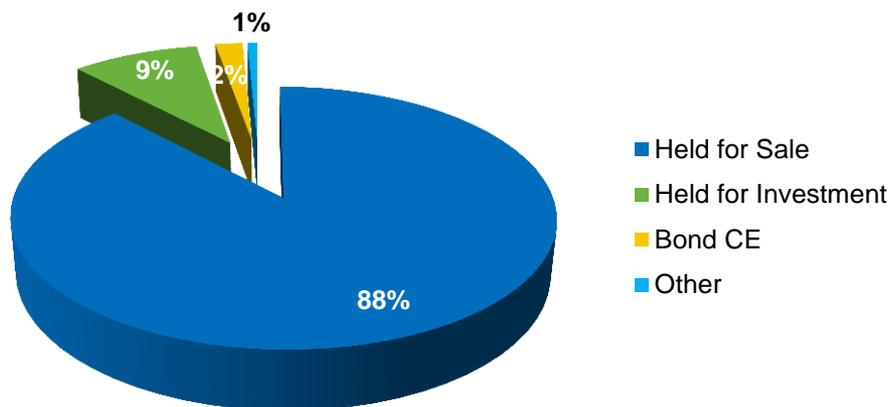


# Multifamily Business – 2015 Review

- Freddie Mac Multifamily funded \$47.3 billion in new business volume during 2015, which provided financing for more than 3,500 multifamily properties (representing approximately 650,000 apartment units). This reflected a 67% increase compared to 2014 levels
- \$35.6 billion of multifamily loans were securitized into K-Deal product during 2015. This reflected a 67% increase compared to 2014 levels
- Freddie Mac's portfolio delinquency rate was 2 basis points as of December 31, 2015
- Freddie Mac's K-Deal delinquency rate was 2 basis point as of December 31, 2015
- Freddie Mac has not realized any credit losses on our K-Deal guarantees as of December 31, 2015

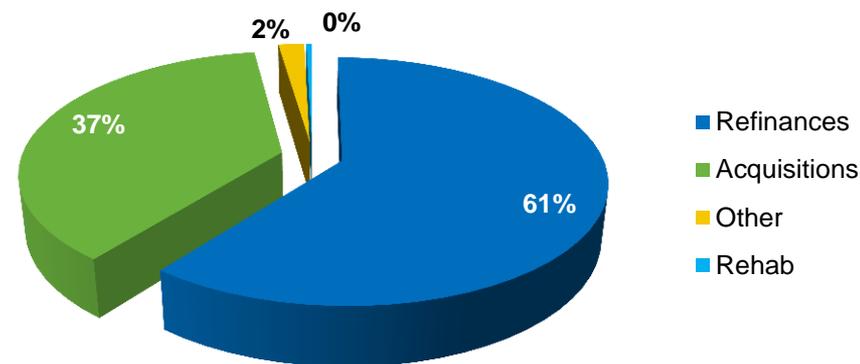
## 2015 New Business Volume

(based on loan UPB)



## 2015 New Business Volume

(based on # of loans)



- Freddie Mac added seniors housing to its lending platform in 1998, focusing primarily on assisted and independent living facilities
- A specialty network of seller/servicers with extensive experience in the seniors housing market has been approved by Freddie Mac to source independent living, assisted living, memory care, and continuing care properties across the United States
- A staff of eight real estate professionals are primarily focused on the seniors housing sector with over 85 years of combined industry experience
- Since 1998, approximately \$6.9 billion of portfolio lending has been deployed to support approximately 740 senior housing facilities
- Since June 2009, Freddie Mac has included senior housing loans into K-Deals and approximately \$6.6 billion of senior housing loans has been securitized

