UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission File Number: 001-34139

FreddieMac

Federal Home Loan Mortgage Corporation
(Exact name of registrant as specified in its charter)

Federally chartered corporation	52-0904874	8200 Jones Branch Drive McLean, Virginia	22102-3110	(703) 903-2000
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*	*(Address of principal executive offices)*	*(Zip Code)*	*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer (Do not check if a smaller reporting company) ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 17, 2018, there were 650,058,775 shares of the registrant's common stock outstanding.

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q includes forward-looking statements that are based on current expectations and are subject to significant risks and uncertainties. These forward-looking statements are made as of the date of this Form 10-Q. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q. Actual results might differ significantly from those described in or implied by such statements due to various factors and uncertainties, including those described in the **Forward-Looking Statements** *sections of this Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2017, or 2017 Annual Report, and our Quarterly Report on Form 10-Q for the first quarter of 2018, and the* **Business** *and* **Risk Factors** *sections of our 2017 Annual Report.*

Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the **Glossary** *of our 2017 Annual Report.*

You should read the following **MD&A** *in conjunction with our 2017 Annual Report and our condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2018 included in* **Financial Statements***. Throughout this Form 10-Q, we refer to the three months ended June 30, 2018, the three months ended March 31, 2018, the three months ended December 31, 2017, the three months ended September 30, 2017 and the three months ended June 30, 2017 as "2Q 2018," "1Q 2018," "4Q 2017," "3Q 2017" and "2Q 2017," respectively. We refer to the six months ended June 30, 2018 and the six months ended June 30, 2017 as "YTD 2018" and "YTD 2017," respectively.*

INTRODUCTION

Freddie Mac is a GSE chartered by Congress in 1970. Our public mission is to provide liquidity, stability and affordability to the U.S. housing market. We do this primarily by purchasing residential mortgage loans originated by lenders. In most instances, we package these loans into mortgage-related securities, which are guaranteed by us and sold in the global capital markets. We also invest in mortgage loans and mortgage-related securities. We do not originate loans or lend money directly to mortgage borrowers.

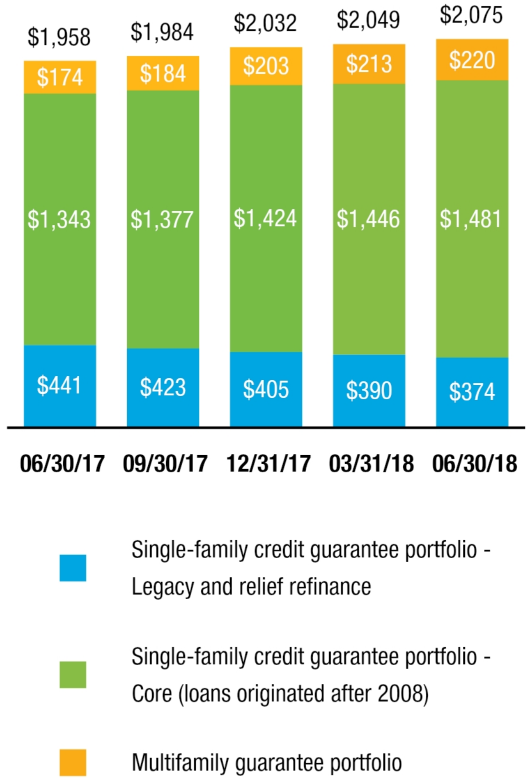
We support the U.S. housing market and the overall economy by enabling America's families to access mortgage loan funding with better terms and by providing consistent liquidity to the multifamily mortgage market. We have helped many distressed borrowers keep their homes or avoid foreclosure. We are working with FHFA, our customers and the industry to build a better housing finance system for the nation.

Business Results

Portfolio Balances

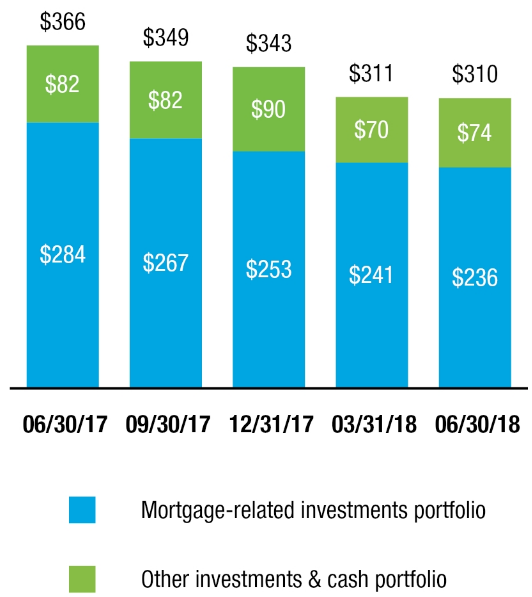
Guarantee Portfolios

(UPB in billions)



Investments Portfolios

(UPB in billions)



Total Guarantee Portfolio

- Our total guarantee portfolio grew $117 billion, or 6%, from June 30, 2017 to June 30, 2018, driven by a 4% increase in our single-family credit guarantee portfolio and a 26% increase in our multifamily guarantee portfolio.
  - The growth in our single-family credit guarantee portfolio was primarily driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
  - The growth in our multifamily guarantee portfolio was primarily driven by an increase in U.S. multifamily mortgage debt outstanding due to strong multifamily market fundamentals, coupled with the growth in our share of new business volume due to our strategic pricing efforts, expansion of our new product offerings and an increase in purchase activity associated with certain targeted loans in underserved markets.

Total Investments Portfolio

- Our total investments portfolio declined $56 billion, or 15%, from June 30, 2017 to June 30, 2018, primarily due to repayments and the active disposition of less liquid assets.
  - We continue to reduce the mortgage-related investments portfolio as required by the Purchase Agreement and FHFA.

Consolidated Financial Results

Comprehensive income (loss) was $2.4 billion in 2Q 2018, compared to $2.0 billion in 2Q 2017.

Key Drivers:

- Net interest income declined, primarily driven by the continued reduction in the balance of our mortgage-related investments portfolio, partially offset by continued growth in our single-family credit guarantee portfolio.
- Benefit for credit losses declined, primarily due to the impact of reclassifications of single-family seasoned mortgage loans between held-for-investment and held-for-sale.
- Gain from final judgment against Nomura Holding America, Inc. in litigation involving certain of our non-agency mortgage-related securities (Nomura judgment) resulted in an increase in other income. We did not have any significant judgments or settlements in 2Q 2017.
- Reduction in the statutory corporate income tax rate resulted in lower income tax expense.

Our total equity was $4.6 billion at June 30, 2018. Because our net worth was positive, we are not requesting a draw from Treasury under the Purchase Agreement for 2Q 2018. Based on our Net Worth Amount at June 30, 2018 of $4.6 billion and the applicable Capital Reserve Amount of $3.0 billion, we will have a dividend requirement to Treasury in September 2018 of $1.6 billion.

Our cumulative senior preferred stock dividend payments totaled $112.4 billion as of June 30, 2018. Under the Purchase Agreement the payment of dividends does not reduce the outstanding liquidation preference of the senior preferred stock, which remains at $75.6 billion. In addition, the amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

Conservatorship and Government Support for Our Business

Since September 2008, we have been operating in conservatorship, with FHFA as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition and results of operations. Our future is uncertain, and the conservatorship has no specified termination date. We do not know what changes may occur to our business model during or following conservatorship, including whether we will continue to exist.

Our Purchase Agreement with Treasury and the terms of the senior preferred stock we issued to Treasury also affect our business activities. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe that the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities.

Treasury, as the holder of the senior preferred stock, is entitled to receive cumulative quarterly cash dividends, when, as and if declared by the Conservator, acting as successor to the rights, titles, powers and privileges of our Board of Directors. The dividends we have paid to Treasury on the senior preferred stock have been declared by, and paid at the direction of, the Conservator.

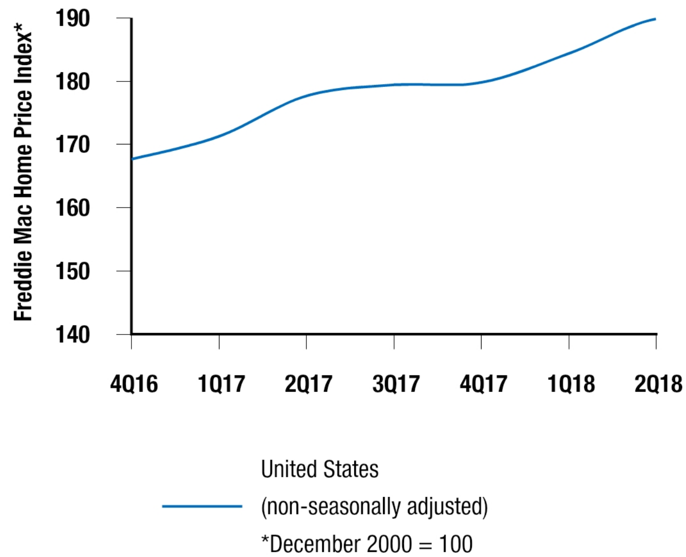
Under the August 2012 amendment to the Purchase Agreement, our dividend requirement each quarter is the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. Pursuant to the December 2017 Letter Agreement, the Capital Reserve Amount is $3.0 billion. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period, the unpaid amount would be added to the liquidation preference and our applicable Capital Reserve Amount would thereafter be zero, but this would not affect our ability to draw funds from Treasury under the Purchase Agreement.

KEY ECONOMIC INDICATORS

The following graphs and related discussions present certain macroeconomic indicators that can significantly affect our business and financial results.

Single-Family Home Prices

National Home Prices

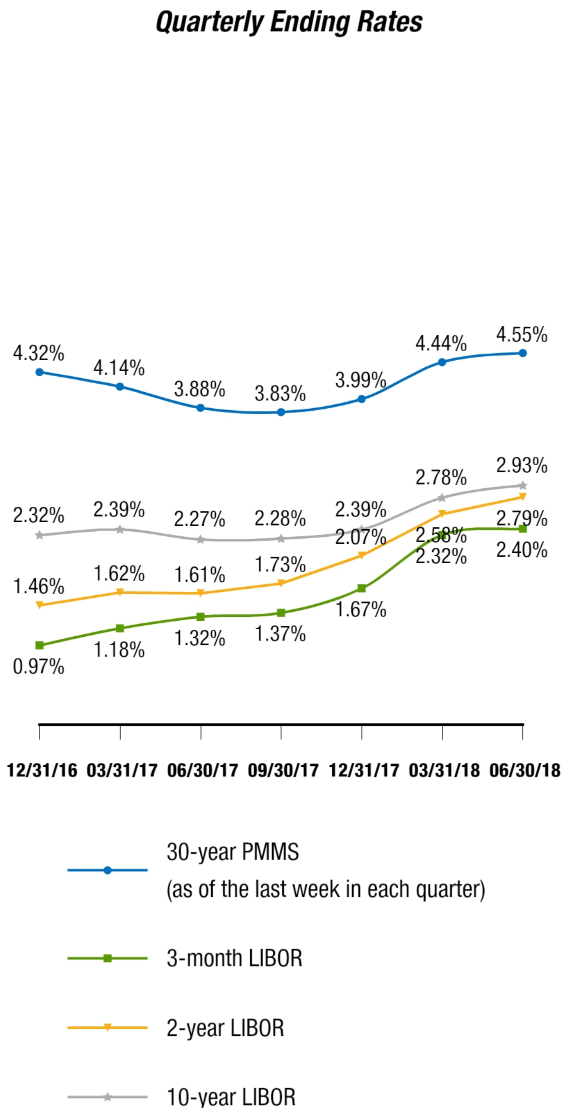


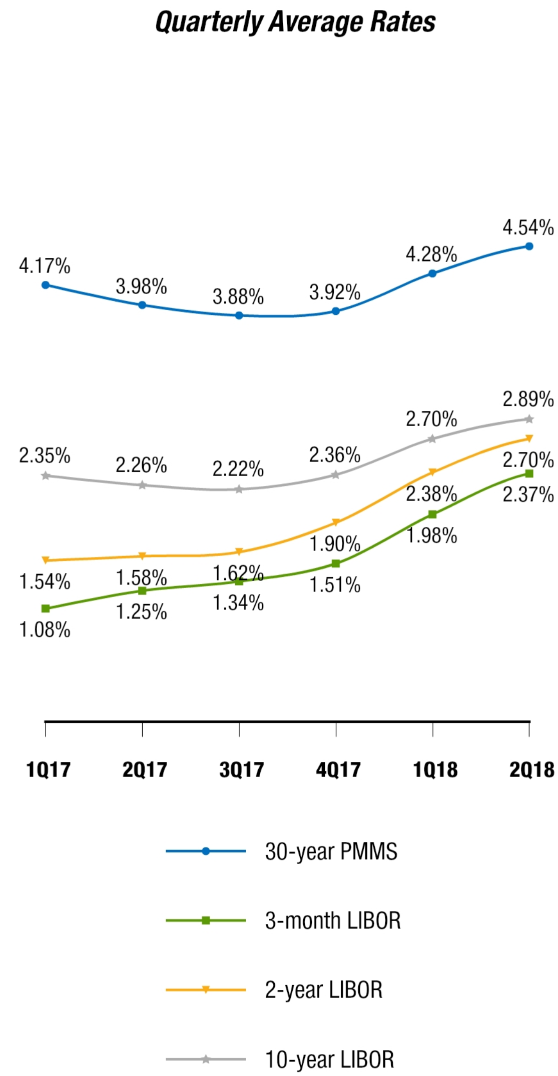
Commentary

- Home prices continued to appreciate, increasing by 3.0% and 3.7% during 2Q 2018 and 2Q 2017, respectively, and by 5.6% and 6.0% during YTD 2018 and YTD 2017, respectively, based on our own non-seasonally adjusted price index of single-family homes funded by loans owned or guaranteed by us or Fannie Mae.
- We expect the rate of home price growth in the second half of 2018 to moderate, driven by a gradual increase in housing supply and higher mortgage interest rates.
- Increases in home prices typically result in lower delinquency rates and lower loss severity, which generally reduce estimated credit losses on our total mortgage portfolio.
- Higher single-family home prices may also contribute to an increase in potential multifamily renters.

Interest Rates

Key Market Interest Rates





Commentary

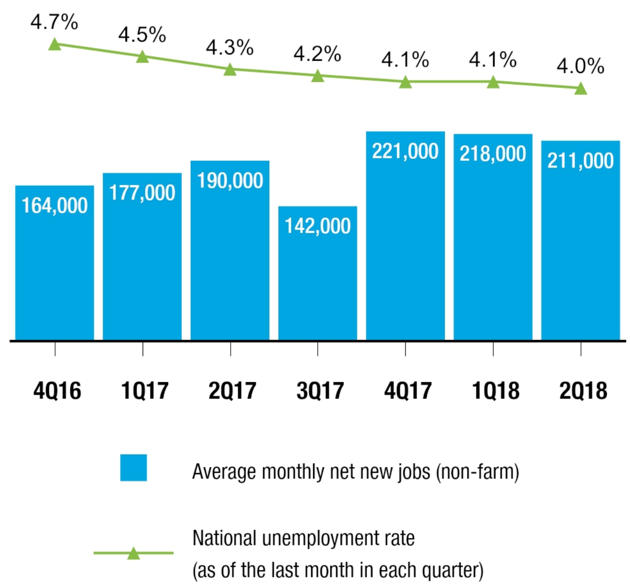
- The quarterly ending and quarterly average 30-year Primary Mortgage Market Survey ("PMMS") interest rates were higher at June 30, 2018 than June 30, 2017. Increases in the PMMS rate typically result in decreases in refinance activity and U.S. single-family loan originations.
- The 10-year LIBOR and 2-year LIBOR quarterly ending interest rates had larger fluctuations during the 2018 periods than during the 2017 periods. Changes in the 10-year and 2-year LIBOR interest rates affect the fair value of certain of our assets and liabilities, including derivatives, measured at fair value. A larger interest rate fluctuation from period to period generally results in larger fair value gains and losses, while a smaller fluctuation from period to period generally results in smaller fair

value gains and losses. However, the majority of these fair value changes are offset by our hedge accounting programs.

- The quarterly ending and quarterly average short-term interest rates, as indicated by the 3-month LIBOR rate, were higher at June 30, 2018 than June 30, 2017. An increase in short-term interest rates generally increases the interest earned on our short-term investments and interest expense on our short-term funding.
- For additional information on the effect of LIBOR rates on our financial results, see **Our Business Segments - Capital Markets - *Market Conditions***.

Unemployment Rate

Unemployment Rate and Job Creation[1]



Source: U.S. Bureau of Labor Statistics

(1) Excludes Puerto Rico and the U.S. Virgin Islands.

Commentary

- Average monthly net new jobs (non-farm) were higher in 2Q 2018 than 2Q 2017.
- The national unemployment rate was lower in 2Q 2018 than 2Q 2017.
- Changes in monthly net new jobs and the national unemployment rate can affect several market factors, including the demand for both single-family and multifamily housing and the level of loan delinquencies.
- Decreases in the national unemployment rate typically result in lower levels of delinquencies, which generally result in a decrease in estimated credit losses on our total mortgage portfolio.

CONSOLIDATED RESULTS OF OPERATIONS

You should read this discussion of our consolidated results of operations in conjunction with our condensed consolidated financial statements and accompanying notes.

The table below compares our summarized consolidated results of operations.

			Change				Change	
(Dollars in millions)	2Q 2018	2Q 2017	$	%	YTD 2018	YTD 2017	$	%
Net interest income	$3,003	$3,379	($376)	(11)%	$6,021	$7,174	($1,153)	(16)%
Benefit (provision) for credit losses	60	422	(362)	(86)	(3)	538	(541)	(101)
Net interest income after benefit (provision) for credit losses	**3,063**	**3,801**	**(738)**	**(19)**	**6,018**	**7,712**	**(1,694)**	**(22)**
Non-interest income (loss):								
Gains (losses) on extinguishment of debt	147	50	97	194	257	268	(11)	(4)
Derivative gains (losses)	416	(1,096)	1,512	138	2,246	(1,398)	3,644	261
Net impairment of available-for-sale securities recognized in earnings	(1)	(3)	2	67	(1)	(16)	15	94
Other gains (losses) on investment securities recognized in earnings	(348)	61	(409)	(670)	(580)	117	(697)	(596)
Other income (loss)	1,011	694	317	46	1,132	1,109	23	2
Total non-interest income (loss)	**1,225**	**(294)**	**1,519**	**517**	**3,054**	**80**	**2,974**	**3,718**
Non-interest expense:								
Administrative expense	(558)	(513)	(45)	(9)	(1,078)	(1,024)	(54)	(5)
REO operations expense	(15)	(37)	22	59	(49)	(93)	44	47
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(366)	(330)	(36)	(11)	(725)	(651)	(74)	(11)
Other expense	(204)	(126)	(78)	(62)	(401)	(202)	(199)	(99)
Total non-interest expense	**(1,143)**	**(1,006)**	**(137)**	**(14)**	**(2,253)**	**(1,970)**	**(283)**	**(14)**
Income (loss) before income tax (expense) benefit	**3,145**	**2,501**	**644**	**26**	**6,819**	**5,822**	**997**	**17**
Income tax (expense) benefit	(642)	(837)	195	23	(1,390)	(1,947)	557	29
Net income (loss)	**2,503**	**1,664**	**839**	**50**	**5,429**	**3,875**	**1,554**	**40**
Total other comprehensive income (loss), net of taxes and reclassification adjustments	(68)	322	(390)	(121)	(844)	345	(1,189)	(345)
Comprehensive income (loss)	**$2,435**	**$1,986**	**$449**	**23 %**	**$4,585**	**$4,220**	**$365**	**9 %**

Net Interest Income

Net Interest Yield Analysis

The tables below present an analysis of interest-earning assets and interest-bearing liabilities.

	2Q 2018			2Q 2017		
(Dollars in millions)	**Average Balance**	**Interest Income (Expense)[1]**	**Average Rate**	**Average Balance**	**Interest Income (Expense)[1]**	**Average Rate**
Interest-earning assets:						
Cash and cash equivalents	$6,620	$13	0.79 %	$12,135	$15	0.51 %
Securities purchased under agreements to resell	43,084	205	1.91	56,196	132	0.93
Advances to lenders and other secured lending	1,403	10	2.68	532	3	2.30
Mortgage-related securities:						
Mortgage-related securities	144,517	1,495	4.14	170,864	1,651	3.87
Extinguishment of PCs held by Freddie Mac	(88,792)	(849)	(3.83)	(89,913)	(825)	(3.67)
Total mortgage-related securities, net	**55,725**	**646**	**4.64**	**80,951**	**826**	**4.08**
Non-mortgage-related securities	14,476	84	2.32	17,957	76	1.68
Loans held by consolidated trusts[1]	1,787,242	15,290	3.42	1,723,103	14,594	3.39
Loans held by Freddie Mac[1]	100,239	1,054	4.20	118,012	1,254	4.25
Total interest-earning assets	**2,008,789**	**17,302**	**3.45**	**2,008,886**	**16,900**	**3.36**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	1,814,861	(13,504)	(2.98)	1,746,474	(12,819)	(2.94)
Extinguishment of PCs held by Freddie Mac	(88,792)	849	3.83	(89,913)	825	3.67
Total debt securities of consolidated trusts held by third parties	**1,726,069**	**(12,655)**	**(2.93)**	**1,656,561**	**(11,994)**	**(2.90)**
Other debt:						
Short-term debt	53,323	(242)	(1.80)	74,540	(145)	(0.77)
Long-term debt	221,222	(1,402)	(2.53)	272,160	(1,382)	(2.02)
Total other debt	**274,545**	**(1,644)**	**(2.38)**	**346,700**	**(1,527)**	**(1.76)**
Total interest-bearing liabilities	**2,000,614**	**(14,299)**	**(2.86)**	**2,003,261**	**(13,521)**	**(2.70)**
Impact of net non-interest-bearing funding	8,175	—	0.01	5,625	—	0.01
Total funding of interest-earning assets	**$2,008,789**	**($14,299)**	**(2.85)%**	**$2,008,886**	**($13,521)**	**(2.69)%**
Net interest income/yield		**$3,003**	**0.60 %**		**$3,379**	**0.67 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $627 million and $583 million for loans held by consolidated trusts and $23 million and $33 million for loans held by Freddie Mac during 2Q 2018 and 2Q 2017, respectively.

	YTD 2018			YTD 2017		
(Dollars in millions)	Average Balance	Interest Income (Expense)[1]	Average Rate	Average Balance	Interest Income (Expense)[1]	Average Rate
Interest-earning assets:						
Cash and cash equivalents	$6,818	$24	0.69 %	$12,094	$24	0.40 %
Securities purchased under agreements to resell	47,408	403	1.70	55,301	220	0.79
Advances to lenders and other secured lending	1,197	16	2.65	574	7	2.36
Mortgage-related securities:						
Mortgage-related securities	147,391	3,074	4.17	173,410	3,314	3.82
Extinguishment of PCs held by Freddie Mac	(89,803)	(1,692)	(3.77)	(89,226)	(1,645)	(3.69)
Total mortgage-related securities, net	**57,588**	**1,382**	**4.80**	**84,184**	**1,669**	**3.97**
Non-mortgage-related securities	14,626	157	2.14	19,509	147	1.51
Loans held by consolidated trusts[1]	1,781,975	30,149	3.38	1,715,571	29,193	3.40
Loans held by Freddie Mac[1]	101,845	2,146	4.21	121,115	2,620	4.33
Total interest-earning assets	**2,011,457**	**34,277**	**3.41**	**2,008,348**	**33,880**	**3.37**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	1,808,992	(26,861)	(2.97)	1,738,601	(25,360)	(2.92)
Extinguishment of PCs held by Freddie Mac	(89,803)	1,692	3.77	(89,226)	1,645	3.69
Total debt securities of consolidated trusts held by third parties	**1,719,189**	**(25,169)**	**(2.93)**	**1,649,375**	**(23,715)**	**(2.88)**
Other debt:						
Short-term debt	60,647	(471)	(1.55)	74,003	(241)	(0.65)
Long-term debt	225,101	(2,616)	(2.32)	275,840	(2,750)	(1.99)
Total other debt	**285,748**	**(3,087)**	**(2.16)**	**349,843**	**(2,991)**	**(1.71)**
Total interest-bearing liabilities	2,004,937	(28,256)	(2.82)	1,999,218	(26,706)	**(2.67)**
Impact of net non-interest-bearing funding	6,520	—	0.01	9,130	—	0.01
Total funding of interest-earning assets	**$2,011,457**	**($28,256)**	**(2.81)%**	**$2,008,348**	**($26,706)**	**(2.66)%**
Net interest income/yield		**$6,021**	**0.60 %**		**$7,174**	**0.71 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $1.2 billion and $1.1 billion for loans held by consolidated trusts and $45 million and $95 million for loans held by Freddie Mac during YTD 2018 and YTD 2017, respectively.

Components of Net Interest Income

The table below presents the components of net interest income.

(Dollars in millions)	2Q 2018	2Q 2017	Change $	Change %	YTD 2018	YTD 2017	Change $	Change %
Contractual net interest income:								
Guarantee fee income	$858	$795	$63	8 %	$1,692	$1,587	$105	7 %
Guarantee fee income related to the Temporary Payroll Tax Cut Continuation Act of 2011	356	325	31	10	703	641	62	10
Other contractual net interest income	1,386	1,637	(251)	(15)	2,843	3,396	(553)	(16)
Total contractual net interest income	**2,600**	**2,757**	**(157)**	**(6)**	**5,238**	**5,624**	**(386)**	**(7)**
Net amortization - loans and debt securities of consolidated trusts	701	667	34	5	1,449	1,620	(171)	(11)
Net amortization - other assets and debt	(84)	(3)	(81)	(2,700)	(79)	15	(94)	(627)
Hedge accounting impact	(214)	(42)	(172)	(410)	(587)	(85)	(502)	(591)
Net interest income	**$3,003**	**$3,379**	**($376)**	**(11)%**	**$6,021**	**$7,174**	**($1,153)**	**(16)%**

Key Drivers:

- **Guarantee fee income**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** increased primarily due to the continued growth of the Core single-family loan portfolio.
- **Other contractual net interest income**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** decreased due to the continued reduction in the balance of our mortgage-related investments portfolio pursuant to the portfolio limits established by the Purchase Agreement and FHFA. See **Conservatorship and Related Matters - *Reducing Our Mortgage-Related Investments Portfolio Over Time*** for a discussion of the key drivers of the decline in our mortgage-related investments portfolio.
- **Net amortization of loans and debt securities of consolidated trusts**
  - ***2Q 2018 vs. 2Q 2017 -*** remained relatively flat.
  - ***YTD 2018 vs. YTD 2017 -*** decreased primarily due to a decrease in amortization of debt securities of consolidated trusts driven by a decrease in prepayments as a result of higher interest rates, partially offset by an increase in amortization from higher upfront fees on mortgage loans.
- **Net amortization of other assets and debt**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** losses increased primarily due to less accretion of previously recognized other-than-temporary impairments on non-agency mortgage-related securities. The decrease in accretion was due to a decline in the population of impaired securities as a result of our active disposition of these securities and a decline in new other-than-temporary impairments recognized.

- **Hedge Accounting Impact**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** losses increased primarily due to the inclusion of fair value hedge accounting results within net interest income during the 2018 periods. This activity was included in other income and derivative gains (losses) until the adoption of the amended hedge accounting guidance in 4Q 2017.

Derivative Gains (Losses)

Components of Derivative Gains (Losses)

We continue to align our derivative portfolio with the changing duration of our assets and liabilities so as to economically hedge their interest-rate risk. We manage our exposure to interest-rate risk on an economic basis to a low level as measured by our models. We believe the impact of derivatives on our GAAP financial results should be considered in the context of our overall interest-rate risk profile, including our PMVS and duration gap results. For more information about our interest-rate risk management activities and the sensitivity of reported earnings to those activities, see **Risk Management - Market Risk.**

Derivative gains (losses) includes the fair value changes and the accrual of periodic cash settlements for derivatives while not designated in qualifying hedge relationships. In addition, prior to our adoption of amended hedge accounting guidance in 4Q 2017, we included the accrual of periodic cash settlements on derivatives in qualifying hedge relationships in derivatives gains (losses).

The table below presents the components of derivative gains (losses).

			Change				Change	
(Dollars in millions)	2Q 2018	2Q 2017	$	%	YTD 2018	YTD 2017	$	%
Fair value change in interest-rate swaps	$583	($580)	$1,163	201%	$2,097	$93	$2,004	2,155%
Fair value change in option-based derivatives	(259)	109	(368)	(338)	(714)	(321)	(393)	(122)
Fair value change in other derivatives	135	(196)	331	169	1,051	(274)	1,325	484
Accrual of periodic cash settlements	(43)	(429)	386	90	(188)	(896)	708	79
Derivative gains (losses)	**$416**	**($1,096)**	**$1,512**	**138%**	**$2,246**	**($1,398)**	**$3,644**	**261%**

Key Drivers:

- ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** During the 2018 periods, increases in long-term rates resulted in derivative fair value gains compared to derivative fair value losses during the 2017 periods. The 10-year par swap rate increased 15 and 54 basis points during 2Q 2018 and YTD 2018, respectively, and declined 12 and 5 basis points during 2Q 2017 and YTD 2017, respectively. The interest rate increase during the 2018 periods resulted in fair value gains in our pay-fixed interest rate swaps, forward commitments to issue PCs, and futures, partially offset by fair value losses in our receive-fixed swaps.

Other Income (Loss)

Components of Other Income (Loss)

The table below presents the components of other income (loss).