- The unit mix of assisted living, independent living, memory care and skilled nursing is established at closing. Borrowers are generally able to shift the number of total units dedicated to higher acuity by not more than 25% and lower acuity by not more than 10% at closing without lender approval
- Skilled nursing is programmatically limited to 20%; however, the majority of properties have none
  - » Without prior written consent, borrowers can not provide or contract to provide additional skilled nursing not present at closing
- The acceptance of funds from governmental sources, such as Medicaid or Medicare, must be approved by Freddie Mac and requires a 1.10x debt coverage sensitivity analysis if greater than 25% of total income
- Each property is reviewed by a third party consultant to evaluate its risk management practices. The assessment focuses on the following:
  - » Employee and management practices
  - » Compliance with appropriate state and federal regulations
  - » Verification of certain policies and procedures for resident practices
  - » Procedures in place for incident investigations and claims management

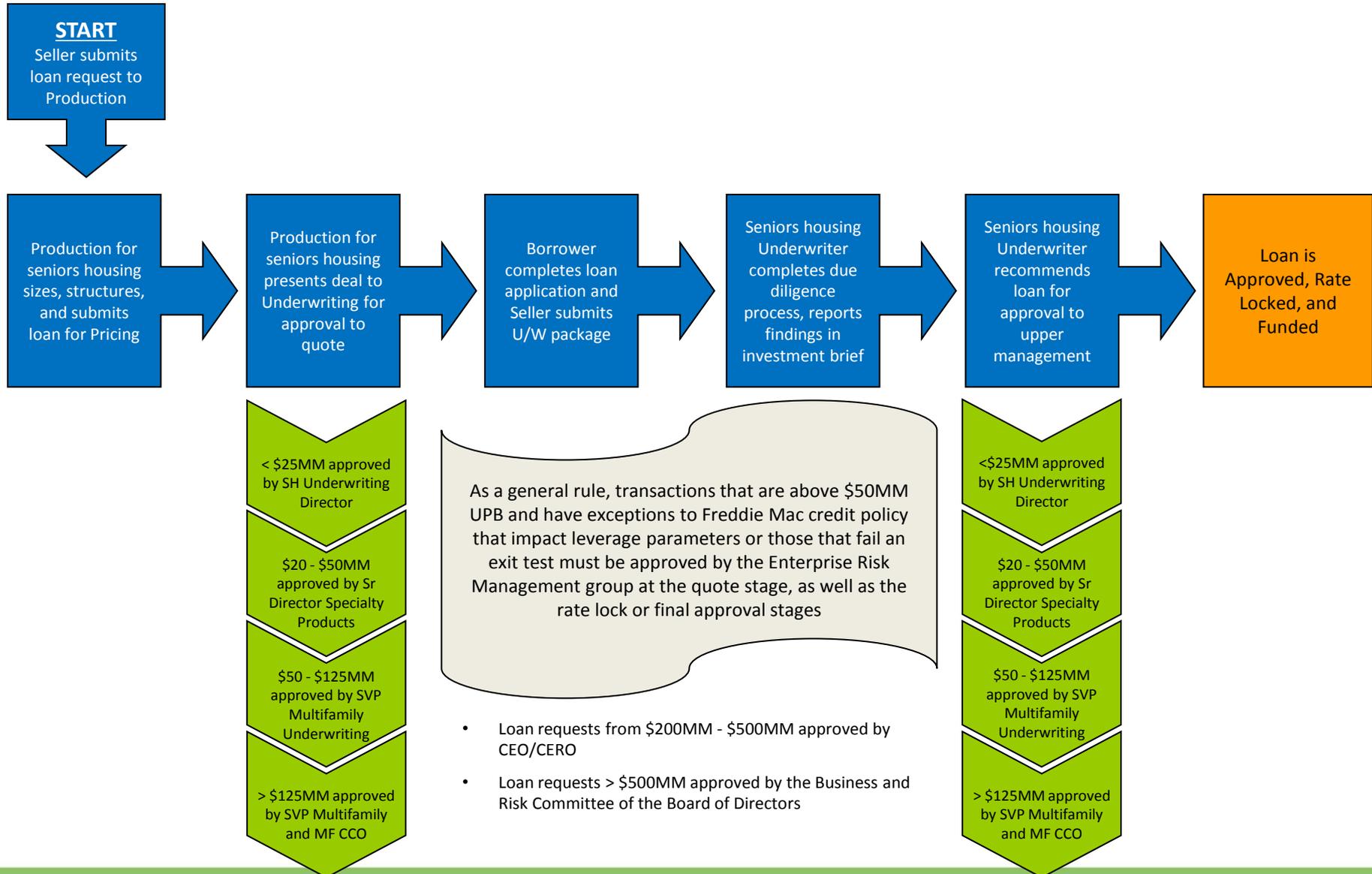
The seniors housing group of Freddie Mac Multifamily sources its loans from a select group of experienced multifamily lenders