(Dollars in millions)	2Q 2018	2Q 2017	Change $	Change %	YTD 2018	YTD 2017	Change $	Change %
Other income (loss)								
Non-agency mortgage-related securities settlements and judgments	$334	$—	$334	N/A	$334	$3	$331	11,033%
Gains (losses) on loans[1]	162	193	(31)	(16)	(158)	207	(365)	(176)
Gains (losses) on held-for-sale loan purchase commitments[1]	192	331	(139)	(42)	297	555	(258)	(46)
Gains (losses) on debt[1]	19	(102)	121	119	30	(191)	221	116
All other	304	245	59	24	629	469	160	34
Fair value hedge accounting								
Change in fair value of derivatives in qualifying hedge relationships	—	(365)	365	N/A	—	(300)	300	N/A
Change in fair value of hedged items in qualifying hedge relationships	—	392	(392)	N/A	—	366	(366)	N/A
Total other income (loss)	**$1,011**	**$694**	**$317**	**46%**	**$1,132**	**$1,109**	**$23**	**2%**

(1) Includes fair value gains (losses) on loans, held-for-sale loan purchase commitments and debt for which we have elected the fair value option.

Key Drivers:

- **2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 - Other income (loss)** increased primarily driven by:
  - Recognition of a $0.3 billion gain from the Nomura judgment during 2Q 2018. See **Note 14** for additional information on the Nomura judgment.
  - Small fair value gains on STACR debt notes in the 2018 periods compared to fair value losses in the 2017 periods as a result of market spreads between STACR yields and LIBOR remaining relatively unchanged in the 2018 periods, while spreads tightened during the 2017 periods.
  - Adoption of amended hedge accounting guidance in 4Q 2017, which resulted in fair value changes for derivatives and hedged items in qualifying hedge relationships no longer being recognized in other income (loss). See **Note 9** for more information.

  This increase was partially offset by:
  - Greater interest rate-related fair value losses on multifamily mortgage loans and commitments for which we have elected the fair value option due to a larger increase in long-term interest rates.

Other Comprehensive Income (Loss)

Explanation of Key Drivers of Other Comprehensive Income (Loss)

The following table presents the attribution of total other comprehensive income (loss), net of taxes and reclassification adjustments reported in our condensed consolidated statements of comprehensive income.

			Change				Change	
(Dollars in millions)	2Q 2018	2Q 2017	$	%	YTD 2018	YTD 2017	$	%
Other comprehensive income (loss), excluding certain items	($93)	$423	($516)	(122)%	($495)	$586	($1,081)	(184)%
Excluded items:								
Accretion due to significant increases in expected cash flows on previously impaired available-for-sale securities	(20)	(49)	29	59	(108)	(103)	(5)	(5)
Realized (gains) losses reclassified from AOCI	45	(52)	97	187	(241)	(138)	(103)	(75)
Total excluded items	**25**	**(101)**	**126**	**125**	**(349)**	**(241)**	**(108)**	**(45)**
Total other comprehensive income (loss)	**($68)**	**$322**	**($390)**	**(121)%**	**($844)**	**$345**	**($1,189)**	**(345)%**

Key Drivers:

- **Other comprehensive income, excluding certain items**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** decreased primarily due to higher fair value losses compared to fair value gains on agency and non-agency mortgage-related securities classified as available-for-sale as long-term interest rates increased more during the 2018 periods, coupled with smaller fair value gains from less market spread tightening on our non-agency mortgage-related securities.

Excluded items:

- **Realized (gains) losses reclassified from AOCI**
  - ***2Q 2018 vs. 2Q 2017 -*** reflected reclassified losses during 2Q 2018 compared to reclassified gains during 2Q 2017 due to sales of non-agency mortgage-related securities in an unrealized loss position during 2Q 2018.
  - ***YTD 2018 vs. YTD 2017 -*** reflected larger amounts of reclassified gains during YTD 2018 due to spread tightening on sales of non-agency mortgage-related securities classified as available-for-sale.

Other Key Drivers

Explanation of Other Key Drivers

Key Drivers:

- **Benefit (provision) for credit losses**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** decreased primarily due to the impact of loan reclassifications between held-for-investment and held-for-sale.
- **Gains (losses) on extinguishment of debt**
  - ***2Q 2018 vs. 2Q 2017 -*** improved primarily due to an increase in the amount of gains recognized from the extinguishment of certain fixed-rate debt securities of consolidated trusts (i.e., PCs), as market rates increased between the time of issuance and repurchase, combined with an increase in the amount of debt securities of consolidated trusts repurchased. The amount of extinguishment gains or losses may vary, as the type and amount of PCs selected for repurchase are based on our investment and funding strategies, including our efforts to support the liquidity and price performance of our PCs.
  - ***YTD 2018 vs. YTD 2017 -*** remained relatively flat.
- **Other gains (losses) on investment securities recognized in earnings**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** decreased primarily driven by larger fair value losses on our mortgage and non-mortgage-related securities classified as trading as interest rates increased more during the 2018 periods, partially offset by lower fair value gains driven by less spread tightening on sales of our available-for-sale non-agency mortgage-related securities.
- **Other expense**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** increased primarily due to recoveries in the 2017 periods of amounts previously recognized in other expense. This activity did not repeat in the 2018 periods.
- **Income tax (expense) benefit**
  - ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017 -*** decreased due to the lower statutory corporate income tax rate in the 2018 periods.

CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized consolidated balance sheets.

			Change	
(Dollars in millions)	6/30/2018	12/31/2017	$	%
Assets:				
Cash and cash equivalents[1]	$6,752	$9,811	($3,059)	(31)%
Securities purchased under agreements to resell	41,769	55,903	(14,134)	(25)
Subtotal	**48,521**	**65,714**	**(17,193)**	**(26)**
Investments in securities, at fair value	77,710	84,318	(6,608)	(8)
Mortgage loans, net	1,884,851	1,871,217	13,634	1
Accrued interest receivable	6,470	6,355	115	2
Derivative assets, net	391	375	16	4
Deferred tax assets, net	8,299	8,107	192	2
Other assets	15,490	13,690	1,800	13
Total assets	**$2,041,732**	**$2,049,776**	**($8,044)**	**— %**
Liabilities and Equity:				
Liabilities:				
Accrued interest payable	$6,377	$6,221	$156	3 %
Debt, net	2,021,162	2,034,630	(13,468)	(1)
Derivative liabilities, net	409	269	140	52
Other liabilities	9,199	8,968	231	3
Total liabilities	**2,037,147**	**2,050,088**	**(12,941)**	**(1)**
Total equity	4,585	(312)	4,897	1,570
Total liabilities and equity	**$2,041,732**	**$2,049,776**	**($8,044)**	**— %**

(1) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance.

Key Drivers:

As of June 30, 2018 compared to December 31, 2017:

- **Cash and cash equivalents** and **securities purchased under agreements to resell** affect one another and changes in the balances should be viewed together (e.g., cash and cash equivalents can be invested in securities purchased under agreements to resell or other investments). The decrease in the combined balance was primarily due to lower near term cash needs for fewer upcoming maturities and anticipated calls of other debt.
- **Investments in securities, at fair value** decreased as we continued to reduce the mortgage-related investments portfolio during 2018 as required by the Purchase Agreement and FHFA.
- **Other Assets** increased primarily due to the recognition of receivables on sales of securities which had traded but not settled as of June 30, 2018.
- **Total equity** increased primarily as a result of higher comprehensive income in 2Q 2018 compared to 4Q 2017, combined with our ability to retain equity as a result of an increase in the applicable Capital Reserve Amount, which is $3.0 billion as of January 1, 2018.

OUR BUSINESS SEGMENTS

We have three reportable segments, which are based on the way we manage our business.

- **Single-family Guarantee** - reflects results from our purchase, securitization and guarantee of single-family loans and the management of single-family mortgage credit risk.
- **Multifamily** - reflects results from our purchase, sale, securitization and guarantee of multifamily loans and securities, our investments in those loans and securities and the management of multifamily mortgage credit risk and market spread risk.
- **Capital Markets** - reflects results from managing our mortgage-related investments portfolio (excluding Multifamily segment investments, single-family seriously delinquent loans and the credit risk of single-family performing and reperforming loans), the treasury function, securitization activities and our interest-rate risk.

Certain activities that are not part of a reportable segment, such as material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments, are included in the **All Other** category.

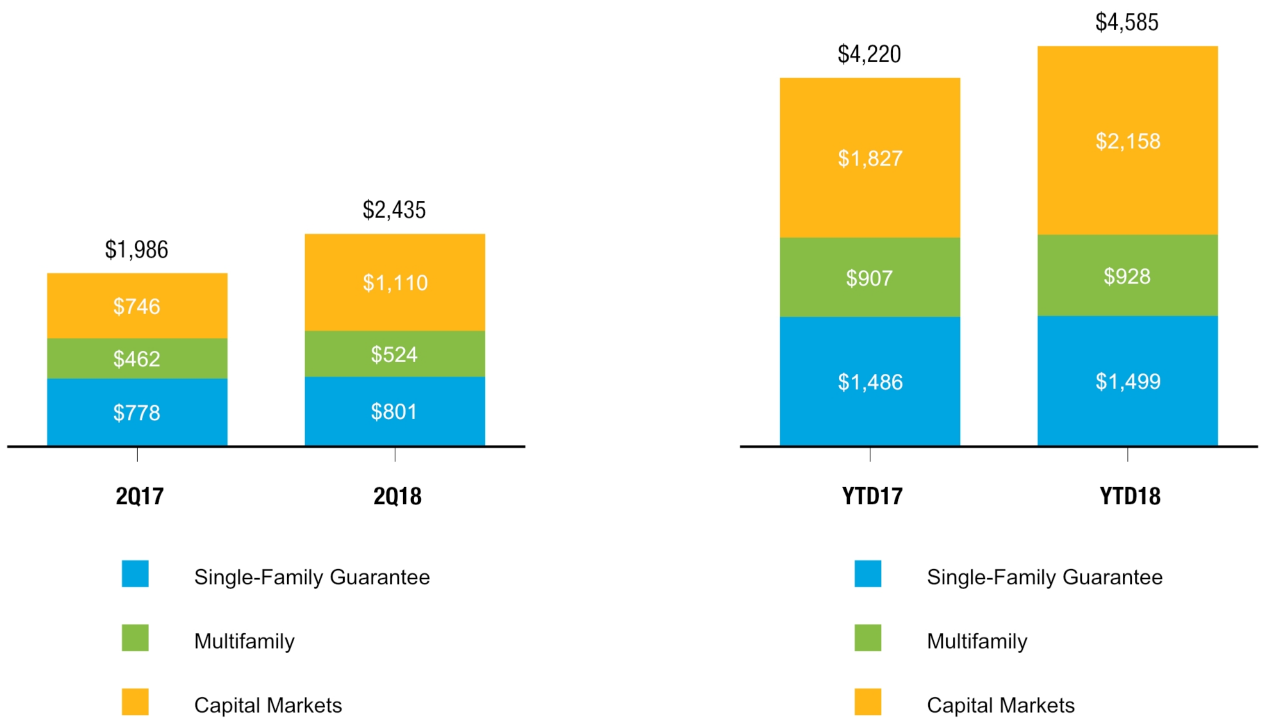
Segment Earnings

We present Segment Earnings by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP condensed consolidated statements of comprehensive income and allocating certain revenues and expenses to our three reportable segments. For more information on our segment reclassifications, see **Note 13**.

Segment Comprehensive Income

The graph below shows our comprehensive income by segment.

(In millions)



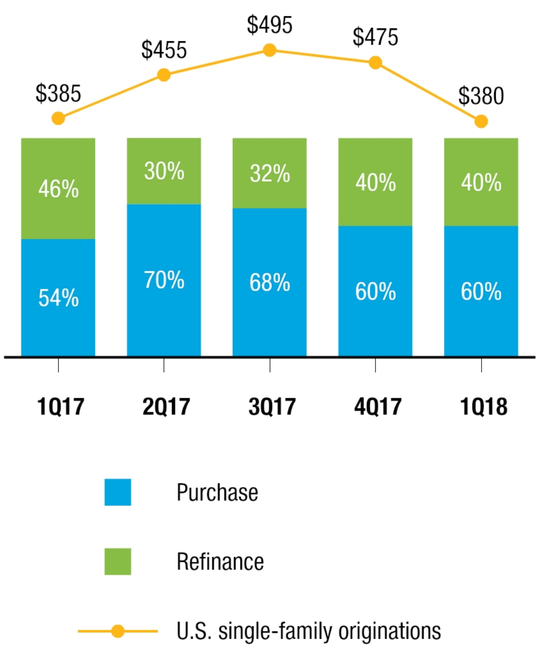
Single-Family Guarantee

Market Conditions

The graphs and related discussion below present certain market indicators that can significantly affect the business and financial results of our Single-family Guarantee segment.

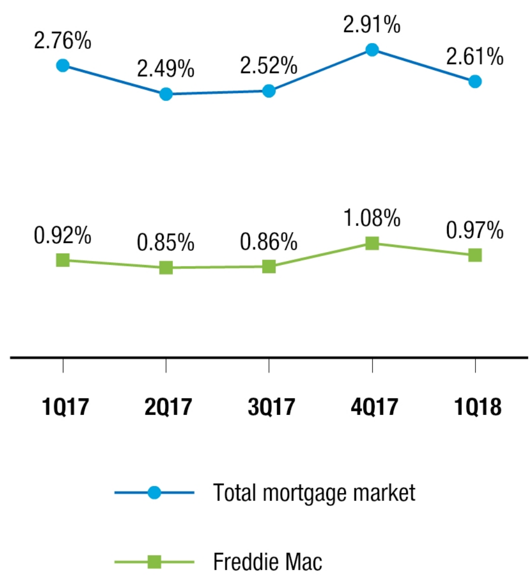
U.S. Single-Family Originations

(UPB in billions)



Source: Inside Mortgage Finance dated May 18, 2018 (latest available IMF purchase/refinance information).

Single-Family Serious Delinquency Rates



Source: National Delinquency Survey from the Mortgage Bankers Association. Data as of May 16, 2018 (latest available NDS information).

Commentary

- U.S. single-family loan origination volume decreased to $445 billion in 2Q 2018 from $455 billion in 2Q 2017, driven by lower refinance volume as a result of higher mortgage interest rates in 2Q 2018. Mortgage origination data is from Inside Mortgage Finance as of July 27, 2018.
- We expect continued growth in U.S. single-family home purchase volume due to a gradual increase in housing supply and home price appreciation, while a moderate increase in mortgage interest rates is expected to result in a lower refinance volume. Freddie Mac's single-family loan purchase volumes typically follow a similar trend.
- The single-family serious delinquency rate in the U.S. decreased during 1Q 2018 as the impacts from the hurricanes in 3Q 2017 subsided and the general economy continued to improve. Freddie Mac's serious delinquency rate typically follows a similar trend.

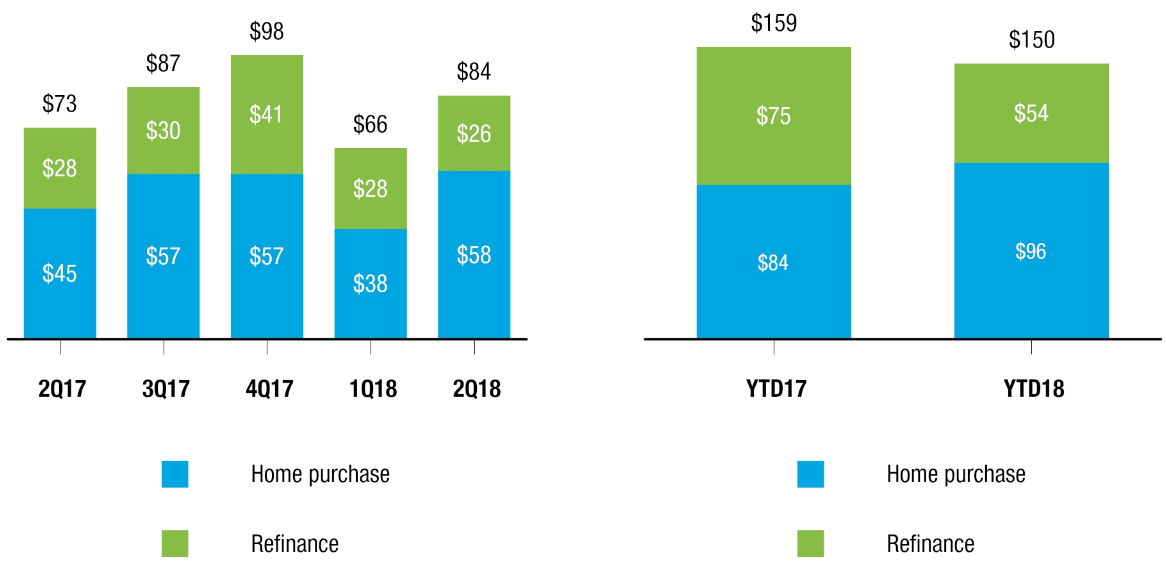
Business Results

The following tables, graphs and related discussion present the business results of our Single-family Guarantee segment.

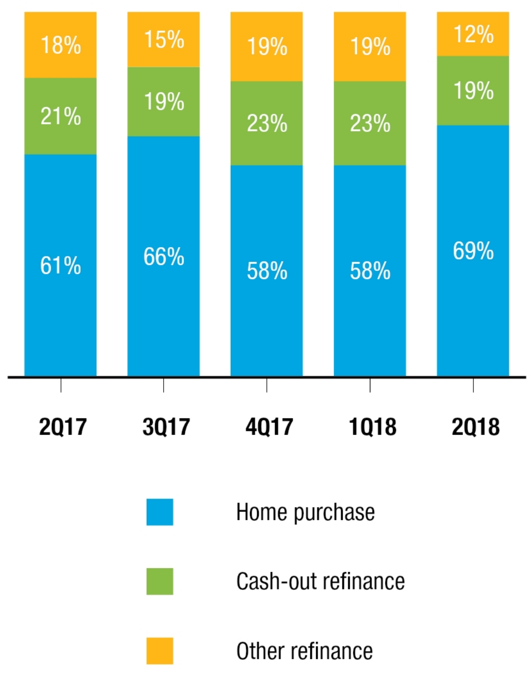
New Business Activity

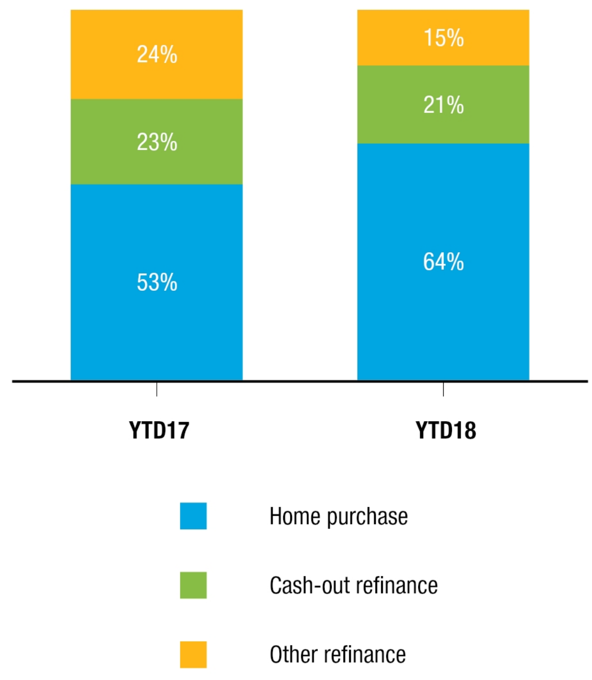
UPB of Single-Family Loan Purchases and Guarantees by Loan Purpose

(In billions)



Percentage of Single-Family Loan Purchases and Guarantees by Loan Purpose





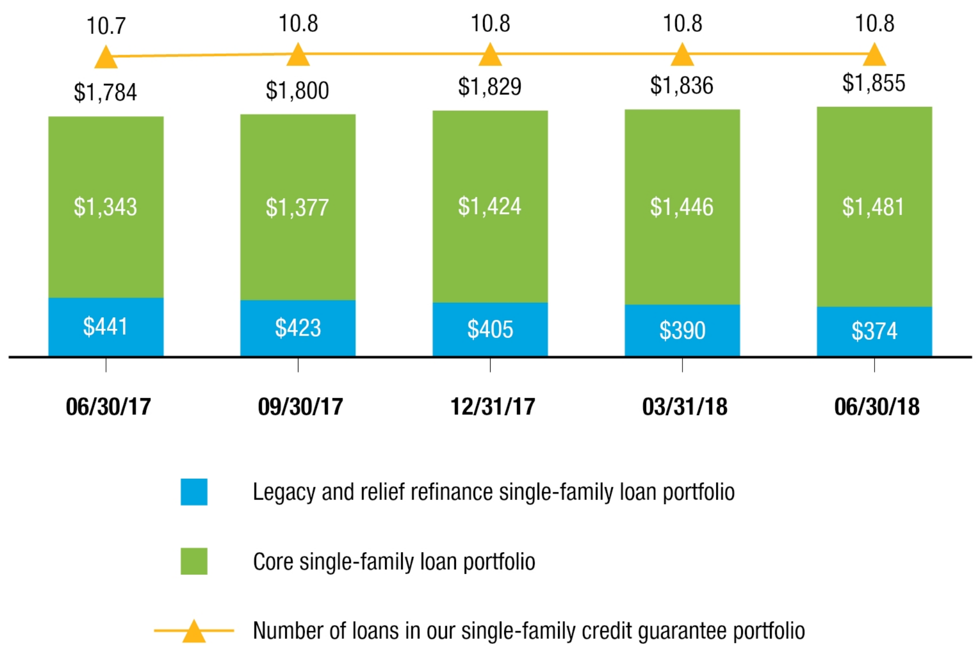
Commentary

- Our loan purchase and guarantee activity increased during 2Q 2018 compared to 2Q 2017 due to higher home purchase volume, primarily driven by an improving economy and a lower unemployment rate. However, the activity decreased during YTD 2018 primarily due to a decline in refinance activity as a result of higher average mortgage interest rates, partially offset by higher home purchase volume.
- Freddie Mac purchases loans originated by lenders using Fannie Mae's Automated Underwriting System (AUS). Fannie Mae announced changes to its AUS in July 2017, which led to an increase in eligibility for purchase of new loans with debt-to-income ratios between 45% and 50% (high DTI). These loans have minimal impact on our overall single-family credit guarantee portfolio, but we are monitoring the overall credit quality and performance of these loans. Although the purchase of these high DTI loans may increase over time, we expect to purchase fewer loans with high DTI ratios that have other high-risk characteristics.

Single-Family Credit Guarantee Portfolio

Single-Family Credit Guarantee Portfolio

(UPB in billions, number of loans in millions)



Commentary

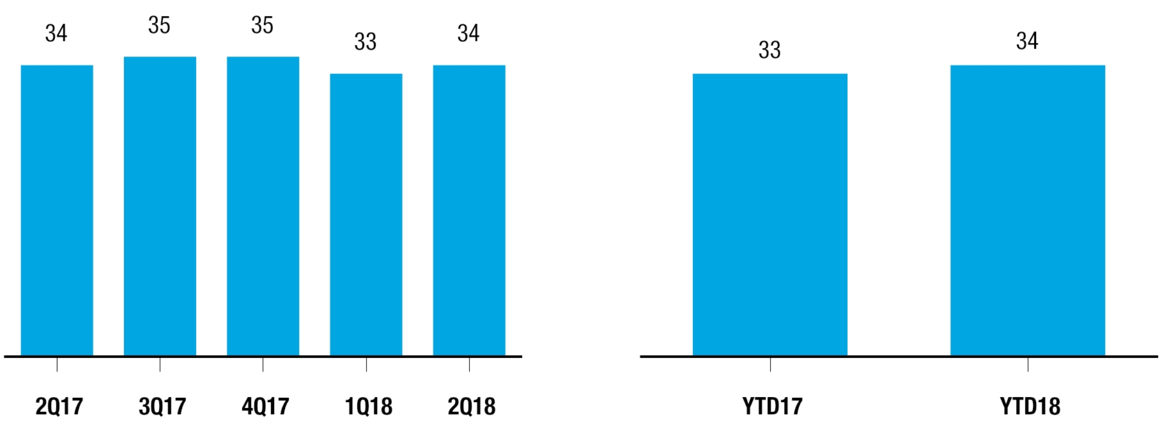
- The single-family credit guarantee portfolio increased at an annualized rate of approximately 3% from December 31, 2017 to June 30, 2018, driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
- The Core single-family loan portfolio grew to 80% of the single-family credit guarantee portfolio at June 30, 2018, compared to 78% at December 31, 2017.
- The Legacy and relief refinance single-family loan portfolio declined to 20% of the single-family credit guarantee portfolio at June 30, 2018, compared to 22% at December 31, 2017, driven primarily by liquidations.

Guarantee Fees

We receive fees for guaranteeing the payment of principal and interest to investors in our mortgage-related securities. These fees consist primarily of a combination of base contractual guarantee fees paid on a monthly basis and initial upfront payments. The average portfolio Segment Earnings guarantee fee rate recognizes upfront fee income over the contractual life of the related loans (usually 30 years). If the related loans prepay, the remaining upfront fee income is recognized immediately. In contrast, the average guarantee fee rate charged on new acquisitions recognizes upfront fee income over the estimated life of the related loans using our expectations of prepayments and other liquidations. See **MD&A - Our Business Segments - Single-family Guarantee - *Business Overview - Guarantee Fees*** in our 2017 Annual Report for more information on our guarantee fees.

Average Portfolio Segment Earnings Guarantee Fee Rate [(1)(2)]

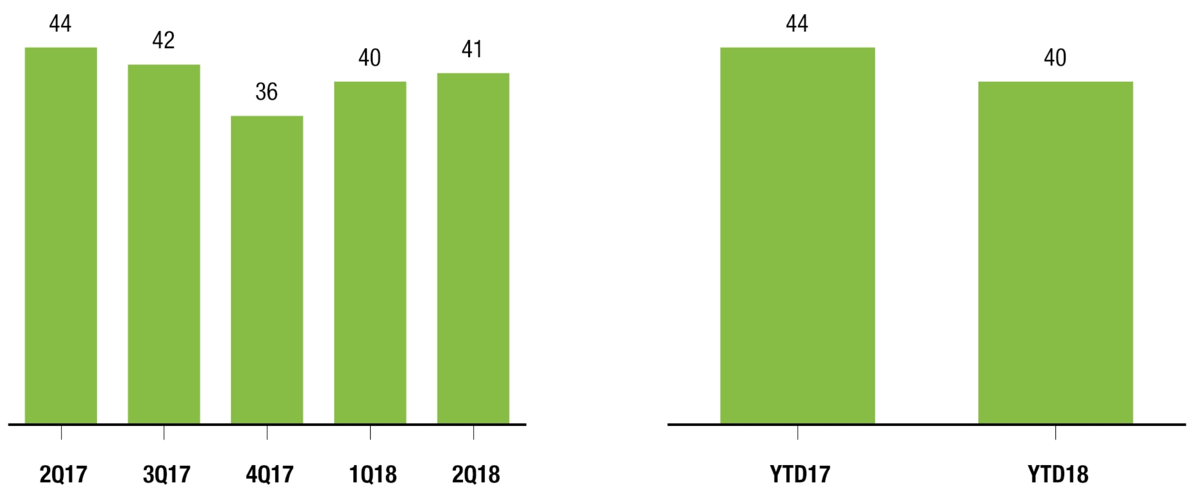
(In bps)



Referenced footnotes are included after the next chart.

Average Guarantee Fee Rate(1) Charged on New Acquisitions

(In bps)



(1) Excludes the legislated 10 basis point increase in guarantee fees.

(2) Reflects an average rate for our total single-family credit guarantee portfolio and is not limited to purchases in the applicable period.

Commentary

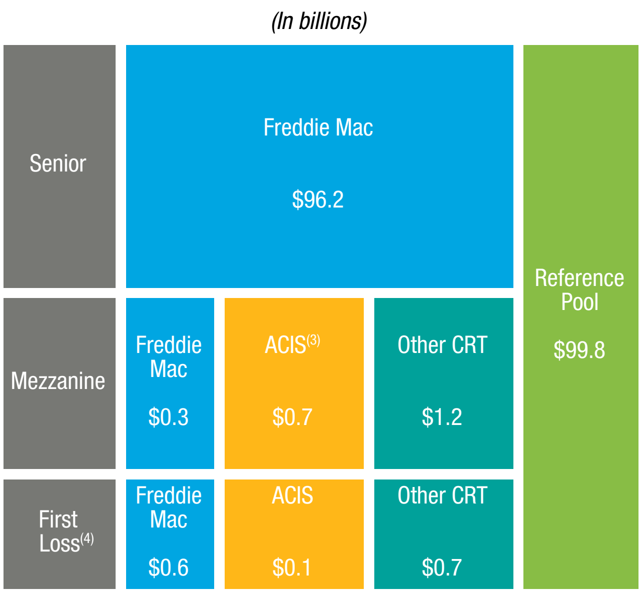
- While the average portfolio Segment Earnings guarantee fee rate remained relatively unchanged during 2Q 2018 compared to 2Q 2017, the rate increased slightly during YTD 2018 compared to YTD 2017 due to older vintages being replaced by new loan acquisitions with higher guarantee fees.
- The average guarantee fee rate charged on new acquisitions decreased during the 2018 periods compared to the 2017 periods due to pricing competition pressures, while maintaining a minimum return threshold established by FHFA.

Credit Risk Transfer (CRT) Activities

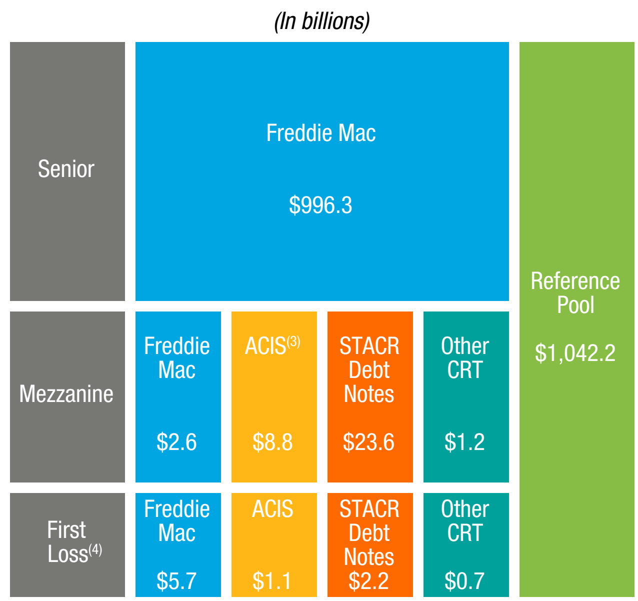
We transfer credit risk on a portion of our single-family credit guarantee portfolio to the private market, which reduces the risk of future losses to us and taxpayers when borrowers go into default. Our primary CRT activities are our STACR debt note and ACIS transactions, in which we pay interest to investors or premiums to insurers in exchange for their taking on a portion of the credit risk on the mortgage loans in the related reference pool. These payments effectively reduce our guarantee fee income from the PCs backed by the mortgage loans in the related reference pools. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Credit Risk Transfer Transactions*** in our 2017 Annual Report for more information on our CRT transactions.

The following charts present the issuance amounts for the CRT transactions that occurred during 2Q 2018 and the cumulative issuance amounts for all CRT transactions as of June 30, 2018 by loss position and the party holding each loss position, excluding senior subordinate securitization structures.

New CRT Transactions during 2Q 2018[1)]



Cumulative CRT Transactions as of June 30, 2018[(1)(2)]



(1) The amounts represent the UPB upon issuance of CRT transactions.

(2) For the current outstanding coverage provided by our CRT transactions, see ***Credit Enhancements***.

(3) Starting in 2Q 2018, ACIS transactions include Deep MI CRT transactions which were previously disclosed separately. The 2Q 2018 and Cumulative presentations have been modified to reflect this change.

(4) First loss includes all B tranches in our STACR debt notes and their equivalent in ACIS and Other CRT transactions.

Commentary

- During YTD 2018, we transferred a portion of credit risk associated with $192.3 billion in UPB of loans in our single-family credit guarantee portfolio through STACR debt note, ACIS, senior subordinate securitization structures and other CRT transactions.
- As of June 30, 2018, we had cumulatively transferred a portion of credit risk on more than $1 trillion of our single-family mortgages, based upon the UPB at issuance of the CRT transactions.

  - For originations in the twelve months ended June 30, 2017, FHFA's Conservatorship Capital Framework (CCF) capital required for credit risk was reduced approximately 60% by CRT transactions; we plan similar risk reduction transactions for this quarter's originations.
  - The reduction in the amount of CCF capital required for credit risk on new originations is calculated as modeled conservatorship credit capital released from the underlying single-family CRT transaction reference pool divided by total modeled conservatorship credit capital on new originations at the time of purchase. For more information on the CCF and the calculation of modeled conservatorship capital required, see **Risk Management - Conservatorship Capital Framework and Risk Management - Conservatorship Capital Framework - *Return on Modeled Conservatorship Capital Required***.
- Our expected guarantee fee income on the PCs related to the STACR debt note, ACIS and other CRT transaction reference pool UPB has been effectively reduced by approximately 28%, on average, for all transactions executed through June 30, 2018.
- As of June 30, 2018, we had experienced minimal write-downs on our STACR debt notes and have filed minimal claims for reimbursement of losses under our ACIS transactions.

We continue to evaluate our credit risk transfer strategy and to make changes depending on market conditions and our business strategy. The aggregate cost of our credit risk transfer activity will continue to increase as we continue to transfer credit risk on new originations.

Credit Enhancements

The table below provides information on the total current and protected UPB and maximum coverage associated with credit enhanced loans in our single-family credit guarantee portfolio as of June 30, 2018 and December 31, 2017, respectively. The table includes all types of single-family credit enhancements. See **Note 6** for additional information about our single-family credit enhancements.

	June 30, 2018		December 31, 2017	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Primary mortgage insurance	$351,776	$90,085	$334,189	$85,429
STACR debt note	641,850	18,670	604,356	17,788
ACIS transactions(3)	698,012	7,873	625,082	6,933
Senior subordinate securitization structures	24,684	2,860	12,283	1,913
Other(3)(4)	88,554	8,173	8,623	6,282
Less: UPB with more than one type of credit enhancement	(866,047)	—	(775,751)	—
Single-family credit guarantee portfolio with credit enhancement	938,829	127,661	808,782	118,345
Single-family credit guarantee portfolio without credit enhancement	916,618	—	1,020,098	—
Total	**$1,855,447**	**$127,661**	**$1,828,880**	**$118,345**

(1) Except for the majority of our STACR debt notes and ACIS transactions, our credit enhancements generally provide protection for the first, or initial, credit losses associated with the related loans. For STACR debt notes and ACIS transactions, total current and protected UPB represents the UPB of the assets included in the reference pool. For senior subordinate securitization structures, total current and protected UPB represents the UPB of the guaranteed securities.

(2) Except for senior subordinate securitization structures, this represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements. Specifically, for STACR debt notes, this represents the outstanding balance of STACR debt notes held by third parties, and for ACIS transactions, this represents the remaining aggregate limit of insurance purchased from third parties. For senior subordinate securitization structures, this represents the UPB of the securities that are subordinate to our guarantee and held by third parties, which could provide protection by absorbing first losses.

(3) Starting in 2Q 2018, ACIS transactions include Deep MI CRT transactions which were previously disclosed under "Other" transactions. The current and prior period presentation has been modified to reflect this change.

(4) Includes seller indemnification, lender recourse and indemnification agreements, pool insurance, HFA indemnification and other credit enhancements.

Commentary

- We had coverage remaining of $127.7 billion and $118.3 billion on our single-family credit guarantee portfolio as of June 30, 2018 and December 31, 2017, respectively. Credit risk transfer transactions provided 24.5% and 22.4% of the coverage remaining at those dates, respectively.

Mortgage Loan Credit Risk

Certain combinations of loan attributes can indicate a higher degree of credit risk, such as loans with both higher LTV ratios and lower credit scores. The following table presents the combination of credit score and current LTV (CLTV) ratio attributes of loans in our single-family credit guarantee portfolio.

	June 30, 2018								
	CLTV ≤ 80		CLTV > 80 to 100		CLTV > 100		All Loans		
(Credit score)	% Portfolio	SDQ Rate[1]	% Portfolio	SDQ Rate[1]	% Portfolio	SDQ Rate[1]	% Portfolio	SDQ Rate[1]	% Modified
Core single-family loan portfolio:									
< 620	0.3%	2.23%	—%	NM	—%	NM	0.3%	2.39%	3.5%
620 to 659	2.0	1.21	0.3	1.36%	—	NM	2.3	1.23	1.7
≥ 660	68.2	0.2	9.0	0.28	—	NM	77.2	0.21	0.3
Not available	0.1	1.74	—	NM	—	NM	0.1	3.25	3.6
Total	**70.6%**	**0.24%**	**9.3%**	**0.35%**	**—%**	**NM**	**79.9%**	**0.25%**	**0.3%**
Legacy and relief refinance single-family loan portfolio:									
< 620	1.2%	4.44%	0.2%	8.77%	0.1%	14.67%	1.5%	5.32%	23.4%
620 to 659	1.9	3.41	0.3	7.13	0.2	12.01	2.4	4.07	20.3
≥ 660	14.0	1.25	1.6	3.83	0.5	6.25	16.1	1.51	7.4
Not available	0.1	4.87	—	NM	—	NM	0.1	5.21	18.9
Total	**17.2%**	**1.76%**	**2.1%**	**4.93%**	**0.8%**	**8.46%**	**20.1%**	**2.14%**	**10.2%**

(1) NM - Not meaningful due to the percentage of the portfolio rounding to zero.

Alt-A and Subprime Loans

While we have referred to certain loans as subprime or Alt-A for purposes of the discussion below and elsewhere in this Form 10-Q, there is no universally accepted definition of subprime or Alt-A, and the classification of such loans may differ from company to company. We do not rely on these loan classifications to evaluate the credit risk exposure relating to such loans in our single-family credit guarantee portfolio.

Participants in the mortgage market have characterized single-family loans based upon their overall credit quality at the time of origination, including as prime or subprime. While we have not historically characterized the loans in our single-family credit guarantee portfolio as either prime or subprime, we monitor the amount of loans we have guaranteed with characteristics that indicate a higher degree of credit risk. In addition, we estimate that approximately $0.9 billion and $1.1 billion of security collateral underlying our other securitization products at June 30, 2018 and December 31, 2017, respectively, were identified as subprime based on information provided to us when we entered into these transactions.

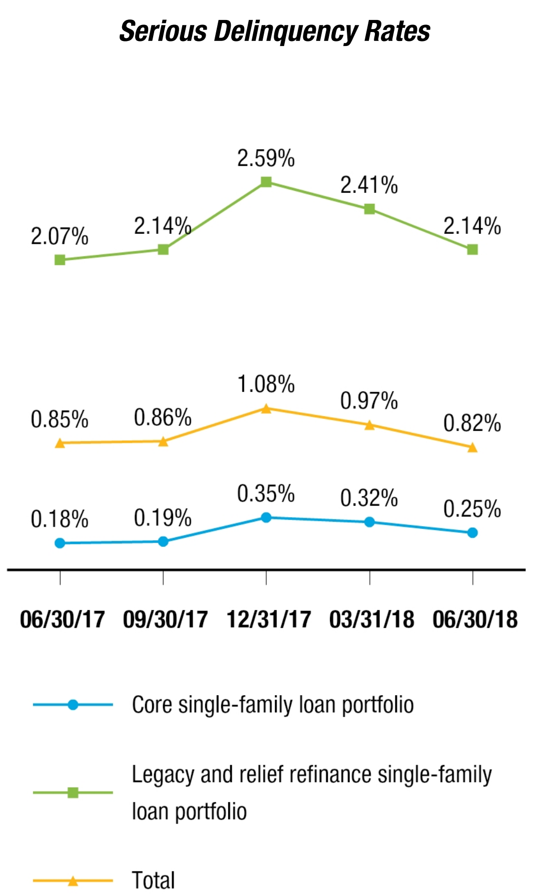
Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between the prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. Although we have discontinued new purchases of loans with lower documentation standards, we continue to purchase certain amounts of such loans in cases where the loan was either purchased pursuant to a previously issued guarantee, as part of our relief refinance initiative, or as part of another refinance loan initiative and the pre-existing loan was originated under less than full documentation standards. In the event we purchase a refinance loan and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as an Alt-A loan in this Form 10-Q and our other financial reports because the new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred. From the time the relief refinance initiative began in 2009 to June 30, 2018, we have purchased approximately $36.2 billion of relief refinance loans that were previously categorized as Alt-A loans in our portfolio, including $0.1 billion in 2Q 2018.

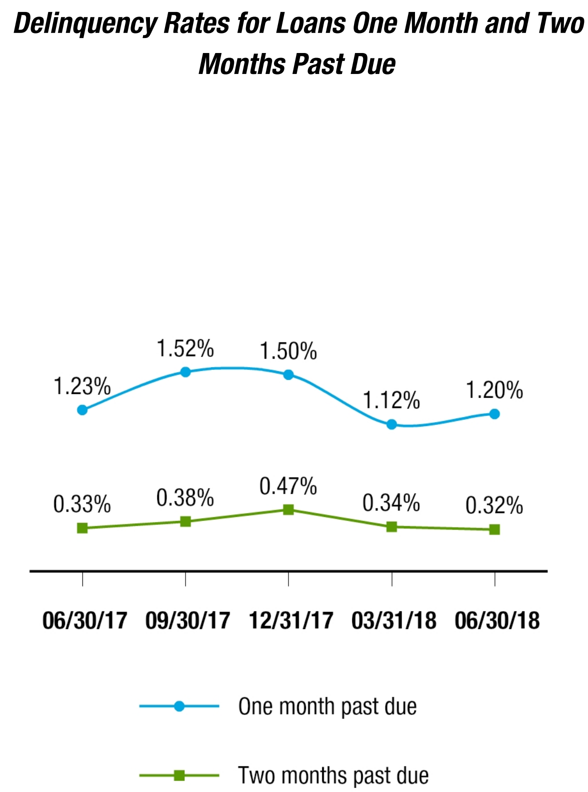
The table below contains information on Alt-A loans in our single-family credit guarantee portfolio.

	June 30, 2018				December 31, 2017			
(Dollars in billions)	UPB	CLTV	% Modified	SDQ Rate	UPB	CLTV	% Modified	SDQ Rate
Alt-A	$25.3	64%	24.1%	4.83%	$27.1	67%	24.1%	5.62%

The UPB of Alt-A loans in our single-family credit guarantee portfolio declined during YTD 2018 primarily due to borrowers refinancing into other mortgage products, foreclosure sales and other liquidation events. Significant portions of the Alt-A loans in our portfolio are concentrated in Arizona, California, Florida and Nevada.

Single-Family Loan Performance





Commentary

- Total serious delinquency rate on our single-family credit guarantee portfolio was lower as of June 30, 2018 compared to June 30, 2017 due to our continued loss mitigation efforts, sales of certain seriously delinquent loans from our legacy and relief refinance single-family portfolio, home price appreciation and a low unemployment rate, partially offset by the impact of the hurricanes in 3Q 2017. This improvement was also driven by the continued shift in the single-family credit guarantee portfolio mix, as the Legacy and relief refinance single-family loan portfolio runs off and we add higher credit quality loans to our Core single-family loan portfolio. Delinquency rates for both loans one month past due and loans two months past due were similarly affected.

Credit Performance

The table below contains certain credit performance metrics for our single-family credit guarantee portfolio.

(Dollars in millions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Charge-offs, gross	$599	$2,153	$971	$2,893
Recoveries	(126)	(85)	(222)	(182)
Charge-offs, net	473	2,068	749	2,711
REO operations expense	15	37	49	93
Total credit losses	**$488**	**$2,105**	**$798**	**$2,804**
Total credit losses (in bps)	10.5	46.7	8.6	31.2

The table below summarizes the carrying value for individually impaired single-family loans on our condensed consolidated balance sheets for which we have recorded an allowance determined on an individual basis.

	June 30, 2018		June 30, 2017	
(Dollars in millions)	Loan Count	Amount	Loan Count	Amount
TDRs, at January 1	364,704	$54,415	485,709	$78,869
New additions	36,796	5,819	20,641	2,851
Repayments and reclassifications to held-for-sale	(27,650)	(4,532)	(72,254)	(14,776)
Foreclosure sales and foreclosure alternatives	(4,203)	(566)	(5,514)	(751)
TDRs, at June 30	369,647	55,136	428,582	66,193
Loans impaired upon purchase	4,031	265	6,615	443
Total impaired loans with an allowance recorded	**373,678**	**55,401**	**435,197**	**66,636**
Allowance for loan losses		(6,592)		(8,846)
Net investment, at June 30		**$48,809**		**$57,790**

The tables below present information about the UPB of single-family TDRs and non-accrual loans on our condensed consolidated balance sheets.

(In millions)	June 30, 2018	December 31, 2017
TDRs on accrual status	$54,406	$51,644
Non-accrual loans	13,301	17,748
Total TDRs and non-accrual loans	**$67,707**	**$69,392**
Allowance for loan losses associated with:		
TDRs on accrual status	$5,393	$5,257
Non-accrual loans	1,510	1,883
Total	**$6,903**	**$7,140**

(In millions)	YTD 2018	YTD 2017
Foregone interest income on TDRs and non-accrual loans[1]	$742	$988

(1) Represents the amount of interest income that we did not recognize but would have recognized during the period for loans outstanding at the end of each period had the loans performed according to their original contractual terms.

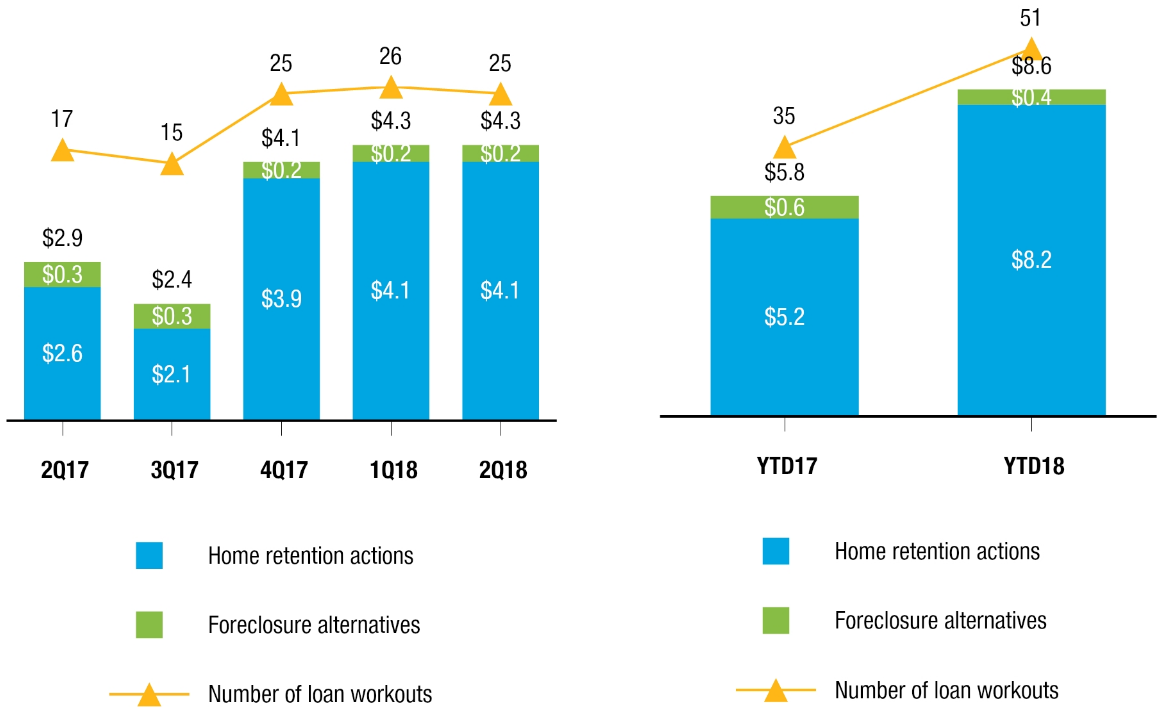
Commentary

- As of June 30, 2018, 52% of the allowance for loan losses for single-family mortgage loans related to interest rate concessions provided to borrowers as part of loan modifications.
- Most of our modified single-family loans, including TDRs, were current and performing at June 30, 2018.
- We expect our allowance for loan losses associated with existing single-family TDRs to decline over time as we continue to sell reperforming loans. In addition, the allowance for loan losses will decline as borrowers continue to make monthly payments under the modified terms and interest rate concessions are amortized into earnings.
- See **Note 4** for information on our single-family allowance for loan losses.

Loss Mitigation Activities

Loan Workout Activity[1]

(UPB in billions, number of loan workouts in thousands)



(1) Foreclosure alternatives consist of short sales and deeds in lieu of foreclosure. Home retention actions consist of forbearance agreements, repayment plans and loan modifications.

Commentary

- Our loan workout activity increased in the 2018 periods, driven by the impact of the hurricanes in 3Q 2017.
- We continue our loss mitigation efforts through our relief refinance, modification and other initiatives.

REO Activity

The table below presents a summary of our single-family REO activity.

	2Q 2018		2Q 2017		YTD 2018		YTD 2017	
(Dollars in millions)	Number of Properties	Amount	Number of Properties	Amount	Number of Properties	Amount	Number of Properties	Amount
Beginning balance — REO	7,718	$840	10,938	$1,162	8,299	$900	11,418	$1,215
Additions	2,744	266	3,299	321	5,364	512	6,844	667
Dispositions	(3,327)	(329)	(4,322)	(437)	(6,528)	(635)	(8,347)	(836)
Ending balance — REO	**7,135**	**777**	**9,915**	**1,046**	**7,135**	**777**	**9,915**	**1,046**
Beginning balance, valuation		(9)		(19)		(14)		(17)
Change in valuation allowance		3		9		8		7
Ending balance, valuation		**(6)**		**(10)**		**(6)**		**(10)**
Ending balance — REO, net		**$771**		**$1,036**		**$771**		**$1,036**

Commentary

- Our REO ending inventory declined in the 2018 periods primarily due to a decrease in REO acquisitions driven by fewer loans in foreclosure and a large proportion of property sales to third parties at foreclosure.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Single-family Guarantee segment.

			Change				Change	
(Dollars in millions)	2Q 2018	2Q 2017	$	%	YTD 2018	YTD 2017	$	%
Guarantee fee income	$1,571	$1,506	$65	4%	$3,084	$2,924	$160	5%
Benefit (provision) for credit losses	103	12	91	758	131	51	80	157
Other non-interest income (loss)	119	359	(240)	(67)	213	678	(465)	(69)
Administrative expense	(363)	(332)	(31)	(9)	(699)	(665)	(34)	(5)
REO operations expense	(20)	(41)	21	51	(59)	(100)	41	41
Other non-interest expense	(400)	(335)	(65)	(19)	(779)	(653)	(126)	(19)
Segment Earnings before income tax expense	**1,010**	**1,169**	**(159)**	**(14)**	**1,891**	**2,235**	**(344)**	**(15)**
Income tax expense	(207)	(391)	184	47	(386)	(747)	361	48
Segment Earnings, net of taxes	**803**	**778**	**25**	**3**	**1,505**	**1,488**	**17**	**1**
Total other comprehensive income (loss), net of tax	(2)	—	(2)	N/A	(6)	(2)	(4)	(200)
Total comprehensive income	**$801**	**$778**	**$23**	**3%**	**$1,499**	**$1,486**	**$13**	**1%**

Key Business Drivers:

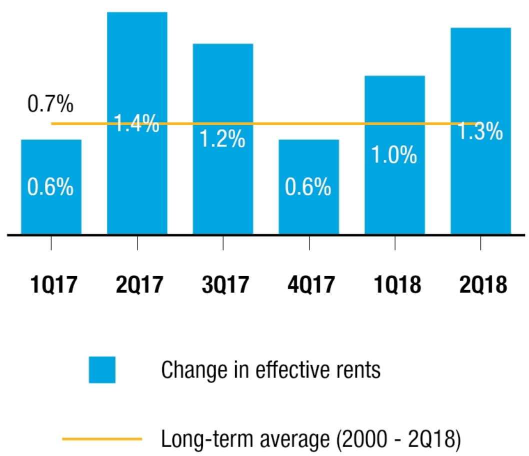
- ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017***
  - Continued growth in our single-family credit guarantee portfolio and higher upfront fee amortization income resulted in increased guarantee fee income.
  - Benefit for credit losses remained relatively unchanged.
  - Losses in the 2018 periods compared to gains in the 2017 periods on single-family seasoned loan reclassifications between held-for-investment and held-for-sale.
  - Small fair value gains on STACR debt notes in the 2018 periods compared to fair value losses in the 2017 periods as a result of market spreads between STACR yields and LIBOR remaining relatively unchanged in the 2018 periods, while spreads tightened during the 2017 periods.

Multifamily

Market Conditions

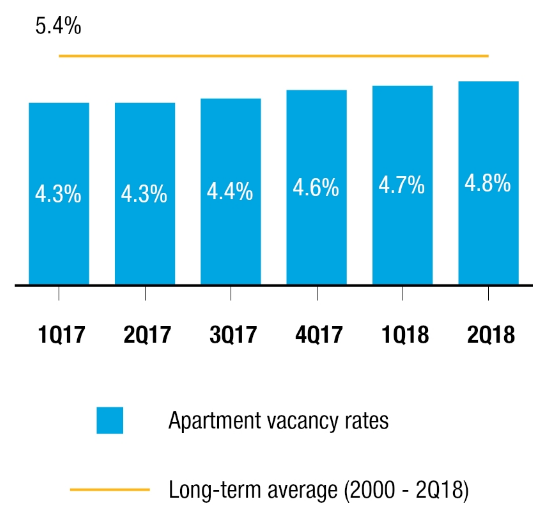
The graphs and related discussion below present certain multifamily market indicators that can significantly affect the business and financial results of our Multifamily segment.

Change in Effective Rents



Source: REIS, Inc.

Apartment Vacancy Rates



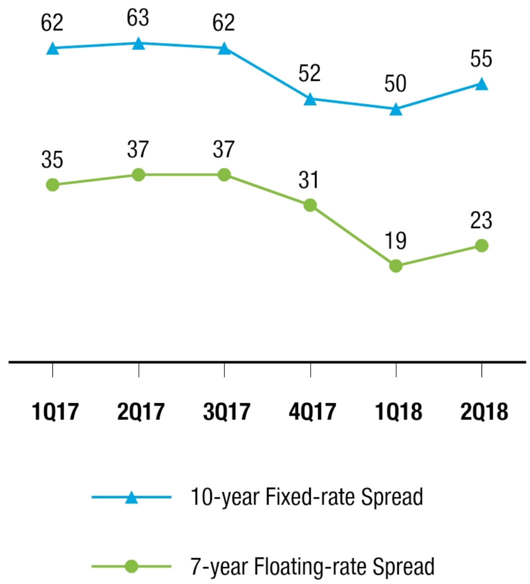
Source: REIS, Inc.

Commentary

- Growth in effective rent (i.e., the average rent paid by the tenant over the term of the lease, adjusted for concessions by the landlord and costs borne by the tenant) for 2Q 2018 remained strong relative to the long-term average, primarily due to an increase in potential renters driven by healthy employment, higher single-family home prices and a growing demand for rental housing due to lifestyle changes and demographic trends.
- While vacancy rates rose slightly during 2Q 2018 compared to 1Q 2018, these rates remain well below the long-term average. Net absorptions continued to lag new apartment completions in 2Q 2018. Although we expect continued strong demand, it may take longer to absorb new units compared to prior quarters.
- Our financial results for 2Q 2018 were not significantly affected by these relatively stable market conditions.

K Certificate Benchmark Spreads

(In bps)



Source: Independent dealers

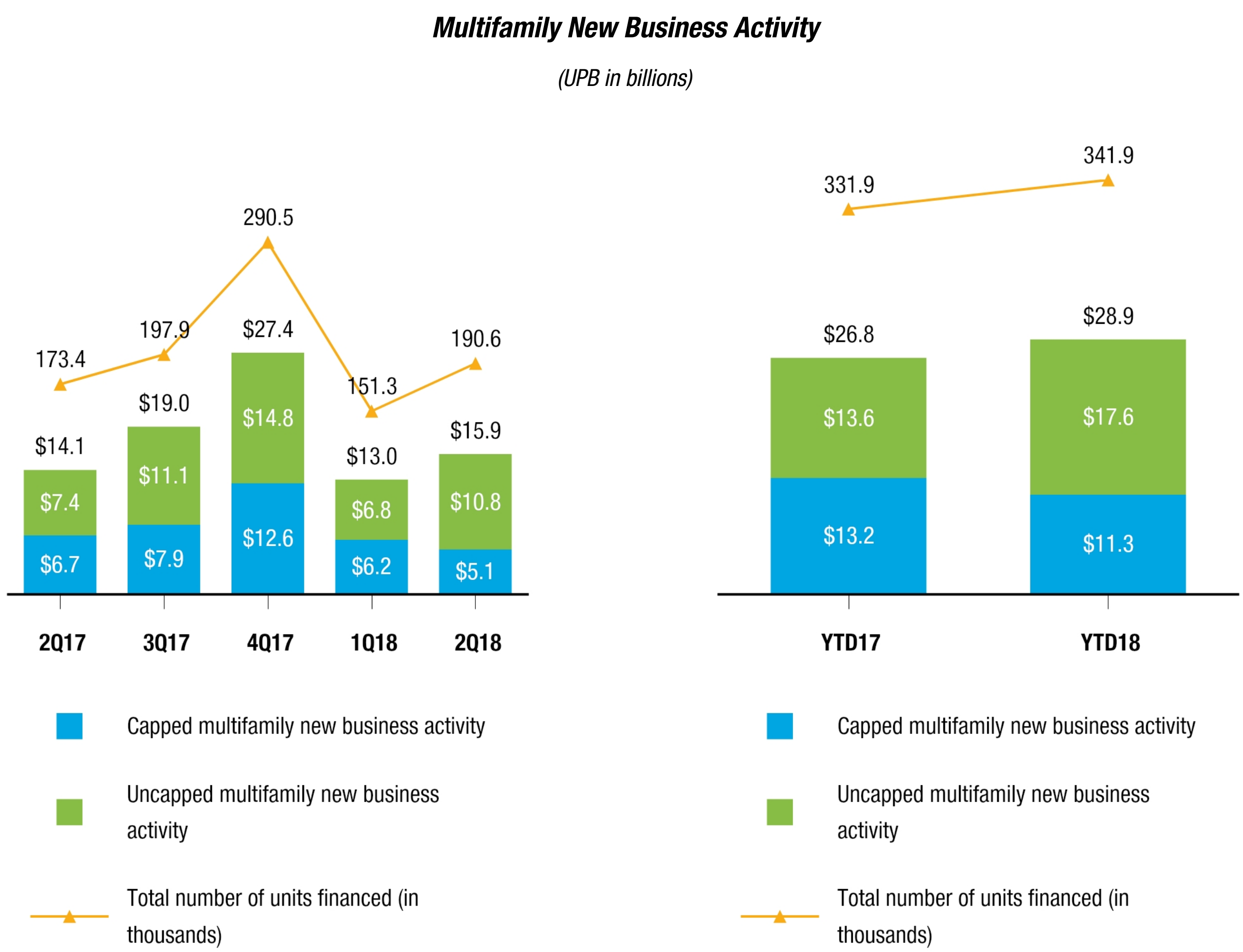
Commentary

- The valuation of our securitization pipeline and the profitability of our primary risk transfer securitization product, the K Certificate, are affected by both changes in K Certificate benchmark spreads and deal-specific attributes, such as tranche size, risk distribution and collateral characteristics (loan term, coupon type, prepayment restrictions and underlying property type). These market spread movements and deal-specific attributes contribute to our earnings volatility, which we manage by controlling the size of our securitization pipeline and by entering into certain spread-related derivatives. Spread tightening generally results in fair value gains, while spread widening generally results in fair value losses.
- K Certificate benchmark spreads are market-quoted spreads over the U.S. swap curve. The 10-year fixed-rate spread represents the spread for the largest guaranteed class of a typical fixed-rate K Certificate, while the 7-year floating-rate spread represents the spread for the largest guaranteed class of a typical floating-rate K Certificate.