- The small size of the network promotes quality originations and a high level of service to lenders and borrowers
- Seniors Housing lenders must meet our standards for both origination and servicing of seniors housing loans, which includes meeting minimum financial requirements and obtaining satisfactory annual audits

## Seniors Housing Seller Servicers

Arbor Agency Lending	Jones Lang LaSalle, LLC
Berkadia Commercial Mortgage	KeyBank NA
Berkeley Point Capital	NorthMarq Capital
Capital One Commercial Bank, Specialty Finance	PNC Real Estate Finance
CBRE Capital Markets	Prudential Johnson Apartment Capital Express
Grandbridge Real Estate Capital	Walker & Dunlop
Greystone Servicing Corporation	Wells Fargo Multifamily Capital
Holliday Fenoglio Fowler	Arbor Financial

# The Underwriting and Credit Approval Process



# K-Deal Mortgage Guidelines – Seniors Housing

The following are the general guidelines for Freddie Mac's Seniors Housing product (subject to certain exceptions):

## Property Types:

- Seniors focused multifamily loans secured by occupied, stabilized, and completed properties
- Independent living facilities defined as properties that include optional services designed to aid the residents' independence; some level of meal plans are provided
- Assisted living facilities defined as properties designed to provide oversight and assistance for residents with functional limitations, including all meals. Assisted Living and Independent Living facilities may include a memory care component within the tenant mix
- The Properties may include a limited number of skilled nursing units (required to be no greater than 20%)

## Loan Terms:

- 5-, 7-, and 10-year loan terms with a maximum amortization of 30 years
- May contain initial interest-only periods of 1-5 years
- Limited exposure to full term interest-only loans
- Full term interest-only loans require higher initial amortizing debt service coverage ratio (DSCR)
- Mortgages are fixed rate or floating rate
- Floating rate mortgages are based on 1-month LIBOR and generally include a third party LIBOR cap or a Freddie Mac embedded interest rate cap

# K-Deal Mortgage Guidelines – Seniors Housing (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
- 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 are typically required and are generally equal to the greater of an engineer's recommendation or \$250/unit
- Taxes and insurance escrows are generally required
- Third party LIBOR caps that expire prior to related mortgage maturity date are required to be replaced. Replacement cap funds are escrowed at 125% of replacement cost and are recalculated on either an annual or semi-annual basis.
- Other third-party reports are required (e.g., Phase I ESA, property condition, Liability Assessments, etc.)

## LTV and DSCR:

- Maximum LTV of 75%, Minimum DSCR of 1.30x for independent living properties and 1.40x for assisted living properties based on the fixed note rate for fixed rate loans or fixed rate equivalent for floating rate loans. Minimum DSCR at the capped interest rate of 1.10x for Independent Living and 1.15x for Assisted Living for floating rate loans.
- Shorter loan terms, markets of concern, and specialty product types typically require adjustments
- All loans require a refinance test

# K-Deal Mortgage Guidelines – Seniors Housing (continued)

## Borrowers:

- Single purpose entity (SPE) is required for almost all loans greater than or equal to \$5 million
- A warm-body carve-out guarantor is generally required
- Entity guarantors are acceptable but may require financial covenants or a material adverse change clause
- All borrower sponsors have owner and operator experience on at least five profitable seniors housing properties prior to application