Business Results

The graphs, tables and related discussion below present the business results of our Multifamily segment.

New Business Activity

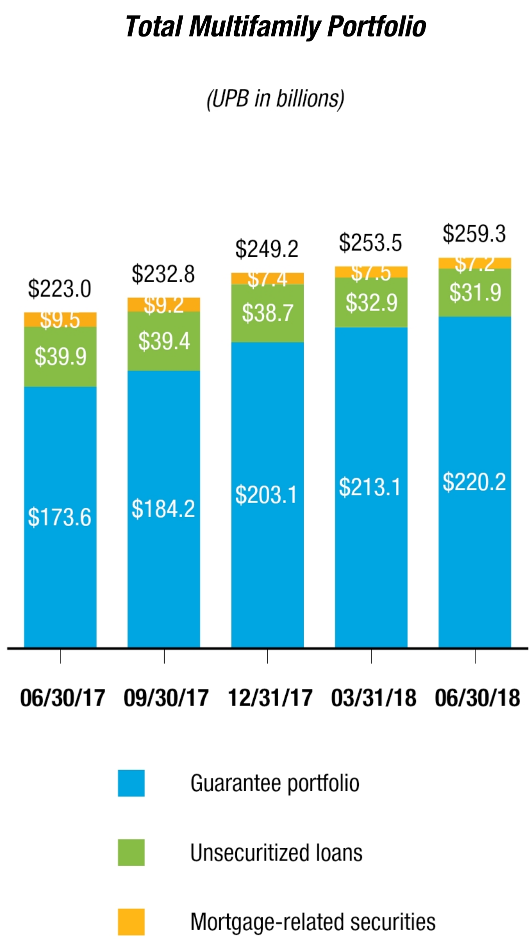


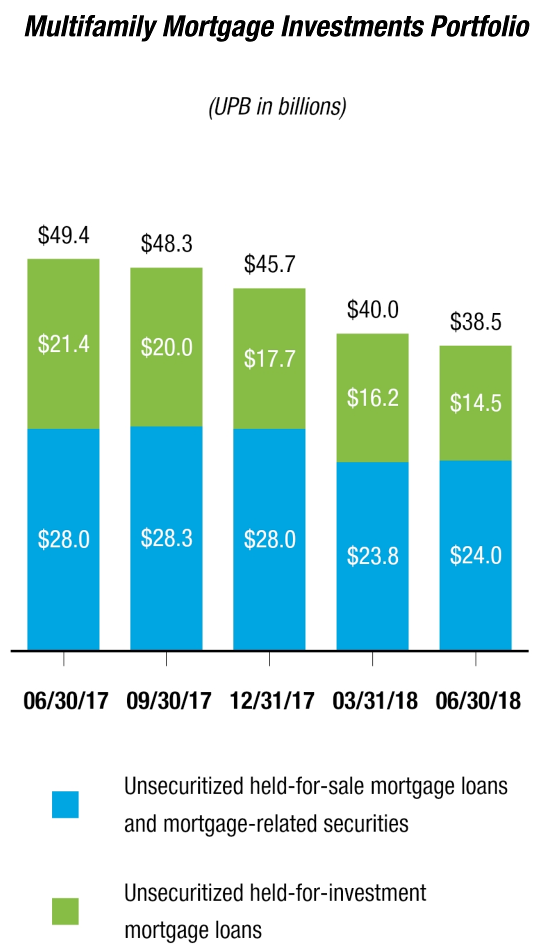
Commentary

- The 2018 Conservatorship Scorecard annual production cap was $35.0 billion, unchanged from 1Q 2018. The production cap is subject to reassessment throughout the year by FHFA to determine whether an increase in the cap is appropriate based on a stronger than expected overall market. Reclassifications between new business activity subject to the production cap and new business activity not subject to the production cap may occur during 2018.
- Outstanding purchase commitments were $20.9 billion and $19.0 billion as of June 30, 2018 and June 30, 2017, respectively. Both periods include purchase commitments for which we have elected the fair value option.

- Our new business activity and outstanding purchase commitments were higher for the 2018 periods than the 2017 periods due to continued strong demand for multifamily loan products and our strategic pricing efforts.
- Approximately 32% and 39% of our multifamily new business activity during 2Q 2018 and YTD 2018, respectively, counted towards the 2018 Conservatorship Scorecard production cap, while the remaining 68% and 61% was considered uncapped.
- Our uncapped new business activity increased during the 2018 periods compared to the 2017 periods as we continued our efforts to support borrowers in certain property types and communities that meet the criteria for affordability and Green Advantage loans.
- Approximately 92% of our 2Q 2018 new business activity compared to 91% of our 2Q 2017 new business activity was intended for our securitization pipeline. Combined with market demand for our securities, our 2Q 2018 new business activity will be a driver for securitizations in the second half of 2018.

Multifamily Portfolio and Market Support





Multifamily Market Support

The following table summarizes our support of the multifamily market.

(UPB in millions)	June 30, 2018	December 31, 2017
Unsecuritized mortgage loans held-for-sale	$16,752	$20,537
Unsecuritized mortgage loans held-for-investment	14,531	17,702
Unsecuritized non-mortgage loans[1]	564	473
Mortgage-related securities[2]	7,214	7,451
Guarantee portfolio	220,212	203,074
Total multifamily portfolio	**259,273**	**249,237**
Add: Unguaranteed securities[3]	33,475	30,890
Less: Acquired mortgage-related securities[4]	(6,957)	(7,109)
Total multifamily market support	**$285,791**	**$273,018**

(1) Reflects the UPB of financing provided to investment funds.
(2) Includes mortgage-related securities acquired by us from our securitizations. We have not invested in unguaranteed securities that are in a first loss position.
(3) Reflects the UPB of unguaranteed securities issued as part of our securitizations and amounts related to loans sold to investment funds that were not financed by Freddie Mac.
(4) Reflects the UPB of mortgage-related securities that were both issued and acquired by us. This UPB must be removed to avoid double-counting the exposure, as it is already reflected within the guarantee portfolio and/or unguaranteed securities.

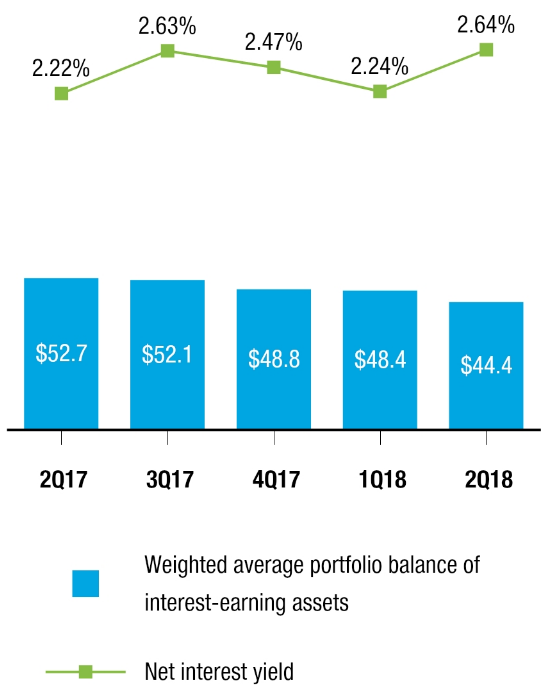
Commentary

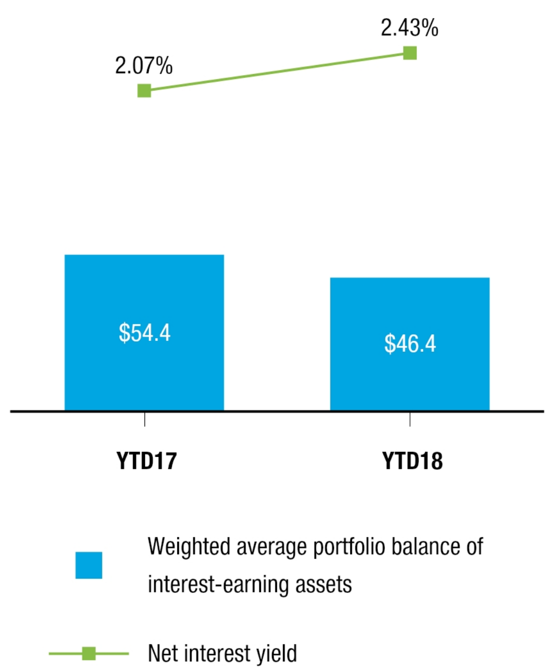
- Our total multifamily portfolio increased during YTD 2018 primarily due to new loan purchases. The vast majority of the growth in our guarantee portfolio was associated with ongoing securitizations, primarily K Certificates and SB Certificates.
- At June 30, 2018, the UPB of our unsecuritized held-for-sale loans, which are measured at fair value or lower-of-cost-or-fair-value, decreased from December 31, 2017. The decrease was primarily driven by ongoing securitizations, partially offset by new held-for-sale loan purchases.
- At June 30, 2018, approximately 71% of our held-for-sale loans and held-for sale loan commitments were fixed-rate, while the remaining 29% were floating rate.
- We expect our guarantee portfolio to continue to grow as a result of ongoing securitizations, which we expect to be driven by continued strong new business activity.

Net Interest Yield and Weighted Average Portfolio Balance

Net Interest Yield Earned

(Weighted average balance in billions)





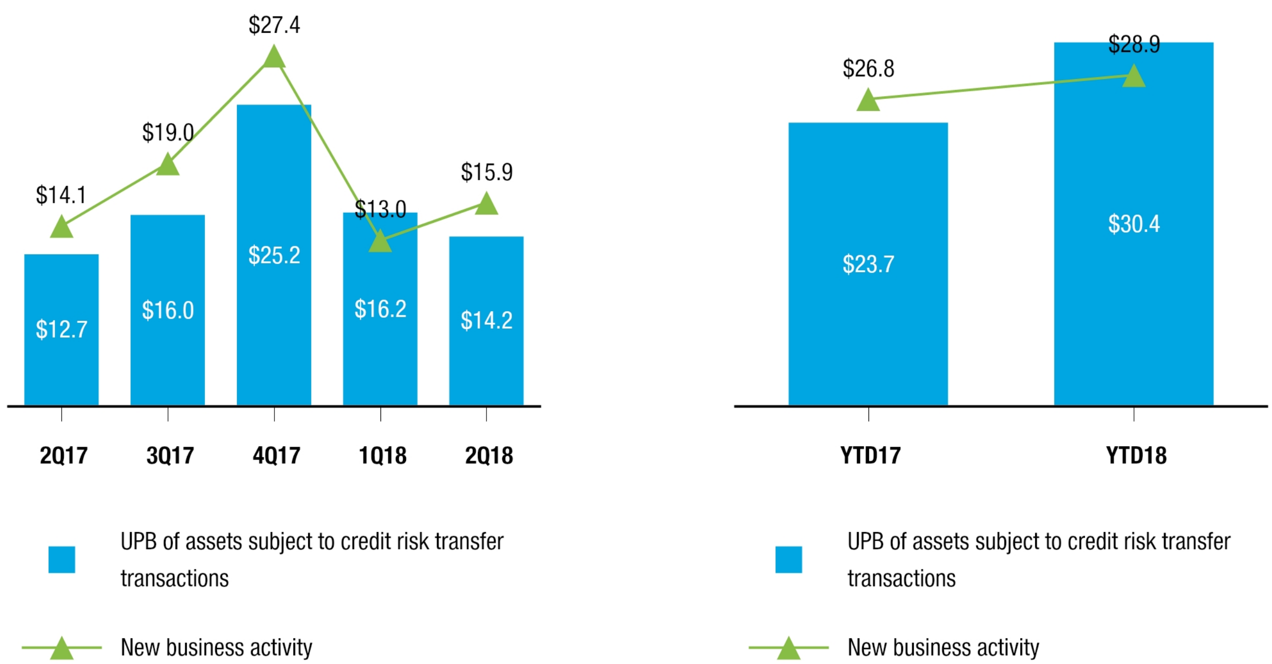
Commentary

- Net interest yield increased during the 2018 periods compared to the 2017 periods primarily due to higher prepayment income received from interest-only securities, coupled with an increase in our interest-only security holdings which generally have higher yields relative to our non-interest-only securities.
- The weighted average portfolio balance of interest-earning assets decreased during the 2018 periods due to the run-off of our legacy held-for-investment loans.

Credit Risk Transfer Activity

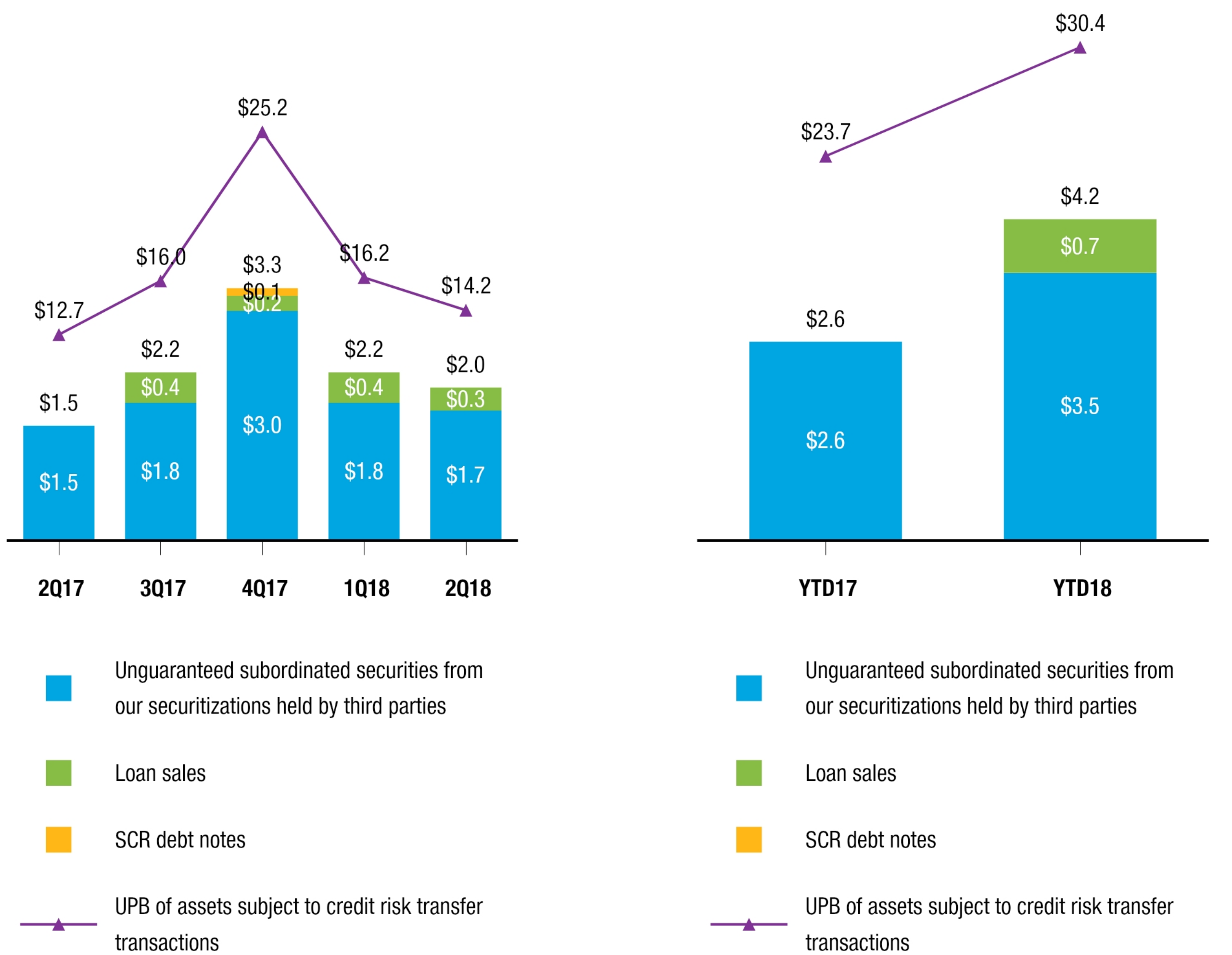
Credit Risk Transfer Activity and New Business Activity

(UPB in billions)



Credit Risk Transfer Activity[1]

(UPB in billions)



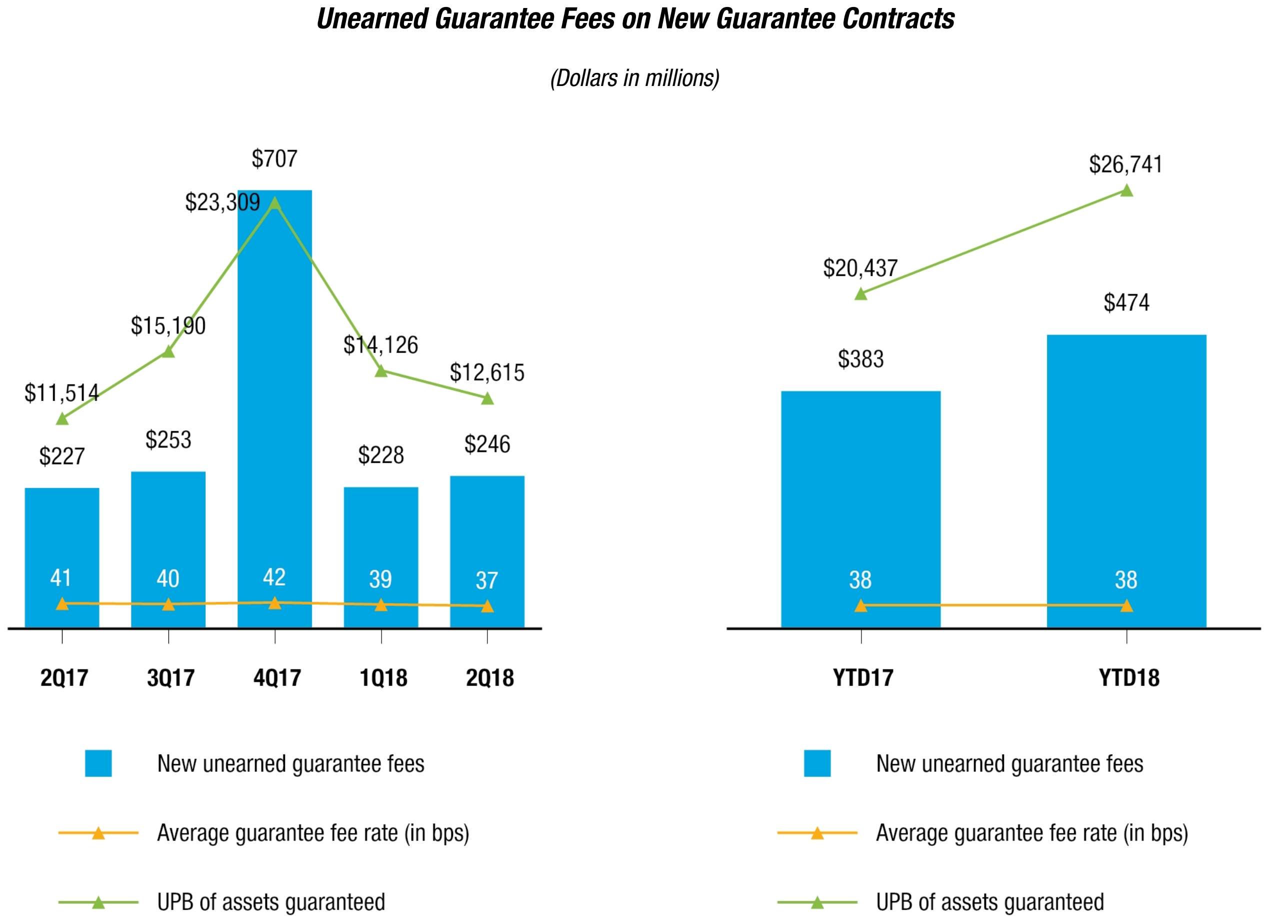
(1) The amounts disclosed in the bar graph above represent the UPB of credit risk transferred to third parties.

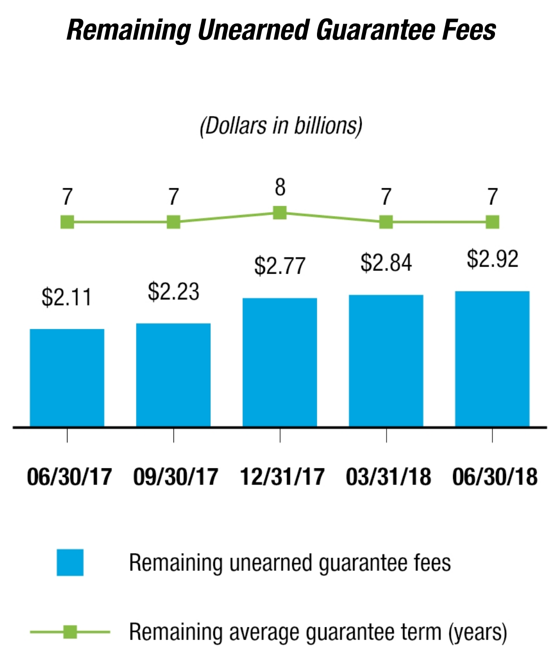
Commentary

- The structures for credit risk transfer transactions, primarily the K Certificate and SB Certificate structures, vary by deal. Structural deal features such as term, type of underlying loan product, and subordination levels generally influence the deal's size and risk profile, which ultimately affect the guarantee fee rate set by Freddie Mac, as Guarantor, at the time of securitization.
- We executed $14.2 billion in UPB of credit risk transfer transactions during 2Q 2018 and $278.9 billion in UPB since 2009. Through these transactions, we transferred a large majority of the expected and stress credit risk of the underlying assets, primarily by issuing unguaranteed subordinated securities, as part of our K Certificate and SB Certificate transactions. Also, we began selling certain of our loans to investment funds in 3Q 2017, resulting in the transfer of the associated credit risk of those loans to third parties.

- The UPB of our credit risk transfer transactions was higher during 2Q 2018 compared to 2Q 2017, primarily due to a larger average balance in our securitization pipeline, which was driven by strong new loan purchase activity during the latter part of 2017.
- As of June 30, 2018, we had cumulatively transferred a large majority of credit risk on the multifamily guarantee portfolio.
  - For originations in the twelve months ended June 30, 2017, CCF capital required for credit risk was reduced approximately 90% by CRT transactions; we plan similar risk reduction transactions for this quarter's originations.
  - The reduction in the amount of CCF capital required for credit risk on new originations is calculated as modeled conservatorship credit capital released from CRT transactions (primarily through K Certificates and SB Certificates) divided by total modeled conservatorship credit capital on new originations at the time of purchase. For more information on the CCF and the calculation of modeled conservatorship capital required, see **Risk Management - Conservatorship Capital Framework and Risk Management - Conservatorship Capital Framework - *Return on Modeled Conservatorship Capital Required***.
- In addition to transferring a large majority of the expected and stress credit risk, nearly all of our credit risk transfer transactions also shifted certain non-credit risks associated with the underlying assets, such as interest-rate risk and liquidity risk, away from Freddie Mac to third-party investors.
- Based on the strength of our new business activity and our outstanding purchase commitments for YTD 2018, we expect our credit risk transfer activity for the full year 2018 to exceed our full year 2017 activity.
- While our K Certificate and SB Certificate issuances continue to be our primary mechanism to transfer multifamily mortgage credit and certain non-credit risk, we expect to continue to develop new risk transfer initiatives throughout 2018.

Financial Guarantee Activity





Commentary

- We earn guarantee fees in exchange for providing our guarantee of some or all of the securities we issue as part of our securitization products. Each time we enter into a financial guarantee contract, we initially recognize unearned guarantee fees on our balance sheet, which represent the present value of future guarantee fees we expect to receive in cash. We recognize these fees in segment earnings over the expected remaining guarantee term. While we expect to collect these future fees based on historical performance, the actual amount collected will depend on the performance of the underlying collateral subject to our financial guarantee.
- New unearned guarantee fees increased during the 2018 periods compared to the 2017 periods primarily due to an increase in the UPB of our securitizations, offset by lower average guarantee fee rates due to underlying loan products that, by their nature and design, have less risk and for which we therefore set a lower guarantee fee rate.
- The remaining balance of unearned guarantee fees increased slightly during YTD 2018, as the increase attributable to the growth of our securitization volume outpaced the decrease due to seasoning and run-off of prior securitizations.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Multifamily segment.

			Change				Change	
(Dollars in millions)	2Q 2018	2Q 2017	$	%	YTD 2018	YTD 2017	$	%
Net interest income	$293	$292	$1	—%	$564	$563	$1	—%
Guarantee fee income	204	162	42	26	399	313	86	27
Benefit (provision) for credit losses	2	6	(4)	(67)	18	12	6	50
Gains (losses) on loans and other non-interest income	75	412	(337)	(82)	(355)	648	(1,003)	(155)
Derivative gains (losses)	224	(180)	404	224	879	(53)	932	1,758
Administrative expense	(106)	(95)	(11)	(12)	(206)	(190)	(16)	(8)
Other non-interest expense	(4)	(12)	8	67	(18)	(33)	15	45
Segment Earnings before income tax expense	**688**	**585**	**103**	**18**	**1,281**	**1,260**	**21**	**2**
Income tax expense	(140)	(196)	56	29	(261)	(422)	161	38
Segment Earnings, net of taxes	**548**	**389**	**159**	**41**	**1,020**	**838**	**182**	**22**
Total other comprehensive income (loss), net of tax	(24)	73	(97)	(133)	(92)	69	(161)	(233)
Total comprehensive income (loss)	**$524**	**$462**	**$62**	**13%**	**$928**	**$907**	**$21**	**2%**

Key Business Drivers:

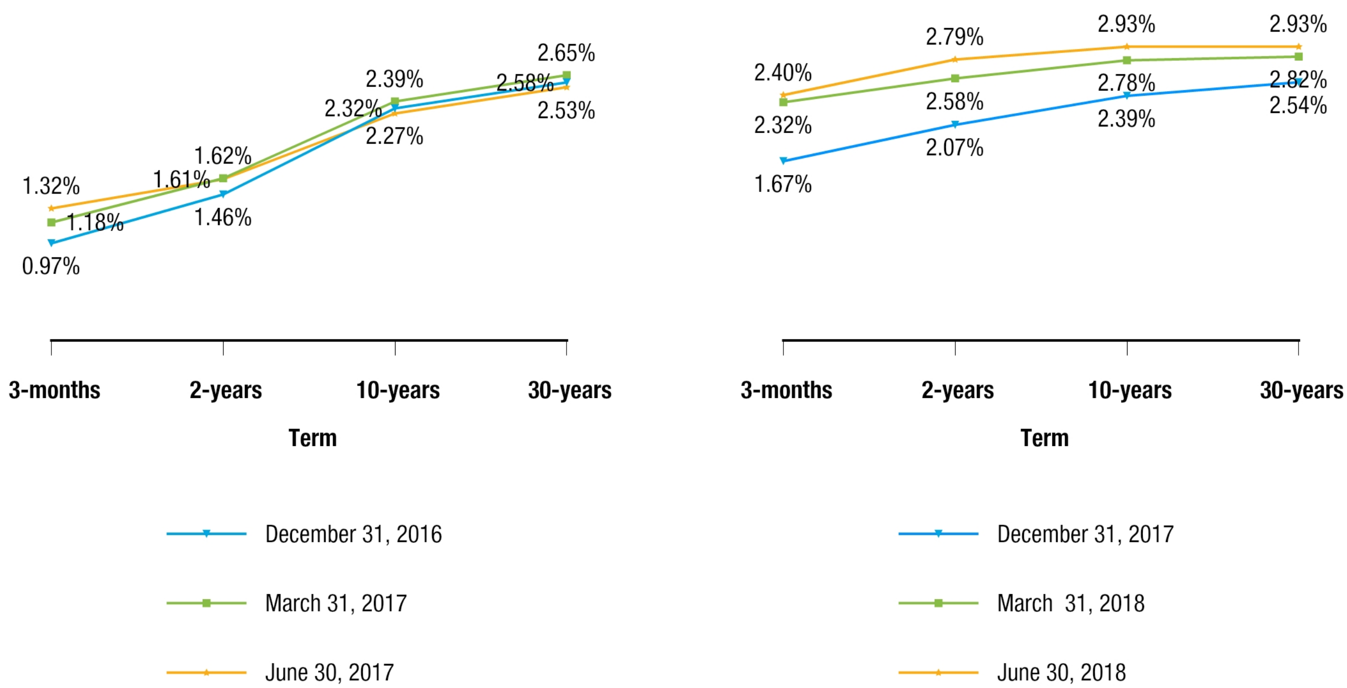
- **2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017**
  - Higher net interest yields, offset by a decline in our weighted average portfolio balance of interest-earning assets, resulted in relatively flat net interest income.
  - Continued growth in our multifamily guarantee portfolio resulted in increased guarantee fee income.
  - Derivative gains (losses) are largely offset by interest rate-related fair value changes on the loans and investment securities being economically hedged, resulting in interest rate changes having a minimal net impact on total comprehensive income.
  - Spread widening on non-agency CMBS, coupled with the effects of strategic pricing, resulted in lower fair value gains for our securitization pipeline and investment securities.

Capital Markets

Market Conditions

The following graphs and related discussion present the par swap rate curves as of the end of each comparative period. Changes in par swap rates can significantly affect the fair value of our debt, derivatives and mortgage and non-mortgage-related securities. However, the majority of these fair value changes recorded in the financial statements are offset by our hedge accounting programs.

Par Swap Rate Curves



Source: BlackRock

Commentary

- The par swap curve flattened during 2018 as short-term interest rates increased more than long-term interest rates. Long-term interest rates increased during the 2018 periods compared to small decreases during the 2017 periods. The increases resulted in larger fair value gains for our pay-fixed interest rate swaps, forward commitments to issue PCs, and futures, partially offset by larger fair value losses for our receive-fixed interest rate swaps and the vast majority of our investments in securities. The net amount of these changes in fair value was mostly offset by the change in fair value of the hedged items attributable to interest-rate risk in our hedge accounting programs.

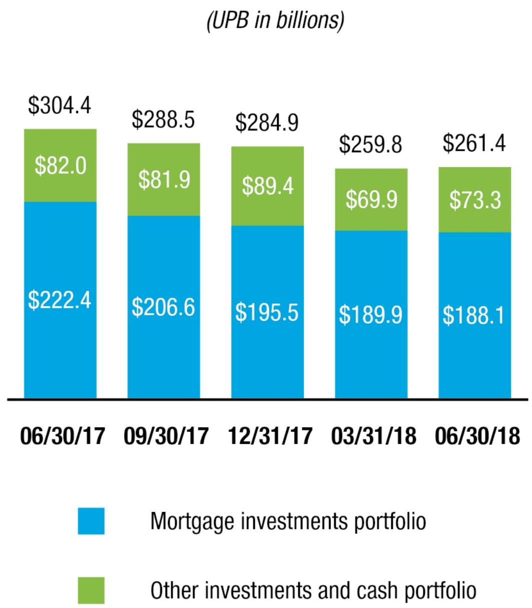
Business Results

The graphs and related discussion below present the business results of our Capital Markets segment.

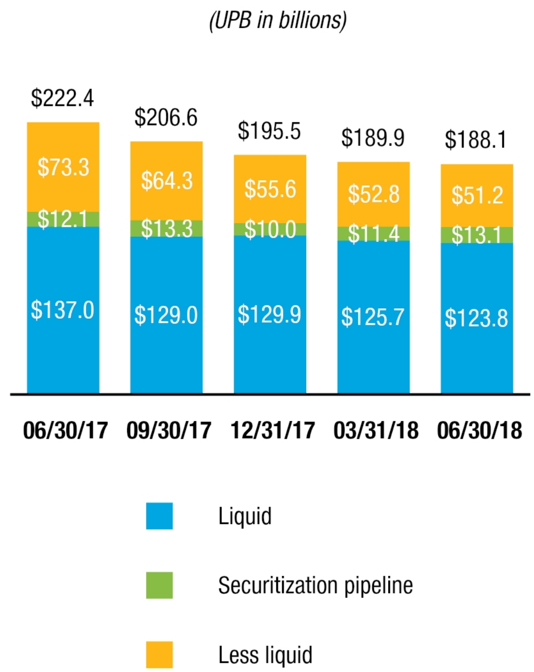
Investing Activity

The following graphs present the Capital Markets segment's total investments portfolio and the composition of its mortgage investments portfolio by liquidity category.

Investments Portfolio



Mortgage Investments Portfolio

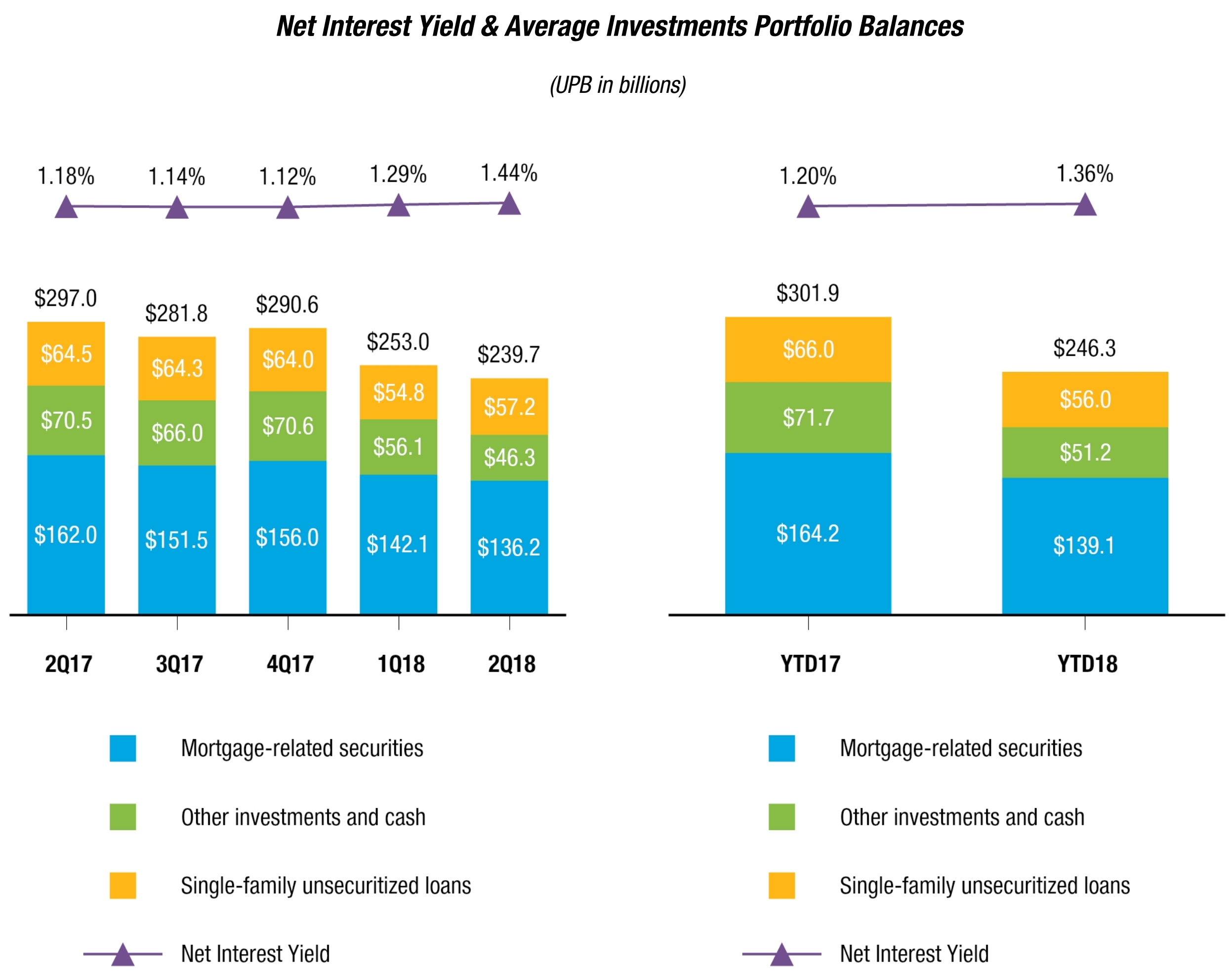


Commentary

- We continue to reduce the size of our mortgage investments portfolio in order to comply with the mortgage-related investments portfolio year-end limits. The balance of our mortgage investments portfolio declined 3.8% from December 31, 2017 to June 30, 2018.
- The balance of our other investments and cash portfolio declined by 18.0%, primarily due to reduced near term cash needs as of June 30, 2018 compared to December 31, 2017. As part of our secured lending activities, in 2Q 2018, we began providing secured term financing through revolving lines of credit collateralized by the value of contractual mortgage servicing rights on certain mortgages we own.
- The percentage of less liquid assets relative to our total mortgage investments portfolio declined from 28.4% at December 31, 2017 to 27.2% at June 30, 2018, primarily due to our active disposition of less liquid assets and repayments. We continued to actively reduce our holdings of less liquid assets during YTD 2018 by selling $3.9 billion of reperforming loans and $1.7 billion of non-agency mortgage-related securities. Our sales of reperforming loans involved securitization of the loans using senior subordinate structures.

- The overall liquidity of our mortgage investments portfolio continued to improve as our less liquid assets decreased at a faster pace than the overall decline of our mortgage investments portfolio.

Net Interest Yield and Average Balances



Commentary

- Net interest yield increased 26 and 16 basis points during 2Q 2018 and YTD 2018, respectively, primarily due to changes in our investment mix as we reduced our less liquid assets and our other investments and cash portfolio, coupled with an increase in the yield on our newly acquired mortgage-related assets and other investments and cash portfolio as interest rates increased. These increased yields were partially offset by an increase in our funding costs.
- Capital Markets segment net interest yield in the graph above is not affected by our hedge accounting programs. See **Note 13** in our 2017 Annual Report for more information.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Capital Markets segment.

			Change				Change	
(Dollars in millions)	2Q 2018	2Q 2017	$	%	YTD 2018	YTD 2017	$	%
Net interest income	$862	$875	($13)	(1)%	$1,679	$1,804	($125)	(7)%
Net impairment of available-for-sale securities recognized in earnings	26	71	(45)	(63)	137	144	(7)	(5)
Derivative gains (losses)	309	(485)	794	164	1,611	(433)	2,044	472
Gains (losses) on trading securities	(232)	(46)	(186)	(404)	(703)	(181)	(522)	(288)
Other non-interest income	571	418	153	37	1,096	1,162	(66)	(6)
Administrative expense	(89)	(86)	(3)	(3)	(173)	(169)	(4)	(2)
Segment Earnings before income tax expense	**1,447**	**747**	**700**	**94**	**3,647**	**2,327**	**1,320**	**57**
Income tax expense	(295)	(250)	(45)	(18)	(743)	(778)	35	4
Segment Earnings, net of taxes	**1,152**	**497**	**655**	**132**	**2,904**	**1,549**	**1,355**	**87**
Total other comprehensive income (loss), net of tax	(42)	249	(291)	(117)	(746)	278	(1,024)	(368)
Total comprehensive income (loss)	**$1,110**	**$746**	**$364**	**49 %**	**$2,158**	**$1,827**	**$331**	**18 %**

The portion of total comprehensive income (loss) driven by interest rate-related and market spread-related fair value changes, after-tax, is presented in the table below. These amounts affect various line items in the table above, including net interest income, derivative gains (losses), gains (losses) on trading securities, other non-interest income, income tax expense and total other comprehensive income (loss), net of tax.

			Change				Change	
(Dollars in billions)	2Q 2018	2Q 2017	$	%	YTD 2018	YTD 2017	$	%
Interest rate-related	($0.1)	($0.1)	$—	—%	($0.1)	($0.1)	$—	—%
Market spread-related	—	0.2	(0.2)	(100)	0.2	0.3	(0.1)	(33)

Key Business Drivers:

- ***2Q 2018 vs. 2Q 2017 and YTD 2018 vs. YTD 2017***
  - The continued reduction in the balance of our mortgage-related investments portfolio resulted in a decrease in net interest income.
  - Interest rate-related fair value changes remained relatively flat. Long-term interest rates increased during the 2018 periods compared to small decreases during the 2017 periods, resulting in higher fair value losses for the vast majority of our investments in securities (some of which are recorded in other comprehensive income) and our receive-fixed interest rate swaps, and higher fair value gains for our pay-fixed interest rate swaps, forward commitments to issue PCs, and futures. The net amount of these changes in fair value was mostly offset by the change in fair value of the hedged items attributable to interest-rate risk in our hedge accounting programs. The remaining amount of interest rate-related fair value changes was primarily attributable to the reversal of previously recognized derivative gains and losses and the implied net cost on instruments such as swaptions, futures, and forward purchase and sale commitments from our

hedging and interest-rate risk management activities. See **Market Risk** for additional information on the effect of market-related items on our comprehensive income.

- Decreased spread related gains during the 2018 periods compared to the 2017 periods due to lower non-agency mortgage-related securities balances and less spread tightening.
- Recognition of a $0.3 billion gain from the Nomura judgment during 2Q 2018. See **Note 14** for additional information on the Nomura judgment.
- Increase in gains on sales of single-family reperforming loans due to a higher volume of loans sold into senior subordinate securitization structures, partially offset by lower execution margin in the 2018 periods.

RISK MANAGEMENT

Risk is an inherent part of our business activities. We are exposed to four major types of risk: credit risk, operational risk, market risk and liquidity risk.

For more discussion of these and other risks facing our business and our risk management framework, see **MD&A - Risk Management** and **Risk Factors** in our 2017 Annual Report and **Liquidity and Capital Resources** in this report and in our 2017 Annual Report. See below for updates since our 2017 Annual Report.

Conservatorship Capital Framework

In May 2017, FHFA, as Conservator, issued guidance to us to evaluate and manage our financial risk and to make economic business decisions, while in conservatorship, utilizing a newly-developed Conservatorship Capital Framework (CCF), an economic capital system with detailed formulae provided by FHFA. The CCF also provides the foundation for the risk-based component of the proposed Enterprise Capital Rule published by FHFA in the Federal Register in July 2018. For more information on the proposed rule, see **Regulation and Supervision - Legislative and Regulatory Developments - *Proposed Enterprise Capital Rule***. The CCF assesses capital required under a severe stress event and includes credit, market, counterparty and operational risks, as well as a “going concern” buffer. This severe stress event is generally consistent with the 2016 Dodd-Frank Act Stress Test “severely adverse” scenario, which was publicly reported on August 7, 2017.

The CCF is used to establish the modeled capital required to evaluate business decisions and ensure the company makes such decisions prudently when pricing transactions and managing its businesses. This risk-versus-return framework focuses on the profits earned versus an estimated cost of equity capital required to support the risk assumed to generate those profits. Management relies upon this framework in its decision-making.

For several years, we have used an internal economic capital model to similarly support our risk-versus-return framework for decision making and analysis. As our internal model was largely based upon the same principles used in the development of the CCF, the impact of the implementation of the CCF in 2017 was not significant to our decision-making.

Under the CCF, hypothetical common equity is considered the only type of capital for our risk-versus-return decision-making. We use the estimated cost of equity capital to evaluate returns on transactions and business portfolios.

In addition, under the Purchase Agreement, we are not able to permanently retain capital in excess of the $3.0 billion Capital Reserve Amount. As a result, we do not have capital sufficient to support our aggregate risk-taking activities. Instead, we rely upon the Purchase Agreement to maintain market confidence.

The existing regulatory capital requirements have been suspended by FHFA during conservatorship. Consequently, we refer to the capital required by the CCF for analysis of transactions and businesses as “modeled conservatorship capital required" or simply "CCF capital required."

Return on Modeled Conservatorship Capital Required

The table below provides the return on CCF capital required, calculated as (1) annualized comprehensive income for the period divided by (2) average CCF capital required during the period. We calculate the return using both (1) GAAP comprehensive income and (2) comprehensive income excluding significant items, a non-GAAP financial measure which excludes from our GAAP comprehensive income significant items that are not indicative of our on-going operations. We believe that this non-GAAP financial measure provides a more useful measure of our return on modeled conservatorship capital required as it better reflects our on-going financial results.

All modeled conservatorship capital required figures presented below are based on the CCF as of June 30, 2018. The CCF has been and may be further revised by FHFA from time to time, and may be revised specifically in connection with FHFA's consideration and adoption of a final Enterprise Capital Rule, which can result in changes, possibly material, in our modeled conservatorship capital required. For example, the proposed Enterprise Capital Rule includes capital for deferred tax assets, which is not included in the CCF currently, but which is already scheduled to be included beginning in 2019.

The return on CCF capital required shown in the table below is not based on our actual equity capital and does not reflect actual returns on equity capital.

(Dollars in billions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
GAAP comprehensive income	$2.4	$2.0	$4.6	$4.2
Significant items:				
Non-agency mortgage-related securities judgment [1]	(0.3)	—	(0.3)	—
Tax effect related to judgment [1]	0.1	—	0.1	—
Total significant items	(0.2)	—	(0.2)	—
Comprehensive income, excluding significant items	$2.2	$2.0	$4.4	$4.2
CCF capital required (average)	$53.1	$61.6	$54.3	$62.8
Return on CCF capital required, based on GAAP comprehensive income	18.3%	12.9%	16.9%	13.4%
Adjusted return on CCF capital required, based on comprehensive income excluding significant items	16.4%	12.9%	15.9%	13.4%

(1) 2Q 2018 GAAP comprehensive income included a benefit of $334 million (pre-tax) from a final judgment against Nomura Holding America, Inc. in litigation involving certain of our non-agency mortgage-related securities. The tax effect related to this judgment was ($70) million.

Our returns on CCF capital required increased over the last several quarters due to our decreasing level of CCF capital required, resulting from home price improvements, the efficient disposition of legacy assets and the increasing credit risk transfer activity in both our Single-family Guarantee and Multifamily businesses.

Our three business segments have different capital requirements, returns and profitability. The return on CCF capital required for our Single-family Guarantee business, which has FHFA-prescribed guidance on guarantee fee levels, is generally lower than the company's overall return, while the returns in our Multifamily and Capital Markets businesses are generally higher.

We find the returns calculated above, as well as the returns calculated on specific transactions and individual business lines, to be a reasonable measure of risk-versus-return to support our decision-making while we remain in conservatorship. These returns may not be indicative of the returns that would be generated if we were to exit conservatorship, especially as the terms and timing of any such exit are not currently known and will depend upon future actions by the U.S. government. Our belief, should we leave conservatorship, is that returns at that time would most likely be below the levels calculated above, assuming the same portfolio of risk assets, as we expect that we would hold capital post-conservatorship above the minimum required regulatory capital. It is also likely the we would be required to pay fees for federal government support, thereby reducing our total comprehensive income.

Market Risk

Our business segments have embedded exposure to market risk, including interest-rate and spread risks. Interest-rate risk is consolidated and primarily managed by the Capital Markets segment, while spread risk is owned and managed by each individual business segment. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth.

Economic Market Risk

The majority of our interest-rate risk comes from our investments in mortgage-related assets (securities and loans) and the debt we issue to fund them. Our primary goal in managing interest-rate risk is to reduce the amount of change in the value of our future cash flows due to future changes in interest rates. We use models to analyze possible future interest-rate scenarios, along with the cash flows of our assets and liabilities over those scenarios.

Our primary interest-rate risk measures are duration gap and PMVS. Duration gap measures the difference in price sensitivity to interest rate changes between our financial assets and liabilities and is expressed in months relative to the market value of assets. PMVS is our estimate of the change in the market value of our financial assets and liabilities from an instantaneous shock to interest rates, assuming spreads are held constant and no rebalancing actions are undertaken. PMVS is measured in two ways, one measuring the estimated sensitivity of our portfolio market value to a 50 basis point parallel movement in interest rates (PMVS-L) and the other to a non-parallel movement resulting from a 25 basis point change in slope of the LIBOR yield curve (PMVS-YC). While we believe that duration gap and PMVS are useful risk management tools, they should be understood as estimates rather than as precise measurements.

The following tables provide our duration gap, estimated point-in-time and minimum and maximum PMVS-L and PMVS-YC results, and an average of the daily values and standard deviation. The tables below also provide PMVS-L estimates assuming an immediate 100 basis point shift in the LIBOR yield curve. The interest-rate sensitivity of a mortgage portfolio varies across a wide range of interest rates.

	June 30, 2018			December 31, 2017		
	PMVS-YC	PMVS-L		PMVS-YC	PMVS-L	
(In millions)	25 bps	50 bps	100 bps	25 bps	50 bps	100 bps
Assuming shifts of the LIBOR yield curve, (gains) losses on:(1)						
Assets	($513)	($5,590)	($11,003)	$463	$5,587	$11,446
Liabilities	(156)	2,176	4,234	185	(2,377)	(4,968)
Derivatives	684	3,443	6,863	(646)	(3,200)	(6,477)
Total	**$15**	**$29**	**$94**	**$2**	**$10**	**$1**
PMVS	**$15**	**$29**	**$94**	**$2**	**$10**	**$1**

(1) The categorization of the PMVS impact between assets, liabilities and derivatives on this table is based upon the economic characteristics of those assets and liabilities, not their accounting classification. For example, purchase and sale commitments of mortgage-related securities and debt securities of consolidated trusts held by the mortgage-related investments portfolio are both categorized as assets on this table.

(Duration gap in months, **dollars in millions**)	2Q 2018 Duration Gap	2Q 2018 PMVS-YC 25 bps	2Q 2018 PMVS-L 50 bps	2Q 2017 Duration Gap	2Q 2017 PMVS-YC 25 bps	2Q 2017 PMVS-L 50 bps
Average	(0.1)	$12	$23	0.1	$5	$9
Minimum	(0.4)	—	—	(0.2)	—	—
Maximum	0.2	31	77	0.3	19	59
Standard deviation	0.1	7	21	0.1	4	13

(Duration gap in months, **dollars in millions**)	YTD 2018 Duration Gap	YTD 2018 PMVS-YC 25 bps	YTD 2018 PMVS-L 50 bps	YTD 2017 Duration Gap	YTD 2017 PMVS-YC 25 bps	YTD 2017 PMVS-L 50 bps
Average	(0.1)	$10	$16	0.1	$6	$7
Minimum	(0.4)	—	—	(0.2)	—	—
Maximum	0.2	31	77	0.8	22	63
Standard deviation	0.1	7	18	0.2	5	14

Derivatives enable us to reduce our economic interest-rate risk exposure as we continue to align our derivative portfolio with the changing duration of our economically hedged assets and liabilities. The table below shows that the PMVS-L risk levels, assuming a 50 basis point shift in the LIBOR yield curve for the periods presented, would have been higher if we had not used derivatives.

(In millions)	PMVS-L (50 bps) Before Derivatives	PMVS-L (50 bps) After Derivatives	Effect of Derivatives
June 30, 2018	$3,472	$29	($3,443)
December 31, 2017	3,210	10	(3,200)

GAAP Earnings Variability

The GAAP accounting treatment for our financial assets and liabilities (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our GAAP earnings when interest rates and spreads change. This variability of GAAP earnings, which may not reflect the economics of our business, increases the risk of our having a negative net worth and thus being required to draw from Treasury.

Interest-rate Volatility

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, our GAAP financial results are still subject to significant earnings variability from period to period. Based upon the composition of our financial assets and liabilities, including derivatives, at June 30, 2018, we generally recognize fair value losses in GAAP earnings when interest rates decline.

In an effort to reduce our GAAP earnings variability and better align our GAAP results with the economics of our business, we elect hedge accounting for certain single-family mortgage loans and certain debt instruments. See **Note 9** for additional information on hedge accounting.

The table below presents the effect of derivatives used in our interest-rate risk management activities on our comprehensive income (loss), net of tax, after considering any offsetting interest rate effects related to financial instruments measured at fair value and the effects of fair value hedge accounting.

(In billions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Interest-rate effect on derivative fair values	$1.1	($1.1)	$4.1	($0.6)
Estimate of offsetting interest-rate effect related to financial instruments measured at fair value(1)	(0.7)	0.5	(2.6)	—
Gains (losses) on mortgage loans and debt in fair value hedge relationships	(0.6)	0.4	(1.8)	0.4
Amortization of deferred hedge accounting gains and losses	0.1	—	0.1	—
Income tax (expense) benefit	—	0.1	—	0.1
Estimated net interest rate effect on comprehensive income (loss)	**($0.1)**	**($0.1)**	**($0.2)**	**($0.1)**

(1) Includes the interest-rate effect on our trading securities, available-for-sale securities, mortgage loans held-for-sale and other assets and debt for which we elected the fair value option, which is reflected in other non-interest income (loss) and total other comprehensive income (loss) on our condensed consolidated statements of comprehensive income.

The effect from the change in interest rates on derivative fair values is mostly offset by the effect from the change in interest rates related to financial instruments measured at fair value and gains and losses on mortgage loans and debt in fair value hedging relationships. The remaining net interest-rate effect on comprehensive income is largely attributable to the reversal of previously recognized derivative gains and losses and the implied net cost on instruments such as swaptions, futures, and forward purchase and sale commitments from our hedging and interest-rate risk management activities. These remaining effects are recognized in GAAP earnings over time as a component of derivative gains and losses as the instruments approach maturity and are partially offset by the amortization of previously deferred hedge accounting gains and losses.

We evaluate the potential benefits of fair value hedge accounting by evaluating a range of interest rate scenarios and identifying which of those scenarios produces the most adverse GAAP earnings outcome. The interest rate scenarios evaluated include parallel shifts in the yield curve of plus and minus 100 basis points, non-parallel yield curve shifts in which long-term interest rates increase or decrease by 100 basis points and non-parallel yield curve shifts in which short-term and medium-term interest rates increase or decrease by 100 basis points.

- At June 30, 2018 and June 30, 2017, the GAAP adverse scenario before and after fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points.

The results of this evaluation are shown in the table below.

	GAAP Adverse Scenario (Before-Tax)		
(Dollars in billions)	Before Hedge Accounting	After Hedge Accounting	% Change
June 30, 2018	($3.4)	($0.5)	86%
June 30, 2017	(3.3)	(1.5)	55

Spread Volatility

We have limited ability to manage our spread risk exposure in a cost beneficial manner and therefore the volatility of market spreads may contribute to significant GAAP earnings variability. For financial assets measured at fair value, we generally recognize fair value losses when market spreads widen. Conversely, for financial liabilities measured at fair value, we generally recognize fair value gains when market spreads widen.

The table below shows the estimated effect of spreads on our comprehensive income (loss), after tax, by segment.

(In billions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Capital Markets	$—	$0.2	$0.2	$0.3
Multifamily	0.1	—	0.1	0.1
Single-family Guarantee[1]	—	(0.1)	—	(0.2)
Spread effect on comprehensive income (loss)	**$0.1**	**$0.1**	**$0.3**	**$0.2**

(1) Represents spread exposure on certain STACR debt securities for which we have elected the fair value option.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Capital

Our business activities require that we maintain adequate liquidity to fund our operations. We also must maintain adequate capital resources to avoid being placed into receivership by FHFA. For further discussion of our liquidity framework and profile, see **MD&A - Liquidity and Capital Resources** in our 2017 Annual Report.

Primary Sources of Liquidity, Funding and Capital

The following table lists the sources of our liquidity, funding and capital, the balances as of 2Q 2018 and a brief description of their importance to Freddie Mac.

Source	Balance[(1)] (In billions)	Description
Liquidity		
• Other Investments and Cash Portfolio - Liquidity and Contingency Operating Portfolio	$50.3	• The liquidity and contingency operating portfolio, included within our other investments and cash portfolio, is primarily used for short-term liquidity management.
• Liquid Portion of the Mortgage-Related Investments Portfolio	$130.1	• The liquid portion of our mortgage-related investments portfolio can be pledged or sold for liquidity purposes. The amount of cash we may be able to successfully raise may be substantially less than the balance.
Funding		
• Other Debt	$278.2	• Other debt is used to fund our business activities, including Single-family guarantee activities not funded by debt securities of consolidated trusts.
• Debt Securities of Consolidated Trusts	$1,746.3	• Debt securities of consolidated trusts are used primarily to fund our Single-family guarantee activities. This type of debt is principally repaid by the cash flows of the associated mortgage loans. As a result, our repayment obligation is limited to amounts paid pursuant to our guarantee of principal and interest and to purchase modified or seriously delinquent loans from the trusts.
Capital		
• Net Worth	$4.6	• GAAP net worth represents capital available prior to our dividend requirement to Treasury under the Purchase Agreement.
• Available Funding under Purchase Agreement	$140.2	• FHFA may request that available funding under the Purchase Agreement be drawn on our behalf from Treasury.

(1) Represents carrying value for the liquidity and contingency operating portfolio, included within our other investments and cash portfolio, and net worth. Represents UPB for the liquid portion of the mortgage-related investments portfolio and debt balances.

Other Investments and Cash Portfolio

The investments in our other investments and cash portfolio are important to our cash flow, collateral management, asset and liability management, and our ability to provide liquidity and stability to the mortgage market. The table below summarizes the balances in our other investments and cash portfolio, which includes the liquidity and contingency operating portfolio.

	June 30, 2018				December 31, 2017			
(In billions)	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments and Cash Portfolio	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments and Cash Portfolio
Cash and cash equivalents[(1)]	$6.2	$0.6	$—	$6.8	$9.3	$0.5	$—	$9.8
Securities purchased under agreements to resell	23.4	16.4	2.0	41.8	38.9	16.8	0.2	55.9
Non-mortgage-related securities	20.7	—	2.8	23.5	22.2	—	0.6	22.8
Advances to lenders and other secured lending	—	—	1.7	1.7	—	—	1.3	1.3
Total	**$50.3**	**$17.0**	**$6.5**	**$73.8**	**$70.4**	**$17.3**	**$2.1**	**$89.8**

(1) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance and re-designation of cash collateral posted to us as part of the liquidity and contingency operating portfolio.

Our non-mortgage-related investments in the liquidity and contingency operating portfolio consist of U.S. Treasury securities and other investments that we could sell to provide us with an additional source of liquidity to fund our business operations. We also maintain non-interest-bearing deposits at the Federal Reserve Bank of New York.

The liquidity and contingency operating portfolio also includes collateral posted to us in the form of cash by derivatives counterparties of $2.3 billion and $2.4 billion as of June 30, 2018 and December 31, 2017, respectively. We have invested this collateral in securities purchased under agreements to resell and non-mortgage-related securities as part of our liquidity and contingency operating portfolio, although the collateral may be subject to return to our counterparties based on the terms of our master netting and collateral agreements.

Mortgage-Related Investments Portfolio

We invest principally in mortgage loans and mortgage-related securities, certain categories of which are largely unencumbered and liquid. Our primary source of liquidity among these mortgage assets is our holdings of single-class and multiclass agency securities, excluding certain structured agency securities collateralized by non-agency mortgage-related securities. Our ability to pledge certain of these assets as collateral or sell them enhances our liquidity profile, although the amount of cash we may be able to successfully raise in the event of a liquidity crisis or significant market disruption may be substantially less than the amount of mortgage-related assets we hold. See **Conservatorship and Related Matters** for additional details on the liquidity of our mortgage-related investments portfolio.

Other Debt Activities

We issue other debt to fund our operations. Competition for funding can vary with economic, financial market and regulatory environments. We issue other debt based on a variety of factors including market conditions and our liquidity requirements. We currently favor a mix of derivatives and shorter- and medium-term debt to fund our business and manage interest-rate risk. This funding mix is a less expensive method than relying more extensively on long-term debt.

The tables below summarize the par value and the average rate of other debt securities we issued or paid off, including regularly scheduled principal payments, payments resulting from calls and payments for repurchases. We call, exchange or repurchase our outstanding debt securities from time to time for a variety of reasons, including managing our funding composition and supporting the liquidity of our debt securities.