## Supplemental Financing:

- Eligible one year after origination of the first mortgage
- Purchased by Freddie Mac from original Seller/Servicer under Freddie Mac's supplemental mortgage product
- Minimum 3% NOI growth achieved from EGI growth is generally required to support the approval of supplement financing
- Lower of combined LTV of 75% or Original LTV and Minimum combined DSCR of 1.30x for independent living properties and 1.40 for assisted living properties (amortizing)
- Monthly escrows for taxes, insurance and replacement required. If First Mortgage allowed for deferral of Escrows, the supplemental will trigger collection if paid or escrowed by Borrower
- Subject to a pre-approved intercreditor agreement

# K-Deal Performance – Seniors Housing

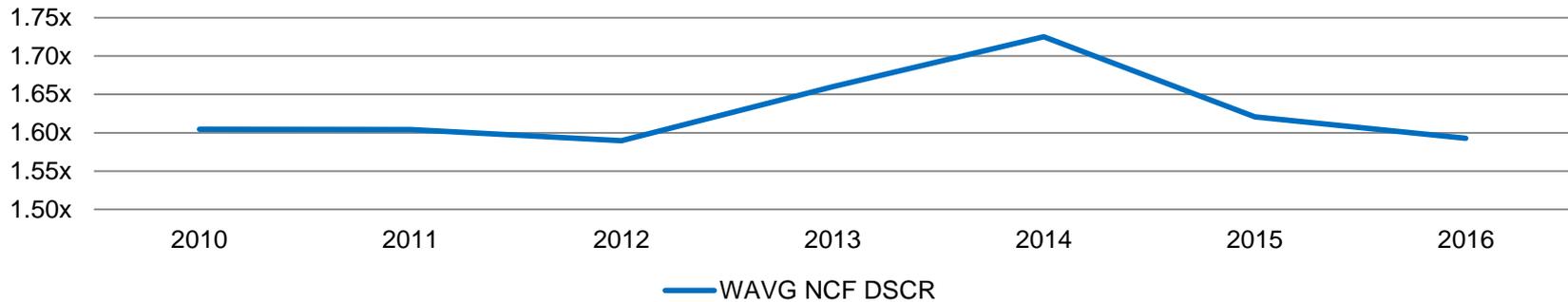
- Since June 2009, Freddie Mac has included seniors housing loans in K-Deals with strong credit metrics:
  - » WAVG UW NCF DSCR: 1.64x<sup>(1)</sup>
  - » WAVG UW LTV: 65.7%<sup>(1)</sup>
- As of June 30, 2016, seniors housing loans in K-Deals:
  - » 100% of the loans are current (outstanding principal balance)
  - » Freddie Mac has not realized any credit losses
  - » No seniors housing loans are in special servicing
  - » 0.25% of the outstanding loan population (by outstanding principal balance) is on the servicers' watchlist<sup>(2)</sup>