	2Q 2018			
(Dollars in millions)	Short-term	Average Rate[1]	Long-term	Average Rate[1]
Discount notes and Reference Bills:				
Beginning balance	$26,958	1.40%	$—	—%
Issuances	96,181	1.66	—	—
Repurchases	—	—	—	—
Maturities	(88,368)	1.52	—	—
Ending Balance	**34,771**	**1.83**	**—**	**—**
Securities sold under agreements to repurchase:				
Beginning balance	9,745	1.38	—	—
Additions	38,766	1.74	—	—
Repayments	(36,792)	1.60	—	—
Ending Balance	**11,719**	**1.87**	**—**	**—**
Callable debt:				
Beginning balance	—	—	113,552	1.66
Issuances	—	—	8,199	3.19
Repurchases	—	—	(167)	1.86
Calls	—	—	(1,790)	1.95
Maturities	—	—	(7,059)	1.09
Ending Balance	**—**	**—**	**112,735**	**1.81**
Non-callable debt:[2]				
Beginning balance	17,612	1.12	113,064	2.90
Issuances	—	—	5,000	2.69
Repurchases	—	—	(1,300)	1.99
Maturities	(7,150)	0.99	(8,300)	3.47
Ending Balance	**10,462**	**1.21**	**108,464**	**2.96**
Total other debt	**$56,952**	**1.73%**	**$221,199**	**2.37%**

Referenced footnotes are included after the next table.

	YTD 2018			
(Dollars in millions)	Short-term	Average Rate(1)	Long-term	Average Rate(1)
Discount notes and Reference Bills:				
Beginning balance	$45,717	1.19%	$—	—%
Issuances	170,296	1.50	—	—
Repurchases	—	—	—	—
Maturities	(181,242)	1.36	—	—
Ending Balance	**34,771**	**1.83**	**—**	**—**
Securities sold under agreements to repurchase:				
Beginning balance	9,681	1.06	—	—
Additions	80,560	1.52	—	—
Repayments	(78,522)	1.41	—	—
Ending Balance	**11,719**	**1.87**	**—**	**—**
Callable debt:				
Beginning balance	—	—	113,822	1.58
Issuances	—	—	13,750	3.04
Repurchases	—	—	(722)	2.07
Calls	—	—	(2,682)	1.96
Maturities	—	—	(11,434)	1.07
Ending Balance	**—**	**—**	**112,734**	**1.81**
Non-callable debt:(2)				
Beginning balance	17,792	1.03	129,094	2.52
Issuances	1,825	1.44	13,375	2.42
Repurchases	—	—	(1,300)	1.99
Maturities	(9,155)	0.94	(32,704)	1.50
Ending Balance	**10,462**	**1.21**	**108,465**	**2.96**
Total other debt	**$56,952**	**1.73%**	**$221,199**	**2.37%**

(1) Average rate is weighted based on par value.

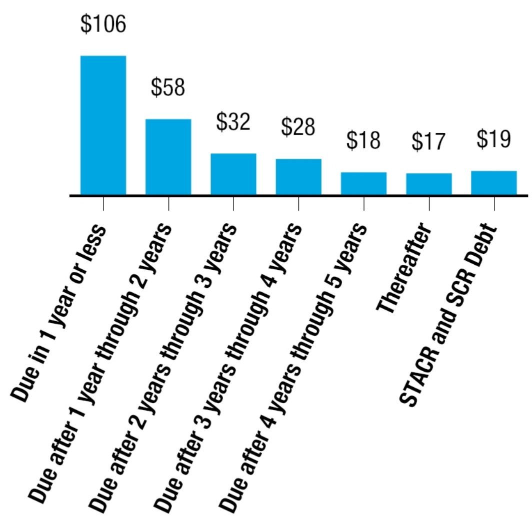
(2) Includes STACR and SCR debt notes and certain multifamily other debt. STACR and SCR debt notes are subject to prepayment risk as their payments are based upon the performance of a reference pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty.

During the 2018 periods, our outstanding other debt balance continued to decline as we reduced our indebtedness along with the decline in our mortgage-related investments portfolio. As a result, our total issuances, excluding securities sold under agreements to repurchase, decreased.

The following graphs present our other debt by contractual maturity date and earliest redemption date. The earliest redemption date refers to the earliest call date for callable debt and the contractual maturity date for all other debt.

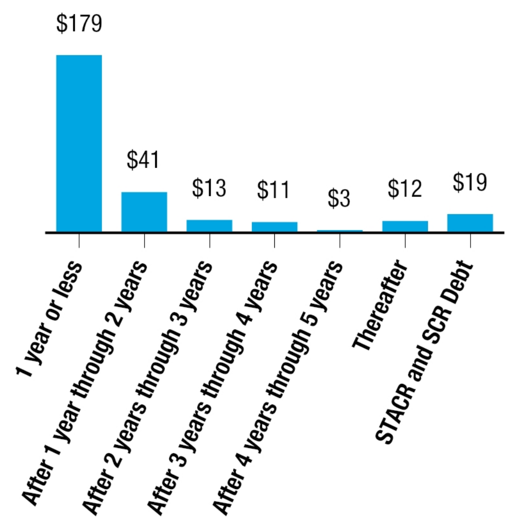
Contractual Maturity Date as of June 30, 2018 (1)

(Par value in billions)



Earliest Redemption Date as of June 30, 2018 (1)

(Par value in billions)



(1) STACR and SCR debt notes are subject to prepayment risk as their payments are based upon the performance of a reference pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty and are therefore included as a separate category in the graphs.

Debt Securities of Consolidated Trusts

The largest component of debt on our condensed consolidated balance sheets is debt securities of consolidated trusts, which relates to securitization transactions that we consolidated for accounting purposes. We issue this type of debt by securitizing mortgage loans primarily to fund the majority of our single-family guarantee activities. When we consolidate securitization trusts, we recognize the following on our condensed consolidated balance sheets:

- The assets held by the securitization trusts, the majority of which are mortgage loans. We recognized \$1,795.5 billion and \$1,774.3 billion of mortgage loans, which represented 87.9% and 86.6% of our total assets, as of 2Q 2018 and 4Q 2017, respectively.
- The debt securities issued by the securitization trusts, the majority of which are PCs. PCs are pass-through securities, where the cash flows of the mortgage loans held by the securitization trust are passed through to the holders of the PCs. We recognized \$1,746.3 billion and \$1,721.0 billion of debt securities of consolidated trusts, which represented 86.4% and 84.6% of our total debt, as of 2Q 2018 and 4Q 2017, respectively.

Debt securities of consolidated trusts are principally repaid from the cash flows of the mortgage loans held by the securitization trusts that issued the debt securities. In circumstances when the cash flows of the mortgage loans are not sufficient to repay the debt, we make up the shortfall because we have guaranteed the payment of principal and interest on the debt. In certain circumstances, we have the right and/or obligation to purchase the loan from the trust prior to its contractual maturity.

The table below shows the issuance and extinguishment activity for the debt securities of our consolidated trusts.

(In millions)	2Q 2018	YTD 2018
Beginning balance	$1,679,968	$1,672,605
Issuances:		
New issuances to third parties	48,620	85,936
Additional issuances of securities	49,075	89,275
Total issuances	**97,695**	**175,211**
Extinguishments:		
Purchases of debt securities from third parties	(10,785)	(19,613)
Debt securities received in settlement of advances to lenders	(6,775)	(11,500)
Repayments of debt securities	(59,623)	(116,223)
Total extinguishments	**(77,183)**	**(147,336)**
Ending balance	**1,700,480**	**1,700,480**
Unamortized premiums and discounts	45,818	45,818
Debt securities of consolidated trusts held by third parties	**$1,746,298**	**$1,746,298**

Capital

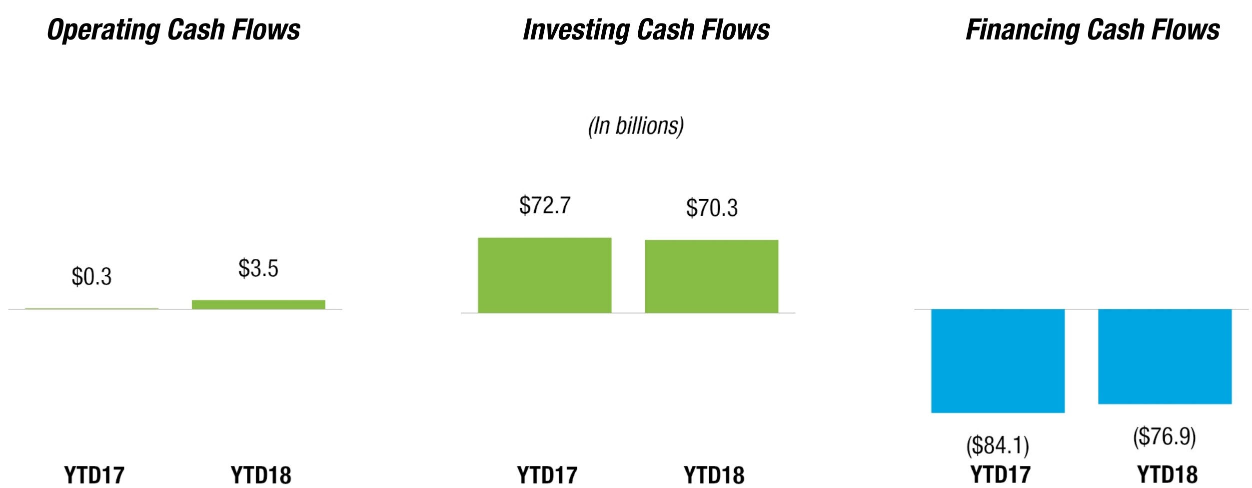
Our entry into conservatorship resulted in significant changes to the assessment of our capital adequacy and our management of capital. Under the Purchase Agreement, Treasury made a commitment to provide us with equity funding, under certain conditions, to eliminate deficits in our net worth. As of June 30, 2018, our net worth was $4.6 billion and the amount of available funding remaining under the Purchase Agreement was $140.2 billion. See **Note 2** for details of the support we receive from Treasury.

The table below presents activity related to our net worth during 2Q 2018 and YTD 2018.

(In millions)	2Q 2018	YTD 2018
Beginning balance	$2,150	($312)
Comprehensive income (loss)	2,435	4,585
Capital draw from Treasury	—	312
Senior preferred stock dividends declared	—	—
Total equity / net worth	**$4,585**	**$4,585**
Aggregate draws under Purchase Agreement	$71,648	$71,648
Aggregate cash dividends paid to Treasury	112,393	112,393

Cash Flows

We evaluate our cash flow performance by comparing the net cash flows from operating and investing activities to the net cash flows required to finance those activities. The following graphs present the results of these activities for YTD 2017 and YTD 2018.



Commentary

- Cash provided by operating activities increased $3.2 billion primarily due to:
  - An increase in net sales of held-for-sale loans, driven by an increase in the volume of our multifamily securitizations.
- Cash provided by investing activities decreased $2.4 billion primarily due to:
  - A decrease in net proceeds received from sales and maturities of investment securities due to our continued reduction of the mortgage-related investments portfolio as required by the Purchase Agreement and FHFA; and
  - An increase in purchases of single-family loans.

  This decrease was partially offset by:
  - A larger decrease in securities purchased under agreements to resell in 2018, driven by lower near-term cash needs for fewer upcoming maturities and anticipated calls of other debt.
- Cash used in financing activities decreased $7.2 billion primarily due to:
  - An increase in proceeds from issuance of debt securities of consolidated trusts held by third parties, driven by an increase in the volume of single-family PC issuances for cash; and
  - A decrease in payments of cash dividends on senior preferred stock.

  This decrease was partially offset by:
  - An increase in net repayments of other debt as we continued to reduce our indebtedness along with the mortgage-related investments portfolio.

CONSERVATORSHIP AND RELATED MATTERS

Reducing Our Mortgage-Related Investments Portfolio Over Time

The table below presents the UPB of our mortgage-related investments portfolio for purposes of the limit imposed by the Purchase Agreement and FHFA regulation. The cap for this portfolio will decrease to $250 billion at December 31, 2018.

	June 30, 2018				December 31, 2017			
(Dollars in millions)	Liquid	Securitization Pipeline	Less Liquid	Total	Liquid	Securitization Pipeline	Less Liquid	Total
Capital Markets segment - Mortgage investments portfolio:								
Single-family unsecuritized loans								
Performing loans	$—	$13,161	$—	$13,161	$—	$9,999	$—	$9,999
Reperforming loans	—	—	44,538	44,538	—	—	46,666	46,666
Total single-family unsecuritized loans	**—**	**13,161**	**44,538**	**57,699**	**—**	**9,999**	**46,666**	**56,665**
Freddie Mac mortgage-related securities	118,620	—	3,452	122,072	123,905	—	3,817	127,722
Non-agency mortgage-related securities	718	—	3,177	3,895	749	—	5,152	5,901
Other Non-Freddie Mac agency mortgage-related securities	4,452	—	—	4,452	5,211	—	—	5,211
Total Capital Markets segment - Mortgage investments portfolio	**123,790**	**13,161**	**51,167**	**188,118**	**129,865**	**9,999**	**55,635**	**195,499**
Single-family Guarantee segment - Single-family unsecuritized seriously delinquent loans	—	—	9,778	9,778	—	—	12,267	12,267
Multifamily segment:								
Unsecuritized loans	—	15,987	15,296	31,283	—	19,653	18,585	38,238
Mortgage-related securities	6,286	—	928	7,214	6,181	—	1,270	7,451
Total Multifamily segment	**6,286**	**15,987**	**16,224**	**38,497**	**6,181**	**19,653**	**19,855**	**45,689**
Total mortgage-related investments portfolio	**$130,076**	**$29,148**	**$77,169**	**$236,393**	**$136,046**	**$29,652**	**$87,757**	**$253,455**
Percentage of total mortgage-related investments portfolio	55%	12%	33%	100%	54%	12%	34%	100%
Mortgage-related investments portfolio cap at December 31, 2018 and December 31, 2017				$250,000				$288,408
90% of mortgage-related investments portfolio cap at December 31, 2018 and December 31, 2017[(1)]				$225,000				$259,567

(1) Represents the amount to which we manage under our Retained Portfolio Plan, subject to certain exceptions.

The decline in our mortgage-related investments portfolio during YTD 2018 was primarily due to the active disposition of less liquid assets and repayments.

While we continued to purchase new single-family seriously delinquent loans and multifamily unsecuritized loans, which are classified as held-for-investment, our active disposition of less liquid assets included the following:

- Sales of $5.9 billion of less liquid assets, including $3.9 billion in UPB of single-family reperforming loans, $1.7 billion in UPB of single-family non-agency mortgage-related securities, and $0.3 billion in UPB of seriously delinquent unsecuritized single-family loans;
- Securitizations of $0.5 billion in UPB of less liquid multifamily loans; and
- Transfers of $0.5 billion in UPB of less liquid multifamily loans to the securitization pipeline.

REGULATION AND SUPERVISION

In addition to our oversight by FHFA as our Conservator, we are subject to regulation and oversight by FHFA under our Charter and the GSE Act and to certain regulation by other government agencies. Furthermore, regulatory activities by other government agencies can affect us indirectly, even if we are not directly subject to such agencies' regulation or oversight. For example, regulations that modify requirements applicable to the purchase or servicing of mortgages can affect us.

Federal Housing Finance Agency

Affordable Housing Goals

In our Form 10-Q for 1Q 2018, we indicated that we expected to achieve all five of our single-family affordable housing goals and all three of our multifamily goals for 2017. With respect to our single-family low-income purchase and very low-income purchase goals, we indicated that we expected to meet those goals based on meeting or exceeding the actual share of the market that meets the criteria for those goals once such market information is published in late 2018. Recent preliminary market data suggests that the market share for these goals is higher than expected and we now anticipate that we may not meet these two single-family goals. FHFA will ultimately make the determination as to whether we achieved compliance with the housing goals for 2017, based on the published market information.

Affordable Housing Fund Allocations

The GSE Act requires us to set aside in each fiscal year an amount equal to 4.2 basis points of each dollar of total new business purchases and pay this amount to certain housing funds. During 2Q 2018 and YTD 2018, we completed $100 billion and $179 billion, respectively, of new business purchases subject to this requirement and accrued $42 million and $75 million, respectively, of related expense. We expect to pay the YTD 2018 expense amount (and any additional amounts accrued based on our new business purchases during the remainder of 2018) in February 2019. We are prohibited from passing through these costs to the originators of the loans that we purchase.

Legislative and Regulatory Developments

Proposed Enterprise Capital Rule

On July 17, 2018, FHFA published in the Federal Register a proposed rule that would, if adopted, establish post-conservatorship capital requirements for Freddie Mac and Fannie Mae. The proposed rule would implement both risk-based and leverage ratio capital requirements.

FHFA's predecessor agency, the Office of Federal Housing Enterprise Oversight, implemented risk-based and leverage ratio regulatory capital requirements for the Enterprises during the years before conservatorship. FHFA suspended these requirements after placing the Enterprises into conservatorship in 2008. See **Note 17 - Regulatory Capital** for further information about these requirements. In 2017, FHFA implemented the CCF as an aligned risk management framework to evaluate Enterprise business decisions in conservatorship and ensure the Enterprises make prudent decisions when pricing transactions and managing their books of business. See **Risk Management - Conservatorship Capital Framework** for further information about the CCF.

FHFA indicates that the proposed rule is generally consistent with the regulatory capital framework for large banks, but reflects differences in the charters, business operations and risk profiles of the Enterprises. FHFA notes that the Enterprises are monoline businesses with assets and guarantees heavily concentrated in residential mortgages and with risk profiles that differ from large diversified banks.

The risk-based provisions of the proposed rule, for which the CCF is the foundation, would create capital requirements for specified categories of Enterprise guarantees and portfolio holdings. These requirements would address credit risk and market risk and would also include a risk-invariant requirement for operational risk, as well as a going-concern buffer across all categories. FHFA indicates that these requirements are designed to establish the necessary capital for the Enterprises to continue operating and maintain market confidence after a stress event comparable to the recent financial crisis.

The proposed rule also includes two alternatives for a leverage ratio. The first option would require the Enterprises to hold capital equal to 2.5% of total assets and off-balance sheet guarantees. The second option would require the Enterprises to hold capital equal to 1.5% of “trust assets” (Enterprise mortgage - related securities held by third parties and off-balance sheet guarantees related to securitization activities) and 4% of “non-trust assets” (total assets in accordance with GAAP, plus off-balance sheet guarantees related to securitization activities, less “trust assets”). FHFA requests comment on which of these options best balances the benefit of having a backstop to the risk-based capital requirement against the downside of a leverage requirement that could influence how the Enterprises evaluate risk.

The proposed capital requirements would be suspended after adoption of a final rule while the Enterprises remain in conservatorship. FHFA indicates that it is proposing post-conservatorship capital requirements at this time in order to:

- Communicate its views as a financial regulator about capital adequacy;
- Update the existing capital rule by drawing on regulatory developments in response to the recent financial crisis;
- Permit market participants to comment on proposed capital requirements for the Enterprises; and
- Inform FHFA’s views about possible refinements to the CCF, which will continue to apply to the Enterprises in conservatorship.

The comment process on FHFA’s rule proposal could result in material changes to both the proposed capital requirements and the CCF.

Proposed Amendment to Corporate Governance Regulation

On April 6, 2018, FHFA published in the Federal Register a proposed rule to amend its corporate governance regulation. The amendment would require the board of directors to adopt a strategic business plan describing how Freddie Mac’s business activities will achieve its statutory purposes. Among other things, the plan would address any significant activities Freddie Mac is planning to undertake, as well as current and emerging risks. The board would be required to review the plan annually, re-adopt it every three years, and monitor its implementation. We submitted a comment letter on this proposal on June 5, 2018, the end of the comment period.

Credit Score Legislation

On May 24, 2018, the President signed the Economic Growth, Regulatory Relief, and Consumer Protection Act, which amends Freddie Mac's charter to allow Freddie Mac's continued use of third-party credit scores, in purchasing a residential mortgage, if certain procedural requirements are met with respect to the solicitation, validation and approval of third-party credit scoring models. Freddie Mac is permitted to continue to use a credit score model that is in use before November 20, 2018 for two years after that date without validation and approval. After November 20, 2020, if Freddie Mac conditions a purchase on the provision of a credit score, the credit score must have been validated and approved. On July 23, 2018, FHFA announced that, pursuant to this law, it will undertake rulemaking to define the standards and criteria that Freddie Mac will use to validate credit score models.

OMB Reform Plan and Reorganization Recommendations

On June 21, 2018, the Office of Management and Budget released a plan titled *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations* that includes proposed changes in the government's role in housing finance, including ending the conservatorships of Freddie Mac and Fannie Mae, reducing the role of the Enterprises in the housing market, and providing an explicit, limited federal backstop that is separate from the federal support for low- and moderate-income homebuyers. OMB indicates that its proposed changes would require broader policy and legislative reforms beyond restructuring federal agencies and programs.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into certain off-balance sheet arrangements related to our securitization activities involving guaranteed loans and mortgage-related securities, though most of our securitization activities are on-balance sheet. For a description of our off-balance sheet arrangements, see **MD&A - Off-Balance Sheet Arrangements** in our 2017 Annual Report. See **Note 3** and **Note 5** for more information on our off-balance sheet securitization and guarantee activities.

Our maximum potential off-balance sheet exposure to credit losses relating to these securitization activities and guarantees is primarily represented by the UPB of the underlying loans and securities, which was $233.7 billion and $215.7 billion at June 30, 2018 and December 31, 2017, respectively.

FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, the news media, securities analysts and others as part of our normal operations. Some of these communications, including this Form 10-Q, contain "forward-looking statements." Examples of forward-looking statements include, but are not limited to, statements pertaining to the conservatorship, our current expectations and objectives for the Single-family Guarantee, Multifamily and Capital Markets segments of our business, our efforts to assist the housing market, our liquidity and capital management, economic and market conditions and trends, our market share, the effect of legislative and regulatory developments and new accounting guidance, the credit quality of loans we own or guarantee, the costs and benefits of our credit risk transfer transactions and our results of operations and financial condition on a GAAP, Segment Earnings and fair value basis. Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond our control. Forward-looking statements are often accompanied by, and identified with, terms such as "could," "may," "will," "believe," "expect," "anticipate," "forecast" and similar phrases. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates and projections. Actual results may differ significantly from those described in or implied by such forward-looking statements due to various factors and uncertainties, including those described in the **Risk Factors** section of our 2017 Annual Report, and:

- The actions the U.S. government (including FHFA, Treasury and Congress) may take, or require us to take, including to support the housing markets or to implement FHFA’s Conservatorship Scorecards and other objectives for us;
- The effect of the restrictions on our business due to the conservatorship and the Purchase Agreement, including our dividend requirement on the senior preferred stock;
- Changes in our Charter or in applicable legislative or regulatory requirements (including any legislation affecting the future status of our company);
- Changes in the fiscal and monetary policies of the Federal Reserve, including the balance sheet normalization program announced in October 2017 to reduce the Federal Reserve's holdings of mortgage-related securities;
- Changes in tax laws, including those made by the Tax Cuts and Jobs Act enacted in December 2017;
- Changes in accounting policies, practices or guidance (e.g., FASB's accounting standards update related to the measurement of credit losses of financial instruments);
- Changes in economic and market conditions, including changes in employment rates, interest rates, spreads and home prices;
- Changes in the U.S. residential mortgage market, including changes in the supply and type of loan products (e.g., refinance vs. purchase and fixed-rate vs. ARM);
- The success of our efforts to mitigate our losses on our Legacy and relief refinance single-family loan portfolio;
- The success of our strategy to transfer mortgage credit risk through STACR debt note, ACIS, K Certificate, SB Certificate and other credit risk transfer transactions;
- Our ability to maintain adequate liquidity to fund our operations;
- Our ability to maintain the security and resiliency of our operational systems and infrastructure (e.g.,

against cyberattacks);

- Our ability to effectively execute our business strategies, implement new initiatives and improve efficiency;
- The adequacy of our risk management framework, including the adequacy of the CCF and our internal capital methodologies for measuring risk;
- Our ability to manage mortgage credit risk, including the effect of changes in underwriting and servicing practices;
- Our ability to limit or manage our economic exposure and GAAP earnings exposure to interest-rate volatility and spread volatility, including the availability of derivative financial instruments needed for interest-rate risk management purposes;
- Our operational ability to issue new securities, make timely and correct payments on securities and provide initial and ongoing disclosures;
- Changes or errors in the methodologies, models, assumptions and estimates we use to prepare our financial statements, make business decisions and manage risks;
- Changes in investor demand for our debt or mortgage-related securities;
- Changes in the practices of loan originators, servicers, investors and other participants in the secondary mortgage market;
- The occurrence of a major natural or other disaster in areas in which our offices or significant portions of our total mortgage portfolio are located; and
- Other factors and assumptions described in this Form 10-Q and our 2017 Annual Report, including in the **MD&A** section.

Forward-looking statements are made only as of the date of this Form 10-Q, and we undertake no obligation to update any forward-looking statements we make to reflect events or circumstances occurring after the date of this Form 10-Q.

Financial Statements

FREDDIE MAC

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(**In millions**, except share-related amounts)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Interest income				
Mortgage loans	$16,344	$15,848	$32,295	$31,813
Investments in securities	730	902	1,540	1,816
Other	228	150	442	251
Total interest income	**17,302**	**16,900**	**34,277**	**33,880**
Interest expense	(14,299)	(13,521)	(28,256)	(26,706)
Net interest income	3,003	3,379	6,021	7,174
Benefit (provision) for credit losses	60	422	(3)	538
Net interest income after benefit (provision) for credit losses	3,063	3,801	6,018	7,712
Non-interest income (loss)				
Gains (losses) on extinguishment of debt	147	50	257	268
Derivative gains (losses)	416	(1,096)	2,246	(1,398)
Net impairment of available-for-sale securities recognized in earnings	(1)	(3)	(1)	(16)
Other gains (losses) on investment securities recognized in earnings	(348)	61	(580)	117
Other income (loss)	1,011	694	1,132	1,109
Non-interest income (loss)	1,225	(294)	3,054	80
Non-interest expense				
Salaries and employee benefits	(303)	(266)	(589)	(541)
Professional services	(113)	(118)	(215)	(230)
Other administrative expense	(142)	(129)	(274)	(253)
Total administrative expense	**(558)**	**(513)**	**(1,078)**	**(1,024)**
Real estate owned operations expense	(15)	(37)	(49)	(93)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(366)	(330)	(725)	(651)
Other expense	(204)	(126)	(401)	(202)
Non-interest expense	(1,143)	(1,006)	(2,253)	(1,970)
Income (loss) before income tax (expense) benefit	3,145	2,501	6,819	5,822
Income tax (expense) benefit	(642)	(837)	(1,390)	(1,947)
Net income (loss)	2,503	1,664	5,429	3,875
Other comprehensive income (loss), net of taxes and reclassification adjustments:				
Changes in unrealized gains (losses) related to available-for-sale securities	(96)	295	(896)	293
Changes in unrealized gains (losses) related to cash flow hedge relationships	32	27	62	55
Changes in defined benefit plans	(4)	—	(10)	(3)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	**(68)**	**322**	**(844)**	**345**
Comprehensive income (loss)	**$2,435**	**$1,986**	**$4,585**	**$4,220**
Net income (loss)	$2,503	$1,664	$5,429	$3,875
Undistributed net worth sweep and senior preferred stock dividends	(1,585)	(1,986)	(1,585)	(4,220)
Net income (loss) attributable to common stockholders	**$918**	**($322)**	**$3,844**	**($345)**
Net income (loss) per common share — basic and diluted	$0.28	($0.10)	$1.19	($0.11)
Weighted average common shares outstanding (in millions) — basic and diluted	3,234	3,234	3,234	3,234

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREDDIE MAC

Condensed Consolidated Balance Sheets (Unaudited)

(In millions, except share-related amounts)	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents (Notes 1, 3 and 14) (includes $536 and $2,963 of restricted cash and cash equivalents)	$6,752	$9,811
Securities purchased under agreements to resell (Notes 3, 10)	41,769	55,903
Investments in securities, at fair value (Note 7)	77,710	84,318
Mortgage loans held-for-sale (Notes 3, 4) (includes $16,621 and $20,054 at fair value)	26,277	34,763
Mortgage loans held-for-investment (Notes 3, 4) (net of allowance for loan losses of $8,397 and $8,966)	1,858,574	1,836,454
Accrued interest receivable (Note 3)	6,470	6,355
Derivative assets, net (Notes 9, 10)	391	375
Deferred tax assets, net (Note 12)	8,299	8,107
Other assets (Notes 3, 18) (includes $3,598 and $3,353 at fair value)	15,490	13,690
Total assets	**$2,041,732**	**$2,049,776**
Liabilities and equity		
Liabilities		
Accrued interest payable (Note 3)	$6,377	$6,221
Debt, net (Notes 3, 8) (includes $5,423 and $5,799 at fair value)	2,021,162	2,034,630
Derivative liabilities, net (Notes 9, 10)	409	269
Other liabilities (Notes 3, 18)	9,199	8,968
Total liabilities	**2,037,147**	**2,050,088**
Commitments and contingencies (Notes 5, 9 and 16)		
Equity (Note 11)		
Senior preferred stock (redemption value of $75,648 and $75,336)	72,648	72,336
Preferred stock, at redemption value	14,109	14,109
Common stock, $0.00 par value, 4,000,000,000 shares authorized, 725,863,886 shares issued and 650,058,775 shares and 650,054,731 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(77,922)	(83,261)
AOCI, net of taxes, related to:		
Available-for-sale securities (includes $350 and $593, related to net unrealized gains on securities for which other-than-temporary impairment has been recognized in earnings)	(91)	662
Cash flow hedge relationships	(367)	(356)
Defined benefit plans	92	83
Total AOCI, net of taxes	(366)	389
Treasury stock, at cost, 75,805,111 shares and 75,809,155 shares	(3,884)	(3,885)
Total equity (See Note 11 for information on our dividend requirement to Treasury)	**4,585**	**(312)**
Total liabilities and equity	**$2,041,732**	**$2,049,776**

The table below presents the carrying value and classification of the assets and liabilities of consolidated VIEs on our condensed consolidated balance sheets.

(In millions)	June 30, 2018	December 31, 2017
Consolidated Balance Sheet Line Item		
Assets: (Note 3)		
Mortgage loans held-for-investment	$1,795,534	$1,774,286
All other assets	25,044	25,753
Total assets of consolidated VIEs	**$1,820,578**	**$1,800,039**
Liabilities: (Note 3)		
Debt, net	$1,746,298	$1,720,996
All other liabilities	5,124	5,030
Total liabilities of consolidated VIEs	**$1,751,422**	**$1,726,026**

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREDDIE MAC

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)	YTD 2018	YTD 2017
Net cash provided by operating activities	**$3,494**	**$299**
Cash flows from investing activities		
Purchases of trading securities	(64,979)	(92,192)
Proceeds from sales of trading securities	61,764	84,766
Proceeds from maturities and repayments of trading securities	3,007	4,867
Purchases of available-for-sale securities	(8,938)	(4,100)
Proceeds from sales of available-for-sale securities	10,750	8,266
Proceeds from maturities and repayments of available-for-sale securities	3,250	7,045
Purchases of held-for-investment mortgage loans	(71,978)	(57,373)
Proceeds from sales of mortgage loans held-for-investment	4,817	1,559
Repayments of mortgage loans held-for-investment	126,205	133,221
Advances to lenders and other secured lending arrangements	(12,237)	(16,251)
Net proceeds from dispositions of real estate owned and other recoveries	752	989
Net (increase) decrease in securities purchased under agreements to resell	14,134	3,757
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	4,037	(1,663)
Changes in other assets	(249)	(160)
Net cash provided by investing activities	**70,335**	**72,731**
Cash flows from financing activities		
Proceeds from issuance of debt securities of consolidated trusts held by third parties	96,888	83,908
Repayments and redemptions of debt securities of consolidated trusts held by third parties	(136,131)	(145,505)
Proceeds from issuance of other debt	279,522	321,018
Repayments of other debt	(317,477)	(336,829)
Increase in liquidation preference of senior preferred stock	312	—
Payment of cash dividends on senior preferred stock	—	(6,709)
Changes in other liabilities	(2)	(3)
Net cash used in financing activities	**(76,888)**	**(84,120)**
Net (decrease) increase in cash and cash equivalents (includes restricted cash and cash equivalents)	(3,059)	(11,090)
Cash and cash equivalents (includes restricted cash and cash equivalents) at beginning of year	9,811	22,220
Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period	**$6,752**	**$11,130**
Supplemental cash flow information		
Cash paid for:		
Debt interest	$32,336	$31,970
Income taxes	2,125	487
Non-cash investing and financing activities (Note 4 and 7)		

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

NOTE 1

Summary of Significant Accounting Policies

Freddie Mac is a GSE chartered by Congress in 1970. Our public mission is to provide liquidity, stability and affordability to the U.S. housing market. We are regulated by FHFA, the SEC, HUD and Treasury, and are currently operating under the conservatorship of FHFA. For more information on the roles of FHFA and Treasury, see **Note 2** in this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2017, or 2017 Annual Report. Throughout our unaudited condensed consolidated financial statements and related notes, we use certain acronyms and terms which are defined in the **Glossary** of our 2017 Annual Report. Throughout this Form 10-Q, we refer to the three months ended June 30, 2018, the three months ended March 31, 2018, the three months ended December 31, 2017, the three months ended September 30, 2017, the three months ended June 30, 2017 and the three months ended March 31, 2017 as "2Q 2018," "1Q 2018," "4Q 2017," "3Q 2017," "2Q 2017" and "1Q 2017," respectively. We refer to the six months ended June 30, 2018 and the six months ended June 30, 2017 as "YTD 2018" and "YTD 2017," respectively.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2017 Annual Report.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and include our accounts as well as the accounts of other entities in which we have a controlling financial interest. All intercompany balances and transactions have been eliminated.

We are operating under the basis that we will realize assets and satisfy liabilities in the normal course of business as a going concern and as authorized by FHFA through our Board of Directors and management. Certain amounts in prior periods' condensed consolidated financial statements have been reclassified to conform to the current presentation. In the opinion of management, our unaudited condensed consolidated financial statements contain all adjustments, which include only normal recurring adjustments, necessary for a fair statement of our results.

We evaluate the materiality of identified errors in the financial statements using both an income statement, or "rollover," and a balance sheet, or "iron curtain," approach, based on relevant quantitative and qualitative factors. Net income includes certain adjustments to correct immaterial errors related to previously reported periods.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting period. Management has made significant estimates in preparing the financial statements for establishing the allowance for credit losses, valuing financial instruments and other assets and liabilities and assessing impairments on investments. Actual results could be different from these estimates.

Recently Issued Accounting Guidance

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Condensed Consolidated Financial Statements
ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and **ASU 2015-14**, Topic 606: Deferral of the Effective Date	The amendment requires entities to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14 defers the effective date of ASU 2014-09 for all entities by one year.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)	The amendment addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-08, Topic 606: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)	The amendments in this Update do not change the core principle of the guidance in Topic 606. The amendments clarify the implementation guidance on principal versus agent considerations.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-10, Topic 606: Identifying Performance Obligations and Licensing	The amendments in this Update do not change the core principle of the guidance in Topic 606, but they clarify two issues: i) identifying performance obligations; and ii) licensing. These clarifications are intended to reduce diversity in practice and to reduce the cost and complexity of Topic 606 at transition and on an ongoing basis.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2016-12, Topic 606: Narrow-Scope Improvements and Practical Expedients	The amendments in this Update do not change the core principle of the guidance in Topic 606, but affect aspects of the guidance and technical corrections.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Condensed Consolidated Financial Statements
ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)	The main objective of this Update is to address the diversity in practice that currently exists in regards to how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice.	January 1, 2018	Upon adoption, the portion of the cash payment attributable to the accreted interest related to zero-coupon debt is presented in the operating activities section, a classification change from the financing activities section where this item was previously presented. As a result, we reclassified approximately $1.0 billion of cash payments from financing activities to operating activities on our condensed consolidated statements of cash flows for YTD 2017.
ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)	The amendments in this Update address the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. Specifically, this amendment dictates that the statement of cash flows should explain the change in the period of the total of cash, cash equivalents and restricted cash balances.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements; however, we modified the presentation of restricted cash and cash equivalent balances on our condensed consolidated balance sheets. The presentation of our condensed consolidated statements of cash flows has also been revised to reflect the change of total cash and cash equivalents and restricted cash and cash equivalents balances.
ASU 2016-20, Technical Corrections and Improvements to Topic 606	The amendments in this Update are of a similar nature to the items typically addressed in the Technical Corrections and Improvements project. However, the Board decided to issue a separate Update for technical corrections and improvements to Topic 606 and other Topics amended by Update 2014-09 to increase stakeholders' awareness of the proposals and to expedite improvements to Update 2014-09.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	The amendments in this Update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.	January 1, 2018	Upon adoption, we reclassified approximately $89 million from accumulated other comprehensive income to retained earnings on our condensed consolidated financial statements.
ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities	The amendments clarify certain aspects of the guidance issued in Update 2016-01 and address six specific issues.	January 1, 2018	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.

Recently Issued Accounting Guidance, Not Yet Adopted Within Our Condensed Consolidated Financial Statements

Standard	Description	Date of Planned Adoption	Effect on Consolidated Financial Statements
ASU 2016-02, Leases (Topic 842)	The amendment addresses the accounting for lease arrangements.	January 1, 2019	We do not expect that the adoption of this amendment will have a material effect on our consolidated financial statements.
ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	January 1, 2020	We are developing our models to estimate lifetime expected credit losses on our financial instruments measured at amortized cost using discounted cash flow methodology. The amendment will be applied through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. While we are not able to reasonably estimate the effect that the adoption of this amendment will have on our consolidated financial statements, it may increase (perhaps substantially) our allowance for credit losses in the period of adoption.

NOTE 2

Conservatorship and Related Matters

Business Objectives

We operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of FHFA, as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition and results of operations. Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any stockholder, officer or director thereof, with respect to the company and its assets. The Conservator also succeeded to the title to all books, records and assets of Freddie Mac held by any other legal custodian or third party. The Conservator provided for the Board of Directors to perform certain functions and to oversee management, and the board delegated to management authority to conduct business operations so that the company can continue to operate in the ordinary course. The directors serve on behalf of, and perform such functions as provided by, the Conservator.

We are also subject to certain constraints on our business activities under the Purchase Agreement. However, the support provided by Treasury pursuant to the Purchase Agreement currently enables us to maintain our access to the debt markets and to have adequate liquidity to conduct our normal business activities, although the costs of our debt funding could vary. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent.

Impact of Conservatorship and Related Developments on the Mortgage-Related Investments Portfolio

For purposes of the limit imposed by the Purchase Agreement and FHFA regulation, the UPB of our mortgage-related investments portfolio cannot exceed $250 billion at December 31, 2018 and was $236.4 billion at June 30, 2018. Our Retained Portfolio Plan provides for us to manage the UPB of the mortgage-related investments portfolio so that it does not exceed 90% of the cap established by the Purchase Agreement (subject to certain exceptions). Our ability to acquire and sell mortgage assets is significantly constrained by limitations of the Purchase Agreement and those imposed by FHFA.

Government Support for Our Business

We receive substantial support from Treasury and are dependent upon its continued support in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to:

- Keeping us solvent;
- Allowing us to focus on our primary business objectives under conservatorship; and
- Avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions.

At March 31, 2018, our assets exceeded our liabilities under GAAP; therefore, FHFA, as Conservator, did not request a draw on our behalf and, as a result, we did not receive any funding from Treasury under the Purchase Agreement during 2Q 2018. The amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

See **Note 8** and **Note 11** for more information on the conservatorship and the Purchase Agreement.

Related Parties as a Result of Conservatorship

We are deemed related parties with Fannie Mae as both we and Fannie Mae have the same relationships with FHFA and Treasury. CSS was formed in 2013 as a limited liability company equally-owned by Freddie Mac and Fannie Mae. Therefore, CSS is also deemed a related party. During YTD 2018, we contributed $76 million of capital to CSS, and we have contributed $405 million since the fourth quarter of 2014.

NOTE 3

Securitization Activities and Consolidation

Our primary business activities in our Single-family Guarantee and Multifamily segments involve the securitization of loans or other mortgage-related assets using trusts that are VIEs. These trusts issue beneficial interests in the loans or other mortgage-related assets that they own. We guarantee the principal and interest payments on some or all of the issued beneficial interests in substantially all of our securitization transactions. We consolidate VIEs when we have a controlling financial interest in the VIE and are therefore considered the primary beneficiary of the VIE. See **Note 5** for additional information on our guarantee activities.

Consolidated VIEs

The table below presents the carrying value and classification of the assets and liabilities of consolidated VIEs on our condensed consolidated balance sheets.

(In millions)	June 30, 2018	December 31, 2017
Consolidated Balance Sheet Line Item		
Assets:		
Restricted cash and cash equivalents	$500	$518
Securities purchased under agreements to resell	16,435	16,750
Mortgage loans held-for-investment	1,795,534	1,774,286
Accrued interest receivable	5,664	5,747
Other assets	2,445	2,738
Total assets of consolidated VIEs	**$1,820,578**	**$1,800,039**
Liabilities:		
Accrued interest payable	$5,122	$5,028
Debt, net	1,746,298	1,720,996
Other liabilities	2	2
Total liabilities of consolidated VIEs	**$1,751,422**	**$1,726,026**

Non-Consolidated VIEs

Our involvement with VIEs for which we are not the primary beneficiary takes one or both of two forms - purchasing an investment in these entities or providing a guarantee to these entities. The following table presents the carrying amounts and classification of the assets and liabilities recorded on our condensed consolidated balance sheets related to our variable interests in non-consolidated VIEs with which we were involved in the design and creation and have a significant continuing involvement, as well as our maximum exposure to loss. We do not believe the maximum exposure to loss disclosed in the table below is representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancement arrangements. See **Note 6** for additional information on credit enhancement arrangements.

(In millions)	June 30, 2018	December 31, 2017
Assets and Liabilities Recorded on our Condensed Consolidated Balance Sheets[(1)]		
Assets:		
Investments in securities	$46,869	$51,494
Accrued interest receivable	228	233
Derivative assets, net	22	7
Other assets	2,754	2,591
Liabilities:		
Derivative liabilities, net	60	—
Other liabilities	2,683	2,489
Maximum Exposure to Loss[(2)(3)]	**219,637**	**200,196**
Total Assets of Non-Consolidated VIEs[(3)]	**255,124**	**232,762**

(1) Includes our variable interests in REMICs and Stripped Giant PCs, K Certificates, SB Certificates, senior subordinate securitization structures and other securitization products that we do not consolidate.

(2) Our maximum exposure to loss includes the guaranteed UPB of assets held by the non-consolidated VIEs, the UPB of unguaranteed securities that we acquired from these securitization transactions and the UPB of guarantor advances made to the holders of the guaranteed securities.

(3) Our maximum exposure to loss and total assets of non-consolidated VIEs exclude our investments in and obligations to REMICs and Stripped Giant PCs, because we already consolidate the underlying collateral of these trusts on our condensed consolidated balance sheets. In addition, our maximum exposure to loss excludes other guarantees measured at fair value related to certain of our REMICs where our exposure may be unlimited. We generally reduce our exposure to these guarantees with unlimited exposure through separate contracts with third parties.

We also obtain interests in various other VIEs created by third parties through the normal course of business. To the extent that we were not involved in the design and creation of these VIEs, they are excluded from the table above. Our interests in these VIEs are generally passive in nature and are not expected to result in us obtaining a controlling financial interest in these VIEs in the future.

NOTE 4

Mortgage Loans and Allowance for Credit Losses

The table below provides details of the loans on our condensed consolidated balance sheets.

	June 30, 2018			December 31, 2017		
(In millions)	Held by Freddie Mac	Held by Consolidated Trusts	Total	Held by Freddie Mac	Held by Consolidated Trusts	Total
Held-for-sale:						
Single-family	$11,528	$—	$11,528	$17,039	$—	$17,039
Multifamily	16,752	—	16,752	20,537	—	20,537
Total UPB	**28,280**	**—**	**28,280**	**37,576**	**—**	**37,576**
Cost basis and fair value adjustments, net	(2,003)	—	(2,003)	(2,813)	—	(2,813)
Total held-for-sale loans, net	**26,277**	**—**	**26,277**	**34,763**	**—**	**34,763**
Held-for-investment:						
Single-family	55,948	1,767,684	1,823,632	51,893	1,742,736	1,794,629
Multifamily	14,531	3,990	18,521	17,702	3,747	21,449
Total UPB	**70,479**	**1,771,674**	**1,842,153**	**69,595**	**1,746,483**	**1,816,078**
Cost basis adjustments	(2,541)	27,359	24,818	(2,148)	31,490	29,342
Allowance for loan losses	(4,898)	(3,499)	(8,397)	(5,279)	(3,687)	(8,966)
Total held-for-investment loans, net	**63,040**	**1,795,534**	**1,858,574**	**62,168**	**1,774,286**	**1,836,454**
Total loans, net	**$89,317**	**$1,795,534**	**$1,884,851**	**$96,931**	**$1,774,286**	**$1,871,217**

The table below provides details of the UPB of loans we purchased, reclassified from held-for-investment to held-for-sale, and sold.

(In billions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Single-family:				
Purchases				
Held-for-investment loans	$84.4	$73.3	$149.9	$158.9
Reclassified from held-for-investment to held-for-sale(1)	2.6	11.1	4.3	12.8
Sale of held-for-sale loans(2)	2.4	1.6	4.2	1.6
Multifamily:				
Purchases				
Held-for-investment loans	0.7	0.6	1.7	1.9
Held-for-sale loans	14.4	12.8	26.2	24.0
Reclassified from held-for-investment to held-for-sale(1)	0.2	0.7	0.5	0.7
Sale of held-for-sale loans(3)	14.2	12.8	30.4	22.7

(1) We reclassify loans from held-for-investment to held-for-sale when we no longer have the intent or ability to hold for the foreseeable future.

(2) Our sales of single-family loans reflect the sale of seasoned single-family loans. The sale of seasoned single-family mortgage loans is part of our strategy to mitigate and reduce our holdings of less liquid assets.

(3) Our sales of multifamily loans occur primarily through the issuance of multifamily K Certificates and SB Certificates. See **Note 3** for more information on our K Certificates and SB Certificates.

Credit Quality

Single-Family

The current LTV ratio is one key factor we consider when estimating our allowance for credit losses for single-family loans. As current LTV ratios increase, the borrower's equity in the home decreases, which may negatively affect the borrower's ability to refinance or to sell the property for an amount at or above the balance of the outstanding loan.

A second-lien loan also reduces the borrower's equity in the home and has a similar negative effect on the borrower's ability to refinance or sell the property for an amount at or above the combined balances of the first and second loans. As of both June 30, 2018 and December 31, 2017, based on data collected by us at loan delivery, approximately 9% of loans in our single-family credit guarantee portfolio had second-lien financing by third parties at origination of the first loan. However, borrowers are free to obtain second-lien financing after origination, and we are not entitled to receive notification when a borrower does so. For further information about concentrations of risk associated with our single-family and multifamily loans, see **Note 14**.

The table below presents the recorded investment of single-family held-for-investment loans by current LTV ratios. Our current LTV ratios are estimates based on available data through the end of each respective period presented.

	June 30, 2018				December 31, 2017			
	Current LTV Ratio			Total	Current LTV Ratio			Total
(In millions)	≤ 80	> 80 to 100	> 100[1]		≤ 80	> 80 to 100	> 100[1]	
20 and 30-year or more, amortizing fixed-rate[2]	$1,299,704	$199,269	$9,861	$1,508,834	$1,240,224	$214,177	$13,303	$1,467,704
15-year amortizing fixed-rate[2]	262,507	5,356	243	268,106	270,266	7,351	381	277,998
Adjustable-rate	45,634	2,195	13	47,842	48,596	2,963	28	51,587
Alt-A, interest-only, and option ARM	19,601	3,078	1,008	23,687	21,013	4,256	1,429	26,698
Total single-family loans	**$1,627,446**	**$209,898**	**$11,125**	**$1,848,469**	**$1,580,099**	**$228,747**	**$15,141**	**$1,823,987**

(1) The serious delinquency rate for the total of single-family held-for-investment mortgage loans with current LTV ratios in excess of 100% was 7.79% and 8.43% as of June 30, 2018 and December 31, 2017, respectively.

(2) As of June 30, 2018 and December 31, 2017, $14.4 billion and $22.2 billion, respectively, in UPB of modified loans were categorized as fixed-rate loans (instead of as adjustable rate loans), even though the modified loans have rate adjustment provisions. In these cases, while the terms of the modified loans provide for the interest rate to adjust, such rates and the timing of the adjustment are determined at the time of modification rather than at a subsequent date.

For reporting purposes:

- Loans within the Alt-A category continue to be presented in that category following modification, even though the borrower may have provided full documentation of assets and income to complete the modification; and
- Loans within the option ARM category continue to be presented in that category following modification, even though the modified loan no longer provides for optional payment or adjustable interest-rate provisions.

Multifamily

The table below presents the recorded investment in our multifamily held-for-investment loans, by credit quality indicator based on available data through the end of each period presented. These indicators involve significant management judgment.

(In millions)	June 30, 2018	December 31, 2017
Credit risk profile by internally assigned grade:(1)		
Pass	$17,991	$20,963
Special mention	301	301
Substandard	210	169
Doubtful	—	—
Total	**$18,502**	**$21,433**

(1) A loan categorized as: "Pass" is current and adequately protected by the current financial strength and debt service capacity of the borrower; "Special mention" has administrative issues that may affect future repayment prospects but does not have current credit weaknesses; "Substandard" has a weakness that jeopardizes the timely full repayment; and "Doubtful" has a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions.

Mortgage Loan Performance

The tables below present the recorded investment of our single-family and multifamily loans, held-for-investment, by payment status.

	June 30, 2018					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Non-accrual
Single-family:						
20 and 30-year or more, amortizing fixed-rate	$1,481,467	$14,664	$3,718	$8,985	$1,508,834	$8,982
15-year amortizing fixed-rate	266,621	978	158	349	268,106	349
Adjustable-rate	47,323	306	60	153	47,842	153
Alt-A, interest-only, and option ARM	21,027	1,041	383	1,236	23,687	1,236
Total single-family	**1,816,438**	**16,989**	**4,319**	**10,723**	**1,848,469**	**10,720**
Total multifamily	**18,493**	**—**	**—**	**9**	**18,502**	**49**
Total single-family and multifamily	**$1,834,931**	**$16,989**	**$4,319**	**$10,732**	**$1,866,971**	**$10,769**

	December 31, 2017					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Non-accrual
Single-family:						
20 and 30-year or more, amortizing fixed-rate	$1,431,342	$18,297	$5,660	$12,405	$1,467,704	$12,401
15-year amortizing fixed-rate	275,864	1,288	290	556	277,998	556
Adjustable-rate	50,915	383	84	205	51,587	205
Alt-A, interest-only, and option ARM	23,235	1,297	509	1,657	26,698	1,656
Total single-family	**1,781,356**	**21,265**	**6,543**	**14,823**	**1,823,987**	**14,818**
Total multifamily	**21,414**	**—**	**—**	**19**	**21,433**	**64**
Total single-family and multifamily	**$1,802,770**	**$21,265**	**$6,543**	**$14,842**	**$1,845,420**	**$14,882**

(1) Includes $3.5 billion and $4.1 billion of loans that were in the process of foreclosure as of June 30, 2018 and December 31, 2017, respectively.

The table below summarizes the delinquency rates of loans within our single-family credit guarantee and multifamily mortgage portfolios.

(Dollars in millions)	June 30, 2018	December 31, 2017
Single-family:		
Non-credit-enhanced portfolio		
Serious delinquency rate	0.96%	1.16%
Total number of seriously delinquent loans	62,145	81,668
Credit-enhanced portfolio:(1)		
Primary mortgage insurance:		
Serious delinquency rate	1.04%	1.43%
Total number of seriously delinquent loans	17,417	23,275
Other credit protection:(2)		
Serious delinquency rate	0.33%	0.53%
Total number of seriously delinquent loans	12,322	16,259
Total single-family:		
Serious delinquency rate	**0.82%**	**1.08%**
Total number of seriously delinquent loans	**88,407**	**116,662**
Multifamily:(3)		
Non-credit-enhanced portfolio:		
Delinquency rate	0.03%	0.06%
UPB of delinquent loans	$9	$24
Credit-enhanced portfolio:		
Delinquency rate	0.01%	0.01%
UPB of delinquent loans	$18	$16
Total multifamily:		
Delinquency rate	**0.01%**	**0.02%**
UPB of delinquent loans	**$27**	**$40**

(1) The credit-enhanced categories are not mutually exclusive, as a single loan may be covered by both primary mortgage insurance and other credit protection.

(2) Consists of single-family loans covered by financial arrangements (other than primary mortgage insurance) that are designed to reduce our credit risk exposure. See **Note 6** for additional information on our credit enhancements.

(3) Multifamily delinquency performance is based on UPB of loans that are two monthly payments or more past due or those in the process of foreclosure.

Allowance for Credit Losses

The allowance for credit losses represents estimates of probable incurred credit losses which we recognize by recording a charge to the provision for credit losses in our condensed consolidated statements of comprehensive income. The allowance for credit losses includes:

- Our allowance for loan losses, which pertains to all single-family and multifamily loans classified as held-for-investment on our condensed consolidated balance sheets; and
- Our reserve for guarantee losses, which pertains to single-family and multifamily loans underlying our K Certificates, SB Certificates, senior subordinate securitization structures, other securitization products and other mortgage-related guarantees.

The tables below summarize changes in our allowance for credit losses.

	2Q 2018				2Q 2017			
	Allowance for Loan Losses				Allowance for Loan Losses			
(In millions)	Held by Freddie Mac	Held By Consolidated Trusts	Reserve for Guarantee Losses	Total	Held by Freddie Mac	Held By Consolidated Trusts	Reserve for Guarantee Losses	Total
Single-family:								
Beginning balance	$5,305	$3,524	$48	$8,877	$9,866	$2,854	$54	$12,774
Provision (benefit) for credit losses	(205)	144	3	(58)	(512)	94	2	(416)
Charge-offs	(581)	(16)	(2)	(599)	(2,119)	(33)	(1)	(2,153)
Recoveries	124	2	—	126	84	1	—	85
Transfers, net[1]	165	(165)	—	—	163	(163)	—	—
Other[2]	79	8	—	87	59	2	—	61
Single-family ending balance	**4,887**	**3,497**	**49**	**8,433**	**7,541**	**2,755**	**55**	**10,351**
Multifamily ending balance	**11**	**2**	**7**	**20**	**14**	**1**	**7**	**22**
Total ending balance	**$4,898**	**$3,499**	**$56**	**$8,453**	**$7,555**	**$2,756**	**$62**	**$10,373**

	YTD 2018				YTD 2017			
	Allowance for Loan Losses				Allowance for Loan Losses			
(In millions)	Held by Freddie Mac	Held By Consolidated Trusts	Reserve for Guarantee Losses	Total	Held by Freddie Mac	Held By Consolidated Trusts	Reserve for Guarantee Losses	Total
Single-family:								
Beginning balance	$5,251	$3,680	$48	$8,979	$10,442	$2,969	$54	$13,465
Provision (benefit) for credit losses	(107)	123	5	21	(728)	200	2	(526)
Charge-offs	(936)	(31)	(4)	(971)	(2,816)	(76)	(1)	(2,893)
Recoveries	219	3	—	222	179	3	—	182
Transfers, net[1]	291	(291)	—	—	344	(344)	—	—
Other[2]	169	13	—	182	120	3	—	123
Single-family ending balance	**4,887**	**3,497**	**49**	**8,433**	**7,541**	**2,755**	**55**	**10,351**
Multifamily ending balance	**11**	**2**	**7**	**20**	**14**	**1**	**7**	**22**
Total ending balance	**$4,898**	**$3,499**	**$56**	**$8,453**	**$7,555**	**$2,756**	**$62**	**$10,373**

(1) Relates to removal of delinquent single-family loans from consolidated trusts and resecuritization after such removal.

(2) Primarily includes capitalization of past due interest on modified loans.

A significant number of unsecuritized single-family loans on our condensed consolidated balance sheets are individually evaluated for impairment while substantially all single-family loans held by our consolidated trusts are collectively evaluated for impairment. The allowance for loan losses associated with our held-for-investment unsecuritized loans represented approximately 7.2% and 7.8% of the recorded investment in such loans at June 30, 2018 and December 31, 2017, respectively, and a substantial portion of the allowance associated with these loans represented interest rate concessions provided to borrowers as part of loan modifications. The allowance for loan losses associated with loans held by our consolidated trusts represented approximately 0.2% of the recorded investment in such loans as of both June 30, 2018 and December 31, 2017.

The table below presents our allowance for loan losses and our recorded investment in loans, held-for-investment, by impairment evaluation methodology.

	June 30, 2018			December 31, 2017		
(In millions)	**Single-family**	**Multifamily**	**Total**	**Single-family**	**Multifamily**	**Total**
Recorded investment:						
Collectively evaluated	$1,787,602	$18,384	$1,805,986	$1,764,750	$21,301	$1,786,051
Individually evaluated	60,867	118	60,985	59,237	132	59,369
Total recorded investment	**1,848,469**	**18,502**	**1,866,971**	**1,823,987**	**21,433**	**1,845,420**
Ending balance of the allowance for loan losses:						
Collectively evaluated	(1,792)	(11)	(1,803)	(2,301)	(28)	(2,329)
Individually evaluated	(6,592)	(2)	(6,594)	(6,630)	(7)	(6,637)
Total ending balance of the allowance	**(8,384)**	**(13)**	**(8,397)**	**(8,931)**	**(35)**	**(8,966)**
Net investment in loans	**$1,840,085**	**$18,489**	**$1,858,574**	**$1,815,056**	**$21,398**	**$1,836,454**

Allowance for Loan Losses Determined on an Individual Basis

Impaired Loans

The tables below present the UPB, recorded investment, related allowance for loan losses, average recorded investment and interest income recognized for individually impaired loans.

	June 30, 2018			December 31, 2017		
(In millions)	UPB	Recorded Investment	Associated Allowance	UPB	Recorded Investment	Associated Allowance
Single-family:						
With no allowance recorded:[1]						
20 and 30-year or more, amortizing fixed-rate	$4,790	$3,748	N/A	$3,768	$2,908	N/A
15-year amortizing fixed-rate	24	22	N/A	24	21	N/A
Adjustable-rate	265	262	N/A	259	256	N/A
Alt-A, interest-only, and option ARM	1,742	1,434	N/A	1,558	1,297	N/A
Total with no allowance recorded	**6,821**	**5,466**	**N/A**	**5,609**	**4,482**	**N/A**
With an allowance recorded:[2]						
20 and 30-year or more, amortizing fixed-rate	48,938	47,749	($5,509)	47,897	46,783	($5,505)
15-year amortizing fixed-rate	890	901	(43)	752	757	(24)
Adjustable-rate	230	227	(13)	232	228	(14)
Alt-A, interest-only, and option ARM	6,988	6,524	(1,027)	7,407	6,987	(1,087)
Total with an allowance recorded	**57,046**	**55,401**	**(6,592)**	**56,288**	**54,755**	**(6,630)**
Combined single-family:						
20 and 30-year or more, amortizing fixed-rate	53,728	51,497	(5,509)	51,665	49,691	(5,505)
15-year amortizing fixed-rate	914	923	(43)	776	778	(24)
Adjustable-rate	495	489	(13)	491	484	(14)
Alt-A, interest-only, and option ARM	8,730	7,958	(1,027)	8,965	8,284	(1,087)
Total single-family	**63,867**	**60,867**	**(6,592)**	**61,897**	**59,237**	**(6,630)**
Multifamily:						
With no allowance recorded[1]	124	115	N/A	106	97	N/A
With an allowance recorded	3	3	(2)	35	35	(7)
Total multifamily	**127**	**118**	**(2)**	**141**	**132**	**(7)**
Total single-family and multifamily	**$63,994**	**$60,985**	**($6,594)**	**$62,038**	**$59,369**	**($6,637)**

Referenced footnotes are included after the last table in the Impaired Loans section.