(1) Metrics are as of the Cut-off Date

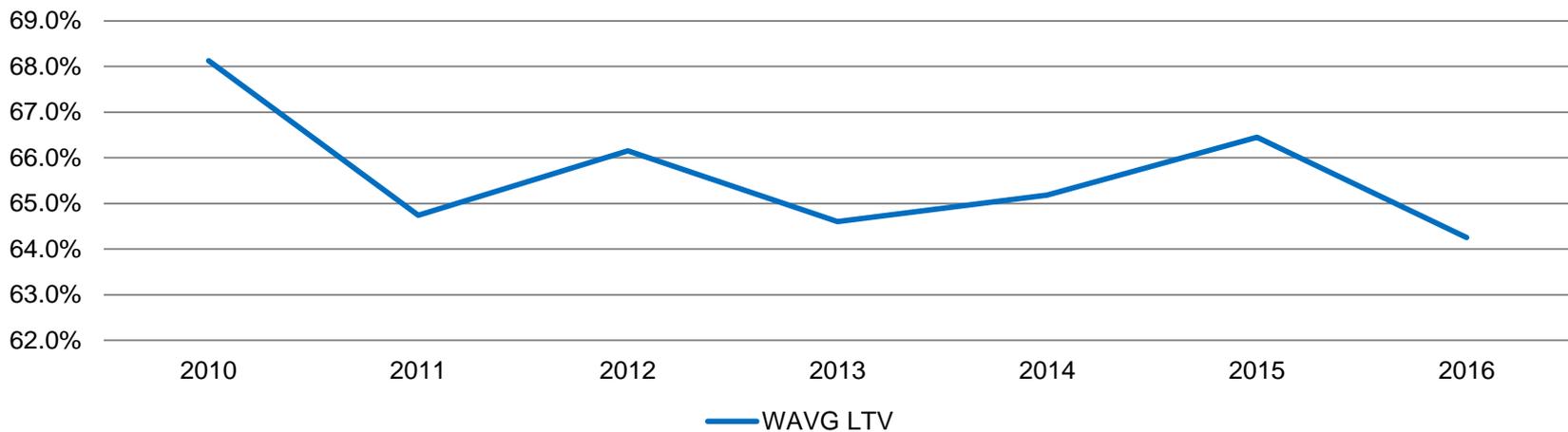
(2) The respective servicers maintain a watchlist for each securitization. Loans are added to and removed from the watchlist in accordance with criteria established by CREFC

# K-Deal Performance – Senior Housing (continued)

## K-Deals Senior Housing Loans Historical WAVG NCF DSCR<sup>(1)</sup>



## K-Deals Senior Housing Loans Historical WAVG LTV<sup>(1)</sup>



(1) Metrics are as of the Cut-off Date

# K-Deal Performance – Senior Housing (continued)

The Freddie Mac seniors housing program has historically maintained strong performance throughout various commercial real estate cycles, as demonstrated below:

## K-Deal - Seniors Housing Performance <sup>(1)</sup>

Property Type	Number of Loans	UPB	Number of Delinquent Loans
Independent Living	112	\$2,294,571,658	0
Assisted Living	184	\$2,353,319,226	0
Age Restricted	221	\$2,040,018,131	0
<b>Total</b>	<b>517</b>	<b>\$6,687,909,015</b>	<b>0</b>

**Source:** Freddie Mac . The additional information can be accessed at <http://www.freddiemac.com/multifamily/investors/securities.html>.

**Notes:**

1) The data above provides performance information for the loans contributed to K-Deals since 2009 through June 30, 2016

# Portfolio Performance – Senior Housing

The Freddie Mac seniors housing program has historically maintained strong performance throughout various commercial real estate cycles, as demonstrated below:

## Portfolio - Seniors Housing Performance<sup>(1)(2)</sup>

Property Type	Number of Loans	UPB	Number of Delinquent Loans
Assisted Living	345	\$3,369,210,000	2 <sup>(3)</sup>
Continuing Care	9	\$293,270,000	0
Interdependent and/or Congregate	216	\$2,304,257,000	0
Senior Apartments	170	\$923,961,600	0
<b>Total</b>	<b>740</b>	<b>\$6,890,698,600</b>	<b>2<sup>(3)</sup></b>

**Source:** Freddie Mac Multifamily Loan Performance Database (MLPD). The complete data can be accessed at <http://www.freddie.mac.com/multifamily/investors/securities.html>.

**Notes:**

1) The data above provides performance information for the portfolio loans since 1998 through June 30, 2016

2) MLPD excludes loans that are (or will be) put into our mortgage related securities, credit revolvers, old book (pre-1994) loans, and negotiated transactions/structured deals

3) Note: both loans paid off in 2012Q4

# K-S04 Transaction Highlights

## Overview of Deal Structure Pricing Date: December 14, 2015

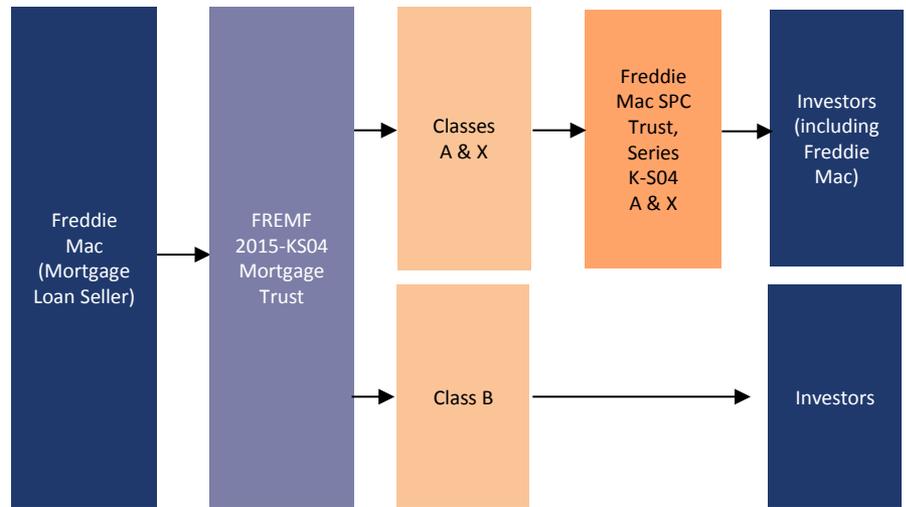
Class	Initial Principal or Notional Amount	Pricing Spread	Assumed Weighted Average Life
<b>Offered K-S04 Certificates:</b>			
A	\$603,000,000	L+80	6.04
X (IO)	\$670,000,000	Variable IO	6.04
<b>Total Guaranteed</b>	<b>\$603,000,000</b>		
B	\$67,000,000	L+1150	6.04
<b>Total Non Guaranteed</b>	<b>\$67,000,000</b>		

## Deal Characteristics <sup>1</sup>

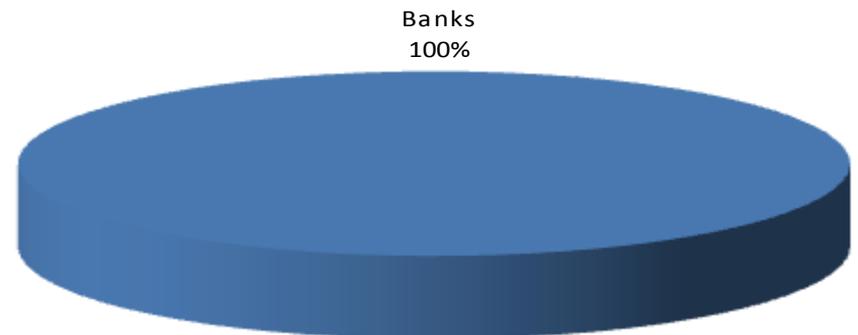
<b>Collateral Type:</b>	Multifamily Seniors Housing Mortgage Loans
<b>Collateral Structure Type:</b>	Floating Rate/Balloon
<b>Mortgaged Loans:</b>	52
<b>Initial Underlying Pool Balance:</b>	\$670,000,000
<b>Rating Agencies:</b>	Not Rated
<b>Waterfall Structure:</b>	Pro-rata
<b>Top 5 State Concentrations:</b>	FL (20.5%), NC (14.9%), TX (10.8%), CA (10.0%), UT (7.0%)
<b>WA Mortgage Interest Rate:</b>	2.34%
<b>WA Original Maturity:</b>	84 months
<b>WA DSCR:</b>	1.91x
<b>WA LTV:</b>	67.9%
<b>WA Debt Yield:</b>	9.37%

<sup>1</sup> As of the Cut-off Date  
<sup>2</sup> As of the Closing Date

## Structural Diagram



## Breakdown of Investors (Class A) <sup>2</sup>





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