(In millions)	2Q 2018 Average Recorded Investment	2Q 2018 Interest Income Recognized	2Q 2018 Interest Income Recognized On Cash Basis[3]	2Q 2017 Average Recorded Investment	2Q 2017 Interest Income Recognized	2Q 2017 Interest Income Recognized On Cash Basis[3]
Single-family:						
With no allowance recorded:[1]						
20 and 30-year or more, amortizing fixed-rate	$3,700	$91	$3	$3,801	$101	$5
15-year amortizing fixed-rate	22	2	—	27	—	—
Adjustable rate	264	3	—	306	3	—
Alt-A, interest-only, and option ARM	1,427	24	1	1,509	27	1
Total with no allowance recorded	**5,413**	**120**	**4**	**5,643**	**131**	**6**
With an allowance recorded:[2]						
20 and 30-year or more, amortizing fixed-rate	48,070	509	82	59,482	643	60
15-year amortizing fixed-rate	882	6	3	803	5	1
Adjustable rate	219	—	1	259	2	—
Alt-A, interest-only, and option ARM	6,579	53	8	9,446	100	8
Total with an allowance recorded	**55,750**	**568**	**94**	**69,990**	**750**	**69**
Combined single-family:						
20 and 30-year or more, amortizing fixed-rate	51,770	600	85	63,283	744	65
15-year amortizing fixed-rate	904	8	3	830	5	1
Adjustable rate	483	3	1	565	5	—
Alt-A, interest-only, and option ARM	8,006	77	9	10,955	127	9
Total single-family	**61,163**	**688**	**98**	**75,633**	**881**	**75**
Multifamily:						
With no allowance recorded[1]	115	1	—	141	2	—
With an allowance recorded	3	—	—	23	—	1
Total multifamily	**118**	**1**	**—**	**164**	**2**	**1**
Total single-family and multifamily	**$61,281**	**$689**	**$98**	**$75,797**	**$883**	**$76**

Referenced footnotes are included after the last table in the Impaired Loans section.

	YTD 2018			YTD 2017		
(In millions)	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized On Cash Basis[3]	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized On Cash Basis[3]
Single-family —						
With no allowance recorded:[1]						
20 and 30-year or more, amortizing fixed-rate	$3,506	$185	$10	$3,916	$210	$9
15-year amortizing fixed-rate	21	3	—	27	1	—
Adjustable rate	264	6	—	308	6	—
Alt-A, interest-only, and option ARM	1,392	47	2	1,582	56	2
Total with no allowance recorded	**5,183**	**241**	**12**	**5,833**	**273**	**11**
With an allowance recorded:[2]						
20 and 30-year or more, amortizing fixed-rate	47,969	1,101	165	62,287	1,313	130
15-year amortizing fixed-rate	876	14	6	814	17	3
Adjustable rate	223	2	2	266	5	1
Alt-A, interest-only, and option ARM	6,707	133	17	10,431	207	19
Total with an allowance recorded	**55,775**	**1,250**	**190**	**73,798**	**1,542**	**153**
Combined single-family:						
20 and 30-year or more, amortizing fixed-rate	51,475	1,286	175	66,203	1,523	139
15-year amortizing fixed-rate	897	17	6	841	18	3
Adjustable rate	487	8	2	574	11	1
Alt-A, interest-only, and option ARM	8,099	180	19	12,013	263	21
Total single-family	**60,958**	**1,491**	**202**	**79,631**	**1,815**	**164**
Multifamily:						
With no allowance recorded[1]	124	3	1	284	5	1
With an allowance recorded	3	—	—	27	1	1
Total multifamily	**127**	**3**	**1**	**311**	**6**	**2**
Total single-family and multifamily	**$61,085**	**$1,494**	**$203**	**$79,942**	**$1,821**	**$166**

(1) Individually impaired loans with no allowance primarily represent those loans for which the collateral value is sufficiently in excess of the loan balance to result in recovery of the entire recorded investment if the property were foreclosed upon or otherwise subject to disposition.

(2) Consists primarily of loans classified as TDRs.

(3) Consists of income recognized during the period related to loans on non-accrual status.

Troubled Debt Restructurings

The table below presents the volume of single-family and multifamily loans that were newly classified as TDRs, based on the original product category of the loan before the loan was classified as a TDR. Loans classified as a TDR in one period may be subject to further action (such as a modification or remodification) in a subsequent period. In such cases, the subsequent action would not be reflected in the table below since the loan would already have been classified as a TDR.

	2Q 2018		2Q 2017		YTD 2018		YTD 2017	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family:[1]								
20 and 30-year or more, amortizing fixed-rate	10,991	$1,763	8,019	$1,151	30,690	$5,068	16,983	$2,434
15-year amortizing fixed-rate	1,469	139	1,090	88	4,285	431	2,282	176
Adjustable-rate	257	38	215	32	576	95	465	67
Alt-A, interest-only, and option ARM	641	111	601	111	1,880	314	1,281	225
Total single-family	**13,358**	**2,051**	**9,925**	**1,382**	**37,431**	**5,908**	**21,011**	**2,902**
Multifamily	**1**	**$15**	**—**	**$—**	**1**	**$15**	**—**	**$—**

(1) The pre-TDR recorded investment for single-family loans initially classified as TDR during 2Q 2018 and YTD 2018 was $2.1 billion and $6.0 billion, respectively, compared to $1.4 billion and $2.9 billion during 2Q 2017 and YTD 2017, respectively.

Of the single-family loans that were newly classified as TDRs during 2Q 2018, 2Q 2017, YTD 2018 and YTD 2017 respectively:

- 11%, 41%, 14% and 42% involved interest rate reductions and, in certain cases, term extensions;
- 22%, 12%, 25% and 13% involved principal forbearance in addition to interest rate reductions and, in certain cases, term extensions;
- The average term extension was 116, 174,137 and 173 months; and
- The average interest rate reduction was 0.3%, 0.7%, 0.3% and 0.8%.

The table below presents the volume of our TDR modifications that experienced payment defaults (i.e., loans that became two months delinquent or completed a loss event) during the applicable periods and had completed a modification during the year preceding the payment default. The table presents loans based on their original product category before modification.

	2Q 2018		2Q 2017		YTD 2018		YTD 2017	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family:								
20 and 30-year or more, amortizing fixed-rate	3,131	$480	3,301	$534	6,087	$923	6,657	$1,087
15-year amortizing fixed-rate	149	11	146	13	319	26	314	26
Adjustable-rate	42	5	53	8	86	12	109	16
Alt-A, interest-only, and option ARM	250	45	283	62	525	99	588	126
Total single-family	**3,572**	**541**	**3,783**	**617**	**7,017**	**1,060**	**7,668**	**1,255**
Multifamily	**—**	**$—**	**—**	**$—**	**—**	**$—**	**—**	**$—**

In addition, loans may be initially classified as TDRs as a result of other loss mitigation activities (i.e., repayment plans, forbearance agreements, or loans in modification trial periods). During YTD 2018 and YTD 2017, 4,467 and 3,502, respectively, of such loans (with a post-TDR recorded investment of $0.6 billion and $0.4 billion, respectively) experienced a payment default within a year after the loss mitigation activity occurred.

Loans may also be initially classified as TDRs because the borrowers' debts were discharged in Chapter 7 bankruptcy (and the loan was not already classified as a TDR for other reasons). During YTD 2018 and YTD 2017, 289 and 465, respectively, of such loans (with a post-TDR recorded investment of $33 million and $54 million, respectively) experienced a payment default within a year after the borrowers' Chapter 7 bankruptcy.

Non-Cash Investing and Financing Activities

During YTD 2018 and YTD 2017, we acquired $80.9 billion and $106.3 billion, respectively, of loans held-for-investment in exchange for the issuance of debt securities of consolidated trusts in guarantor swap transactions. We received approximately $11.8 billion and $16.3 billion of loans from sellers during YTD 2018 and YTD 2017, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets. These loans were primarily included in the guarantor swap transactions.

In addition, we acquire REO properties through foreclosure sales or by deed in lieu of foreclosure. These acquisitions represent non-cash transfers. During YTD 2018 and YTD 2017, we had transfers of $0.5 billion and $0.6 billion, respectively, from loans to REO.

NOTE 5

Guarantee Activities

We generate revenue through our guarantee activities by agreeing to absorb the credit risk associated with certain financial instruments that are owned or held by third parties. In exchange for providing this guarantee, we receive an ongoing guarantee fee that is commensurate with the risks assumed and that will, over the long-term, provide us with cash flows that are expected to exceed the credit-related and administrative expenses of the underlying financial instruments. The profitability of our guarantee activities may vary and will be dependent on our guarantee fee and the actual credit performance of the underlying financial instruments that we have guaranteed.

The table below shows our maximum exposure, recognized liability and maximum remaining term of our recognized guarantees to non-consolidated VIEs and other third parties. This table does not include our unrecognized guarantees, such as guarantees to consolidated VIEs or to resecuritization trusts that do not expose us to incremental credit risk. The maximum exposure disclosed in the table is not representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancement arrangements. See **Note 6** for additional information on our credit enhancement arrangements.

	June 30, 2018			December 31, 2017		
(Dollars in millions, terms in years)	Maximum Exposure(1)	Recognized Liability(2)	Maximum Remaining Term	Maximum Exposure(1)	Recognized Liability(2)	Maximum Remaining Term
Single-family:						
Securitization activity guarantees	$13,587	$160	40	$10,817	$120	40
Other mortgage-related guarantees	6,015	173	30	6,264	190	31
Total single-family	**$19,602**	**$333**		**$17,081**	**$310**	
Multifamily:						
Securitization activity guarantees	$203,994	$2,451	39	$188,768	$2,305	40
Other mortgage-related guarantees	10,138	469	36	9,888	466	36
Total multifamily	**$214,132**	**$2,920**		**$198,656**	**$2,771**	
Other guarantees measured at fair value	$13,322	$186	28	$9,661	$141	28

(1) The maximum exposure represents the contractual amounts that could be lost if counterparties or borrowers defaulted, without consideration of possible recoveries under credit enhancement arrangements, such as recourse provisions, third-party insurance contracts, or from collateral held or pledged. For other guarantees measured at fair value, this amount represents the notional value if it relates to our market value guarantees or guarantees of third party derivative instruments; or the UPB if it relates to a guarantee of a mortgage-related asset. For certain of our other guarantees measured at fair value, our exposure may be unlimited. We generally reduce our exposure to these guarantees with unlimited exposure through separate contracts with third parties.

(2) For securitization activity guarantees and other mortgage-related guarantees, this amount represents the guarantee obligation on our condensed consolidated balance sheets. This amount excludes our reserve for guarantee losses, which totaled $56 million and $57 million as of June 30, 2018 and December 31, 2017, respectively, and is included within other liabilities on our condensed consolidated balance sheets. For other guarantees measured at fair value, this amount represents the fair value of the contract.

NOTE 6

Credit Enhancements

In connection with many of our mortgage loans, securitization activity guarantees, other mortgage-related guarantees and other credit risk transfer transactions, we obtain various forms of credit enhancements that reduce our exposure to credit losses. These credit enhancements may be attached to the underlying mortgage loans, freestanding or embedded in debt instruments.

Attached Credit Enhancements

The table below presents the total current and protected UPB and maximum coverage provided by our attached credit enhancements. For information about counterparty credit risk associated with mortgage insurers, see **Note 14**.

	June 30, 2018		December 31, 2017	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Single-family:				
Primary mortgage insurance	$351,776	$90,085	$334,189	$85,429

(1) Underlying loans may be covered by more than one form of credit enhancement, including freestanding credit enhancements and debt with embedded credit enhancements.

(2) Represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements.

Freestanding Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to our single-family and multifamily freestanding credit enhancements.

	June 30, 2018		December 31, 2017	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Single-family:				
Subordination (non-consolidated VIEs)	$11,962	$2,308	$8,953	$1,734
ACIS(3)(4)	698,012	7,873	625,082	6,933
Other(4)(5)	88,554	8,173	8,623	6,282
Total single-family		**18,354**		**14,949**
Multifamily:				
Subordination (non-consolidated VIEs)	204,157	33,150	187,299	30,689
Other(6)	1,667	717	1,833	726
Total multifamily		**33,867**		**31,415**
Total single-family and multifamily freestanding credit enhancements		**$52,221**		**$46,364**

(1) Underlying loans may be covered by more than one form of credit enhancement, including attached credit enhancements and debt with embedded credit enhancements. For subordination, total current and protected UPB includes the UPB of the guaranteed securities and the UPB of guarantor advances made to the holders of the guaranteed securities.

(2) For subordination, maximum coverage represents the UPB of the securities that are subordinate to our guarantee and held by third parties. For all other freestanding credit enhancements, maximum coverage represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements.

(3) As of June 30, 2018 and December 31, 2017, our counterparties posted collateral on our ACIS transactions of $1.4 billion and $1.1 billion, respectively.

(4) Starting in 2Q 2018, ACIS transactions include Deep MI CRT transactions which were previously disclosed under "Other" transactions. The current and prior period presentation has been modified to reflect this change.

(5) Includes seller indemnification, lender recourse and indemnification agreements, pool insurance, HFA indemnification and other credit enhancements.

(6) Consists of multifamily HFA indemnification and loss reimbursement agreements with third parties obtained in certain of our Q Certificate transactions.

In addition to the credit enhancements disclosed above, the Multifamily segment has other credit enhancements. Recoveries from these other credit enhancements have been minimal as the historical losses on our mortgage loans and amounts paid under our guarantee contracts have not been significant. Therefore, these other credit enhancements have been excluded from the table.

Debt with Embedded Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to debt with embedded credit enhancements.

	June 30, 2018		December 31, 2017	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Single-family:				
STACR debt notes	$641,850	$18,670	$604,356	$17,788
Subordination (consolidated VIEs)	12,722	552	3,330	179
Total single-family		**19,222**		**17,967**
Multifamily:				
SCR debt notes	2,690	135	2,732	137
Subordination (consolidated VIEs)	1,800	180	1,800	180
Total multifamily		**315**		**317**
Total single-family and multifamily debt with embedded credit enhancements		**$19,537**		**$18,284**

(1) Underlying loans may be covered by more than one form of credit enhancement, including attached credit enhancements and freestanding credit enhancements. For STACR debt notes and SCR debt notes, total current and protected UPB represents the UPB of the assets included in the reference pool. For subordination, total current and protected UPB represents the UPB of the guaranteed securities.

(2) For STACR debt notes and SCR debt notes, maximum coverage amount represents the outstanding balance of the STACR debt notes and SCR debt notes held by third parties. For subordination, maximum coverage amount represents the UPB of the securities that are subordinate to our guarantee and held by third parties.

NOTE 7

Investments in Securities

The table below summarizes the fair values of our investments in debt securities by classification.

(In millions)	June 30, 2018	December 31, 2017
Trading securities	$39,888	$40,721
Available-for-sale securities	37,822	43,597
Total	**$77,710**	**$84,318**

As of June 30, 2018 and December 31, 2017, we did not classify any securities as held-to-maturity, although we may elect to do so in the future.

Trading Securities

The table below presents the estimated fair values of our trading securities by major security type. Our non-mortgage-related securities primarily consist of investments in U.S. Treasury securities.

(In millions)	June 30, 2018	December 31, 2017
Mortgage-related securities:		
Freddie Mac	$12,414	$12,235
Other agency	2,641	3,574
Non-agency RMBS	706	750
Non-agency CMBS	598	1,343
Total mortgage-related securities	**16,359**	**17,902**
Non-mortgage-related securities	23,529	22,819
Total fair value of trading securities	**$39,888**	**$40,721**

For trading securities held at June 30, 2018, we recorded net unrealized gains (losses) of ($177) million and ($402) million during 2Q 2018 and YTD 2018, respectively. For trading securities held at June 30, 2017, we recorded net unrealized gains (losses) of ($210) million and ($157) million during 2Q 2017 and YTD 2017, respectively.

Available-for-Sale Securities

At June 30, 2018 and December 31, 2017, all available-for-sale securities were mortgage-related securities.

The tables below present the amortized cost, gross unrealized gains and losses and fair value by major security type for our securities classified as available-for-sale.

	June 30, 2018				
			Gross Unrealized Losses		
(In millions)	Amortized Cost	Gross Unrealized Gains	Other-Than-Temporary Impairment(1)	Temporary Impairment(2)	Fair Value
Available-for-sale securities:					
Freddie Mac	$32,085	$244	$—	($801)	$31,528
Other agency	2,069	42	—	(7)	2,104
Non-agency RMBS	1,775	452	—	(1)	2,226
Non-agency CMBS	1,703	—	(9)	(39)	1,655
Obligations of states and political subdivisions	306	3	—	—	309
Total available-for-sale securities	**$37,938**	**$741**	**($9)**	**($848)**	**$37,822**

	December 31, 2017				
			Gross Unrealized Losses		
(In millions)	Amortized Cost	Gross Unrealized Gains	Other-Than-Temporary Impairment(1)	Temporary Impairment(2)	Fair Value
Available-for-sale securities:					
Freddie Mac	$35,433	$499	$—	($462)	$35,470
Other agency	2,008	56	—	(11)	2,053
Non-agency RMBS	3,012	927	(5)	(1)	3,933
Non-agency CMBS	1,773	22	(9)	(2)	1,784
Obligations of states and political subdivisions	352	5	—	—	357
Total available-for-sale securities	**$42,578**	**$1,509**	**($14)**	**($476)**	**$43,597**

(1) Represents the gross unrealized losses for securities for which we have previously recognized other-than-temporary impairment in earnings.

(2) Represents the gross unrealized losses for securities for which we have not previously recognized other-than-temporary impairment in earnings.

The fair value of our available-for-sale securities held at June 30, 2018 scheduled to contractually mature after ten years was $34.5 billion, with an additional $2.7 billion scheduled to contractually mature after five years through ten years.

Available-For-Sale Securities in a Gross Unrealized Loss Position

The tables below present available-for-sale securities in a gross unrealized loss position and whether such securities have been in an unrealized loss position for less than 12 months, or 12 months or greater.

	June 30, 2018			
	Less than 12 Months		12 Months or Greater	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$12,019	($238)	$9,141	($563)
Other agency	225	(1)	831	(7)
Non-agency RMBS	1	—	27	(1)
Non-agency CMBS	1,637	(39)	16	(9)
Obligations of states and political subdivisions	14	—	12	—
Total available-for-sale securities in a gross unrealized loss position	**$13,896**	**($278)**	**$10,027**	**($580)**

	December 31, 2017			
	Less than 12 Months		12 Months or Greater	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$10,337	($107)	$9,251	($355)
Other agency	40	—	1,079	(11)
Non-agency RMBS	5	—	105	(6)
Non-agency CMBS	1,026	(2)	52	(9)
Obligations of states and political subdivisions	12	—	21	—
Total available-for-sale securities in a gross unrealized loss position	**$11,420**	**($109)**	**$10,508**	**($381)**

At June 30, 2018, the gross unrealized losses relate to 373 separate securities.

Realized Gains and Losses on Sales of Available-For-Sale Securities

The table below summarizes the gross realized gains and gross realized losses from the sale of available-for-sale securities.

(In millions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Gross realized gains	$29	$129	$475	$347
Gross realized losses	(50)	(6)	(101)	(34)
Net realized gains (losses)	**($21)**	**$123**	**$374**	**$313**

Non-Cash Investing and Financing Activities

During 2Q 2018, we purchased $4.0 billion and sold $4.2 billion of non-mortgage-related securities that were traded, but not settled. We settled our purchase and sale obligations during 3Q 2018.

NOTE 8

Debt Securities and Subordinated Borrowings

The table below summarizes the interest expense per our condensed consolidated statements of comprehensive income and the balances of total debt, net per our condensed consolidated balance sheets.

	Balance, Net		Interest Expense			
(In millions)	June 30, 2018	December 31, 2017	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Debt securities of consolidated trusts held by third parties	$1,746,298	$1,720,996	$12,655	$11,994	$25,169	$23,715
Other debt:						
Short-term debt	56,832	73,069	242	145	471	241
Long-term debt	218,032	240,565	1,402	1,382	2,616	2,750
Total other debt	**274,864**	**313,634**	**1,644**	**1,527**	**3,087**	**2,991**
Total debt, net	**$2,021,162**	**$2,034,630**	**$14,299**	**$13,521**	**$28,256**	**$26,706**

Our debt cap under the Purchase Agreement is $346.1 billion in 2018 and will decline to $300 billion on January 1, 2019. As of June 30, 2018, our aggregate indebtedness for purposes of the debt cap was $278.8 billion. Our aggregate indebtedness calculation primarily includes the par value of other short- and long-term debt.

Debt Securities of Consolidated Trusts Held by Third Parties

The table below summarizes the debt securities of consolidated trusts held by third parties based on underlying loan product type.

	June 30, 2018				December 31, 2017			
(Dollars in millions)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)
Single-family:								
30-year or more, fixed-rate	2018 - 2055	$1,322,573	$1,360,514	3.69%	2018 - 2055	$1,278,911	$1,318,350	3.68%
20-year fixed-rate	2018 - 2038	71,492	73,464	3.42	2018 - 2038	73,866	76,022	3.43
15-year fixed-rate	2018 - 2033	252,407	257,284	2.86	2018 - 2033	260,633	266,241	2.86
Adjustable-rate	2018 - 2048	42,965	43,874	2.94	2018 - 2048	47,169	48,220	2.85
Interest-only	2026 - 2041	6,118	6,181	3.97	2026 - 2041	7,303	7,379	3.74
FHA/VA	2018 - 2046	781	799	4.81	2018 - 2046	847	866	4.85
Total single-family		**1,696,336**	**1,742,116**			**1,668,729**	**1,717,078**	
Multifamily	2019-2047	4,144	4,182	3.63	2019-2047	3,876	3,918	3.99
Total debt securities of consolidated trusts held by third parties		**$1,700,480**	**$1,746,298**			**$1,672,605**	**$1,720,996**	

(1) Includes $637 million and $639 million at June 30, 2018 and December 31, 2017, respectively, of debt of consolidated trusts that represents the fair value of debt securities with the fair value option elected.

(2) The effective interest rate for debt securities of consolidated trusts held by third parties was 2.90% and 2.84% as of June 30, 2018 and December 31, 2017, respectively.

Other Debt

The table below summarizes the balances and effective interest rates for other debt.

	June 30, 2018			December 31, 2017		
(Dollars in millions)	**Par Value**	**Carrying Amount[1]**	**Weighted Average Effective Rate[2]**	**Par Value**	**Carrying Amount[1]**	**Weighted Average Effective Rate[2]**
Other short-term debt:						
Discount notes and Reference Bills®	$34,771	$34,651	1.83%	$45,717	$45,596	1.19%
Medium-term notes	10,462	10,462	1.21	17,792	17,792	1.03
Securities sold under agreements to repurchase	11,719	11,719	1.87	9,681	9,681	1.06
Total other short-term debt	**56,952**	**56,832**	**1.72**	**73,190**	**73,069**	**1.14**
Other long-term debt:						
Original maturities on or before December 31,						
2018	27,276	27,281	1.04	70,557	70,587	1.16
2019	58,142	58,099	1.54	57,689	57,637	1.54
2020	40,821	40,794	1.74	38,117	38,087	1.68
2021	27,086	27,093	1.92	22,809	22,829	1.80
2022	19,456	19,427	2.41	18,538	18,506	2.38
Thereafter	29,613	27,037	4.29	17,281	14,660	5.29
STACR and SCR debt[3]	18,805	19,187	5.60	17,925	18,338	5.06
Hedging-related basis adjustments	N/A	(886)		N/A	(79)	
Total other long-term debt[4]	221,199	218,032	2.34	242,916	240,565	2.04
Total other debt	**$278,151**	**$274,864**		**$316,106**	**$313,634**	

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes $4.8 billion and $5.2 billion at June 30, 2018 and December 31, 2017, respectively, of other long-term debt that represents the fair value of debt securities with the fair value option elected.

(2) Based on carrying amount.

(3) Contractual maturities of these debt securities are not presented because they are subject to prepayment risk, as their payments are based upon the performance of a pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty.

(4) Carrying amount for other long-term debt includes callable debt of $112.7 billion and $113.8 billion at June 30, 2018 and December 31, 2017, respectively.

NOTE 9

Derivatives

Use of Derivatives

We use derivatives primarily to hedge interest-rate sensitivity mismatches between our financial assets and liabilities. We analyze the interest-rate sensitivity of financial assets and liabilities on a daily basis across a variety of interest-rate scenarios based on market prices, models and economics. When we use derivatives to mitigate our exposures, we consider a number of factors, including cost, exposure to counterparty risk and our overall risk management strategy.

We classify derivatives into three categories:

- Exchange-traded derivatives;
- Cleared derivatives; and
- OTC derivatives.

Exchange-traded derivatives include standardized interest-rate futures contracts and options on futures contracts. Cleared derivatives refer to those interest-rate swaps that the U.S. Commodity Futures Trading Commission has determined are subject to the central clearing requirement of the Dodd-Frank Act. OTC derivatives refer to those derivatives that are neither exchange-traded derivatives nor cleared derivatives.

Types of Derivatives

We principally use the following types of derivatives:

- LIBOR-based interest-rate swaps;
- LIBOR- and Treasury-based purchased options (including swaptions); and
- LIBOR- and Treasury-based exchange-traded futures.

We also purchase swaptions on credit indices in order to obtain protection against adverse movements in multifamily spreads which may affect the profitability of our K Certificate or SB Certificate transactions.

In addition to swaps, futures and purchased options, our derivative positions include written options and swaptions, commitments and credit derivatives.

Hedge Accounting

Fair Value Hedges

We apply fair value hedge accounting to certain single-family mortgage loans and certain issuances of debt where we hedge the changes in fair value of these items attributable to the designated benchmark interest rate (i.e., LIBOR), using LIBOR-based interest-rate swaps.

Beginning on October 1, 2017, due to the adoption of amended hedge accounting guidance, if a hedge relationship qualifies for fair value hedge accounting, all changes in fair value of the derivative hedging instrument, including interest accruals, are recognized in the same condensed consolidated statements of comprehensive income line item used to present the earnings effect of the hedged item. Therefore, changes in the fair value of the hedged item, mortgage loans and debt, attributable to the risk being hedged are recognized in interest income - mortgage loans and interest expense, respectively, along with the changes in the fair value of the respective derivative hedging instruments. Prior to October 1, 2017, if the hedge relationship qualified for hedge accounting, changes in the fair value of the derivative hedging instrument and changes in the fair value of the hedged item attributable to the risk being hedged were recognized in other income (loss) and interest accruals on the derivative hedging instrument were included in derivative gains (losses).

Cash Flow Hedges

There are amounts recorded in AOCI related to discontinued cash flow hedges which are recognized in earnings when the originally forecasted transactions affect earnings. Amounts reclassified from AOCI are recorded in interest expense. During YTD 2018 and YTD 2017, we reclassified from AOCI into earnings, pre-tax losses of $75 million and $85 million, respectively, related to closed cash flow hedges. See **Note 11** for information about future reclassifications of deferred net losses related to closed cash flow hedges to net income.

Derivative Assets and Liabilities at Fair Value

The table below presents the notional value and fair value of derivatives reported on our condensed consolidated balance sheets.

	June 30, 2018			December 31, 2017		
	Notional or Contractual Amount	Derivatives at Fair Value		Notional or Contractual Amount	Derivatives at Fair Value	
(In millions)		Assets	Liabilities		Assets	Liabilities
Not designated as hedges						
Interest-rate swaps:						
Receive-fixed	$157,034	$1,295	($390)	$213,717	$2,121	($1,224)
Pay-fixed	160,103	998	(718)	185,400	751	(5,008)
Basis (floating to floating)	5,613	—	—	5,244	—	(2)
Total interest-rate swaps	**322,750**	**2,293**	**(1,108)**	**404,361**	**2,872**	**(6,234)**
Option-based:						
Call swaptions						
Purchased	52,400	1,781	—	58,975	2,709	—
Written	4,850	—	(91)	4,650	—	(101)
Put swaptions						
Purchased[(1)]	50,790	1,585	—	47,810	1,058	—
Written	2,700	—	(14)	3,000	—	(20)
Other option-based derivatives[(2)]	10,572	625	—	10,683	757	—
Total option-based	**121,312**	**3,991**	**(105)**	**125,118**	**4,524**	**(121)**
Futures	202,296	—	—	267,385	—	—
Commitments	74,913	74	(151)	54,207	44	(64)
Credit derivatives	2,216	—	(47)	3,569	7	(46)
Other	11,719	23	(79)	2,906	1	(19)
Total derivatives not designated as hedges	**735,206**	**6,381**	**(1,490)**	**857,546**	**7,448**	**(6,484)**
Designated as fair value hedges						
Interest-rate swaps:						
Receive-fixed	88,889	1	(1,402)	83,352	2	(714)
Pay-fixed	81,449	274	(1,906)	69,402	1,388	(291)
Total derivatives designated as fair value hedges	**170,338**	**275**	**(3,308)**	**152,754**	**1,390**	**(1,005)**
Derivative interest receivable (payable)		924	(929)		1,407	(1,596)
Netting adjustments[(3)]		(7,189)	5,318		(9,870)	8,816
Total derivative portfolio, net	**$905,544**	**$391**	**($409)**	**$1,010,300**	**$375**	**($269)**

(1) Includes swaptions on credit indices with a notional or contractual amount of $12.3 billion and $13.4 billion at June 30, 2018 and December 31, 2017, respectively, and a fair value of $14.3 million and $5.0 million at June 30, 2018 and December 31, 2017, respectively.

(2) Primarily consists of purchased interest-rate caps and floors and options on Treasury futures.

(3) Represents counterparty netting and cash collateral netting.

See **Note 10** for information related to our derivative counterparties and collateral held and posted.

Gains and Losses on Derivatives

The table below presents the gains and losses on derivatives, including the accrual of periodic cash settlements, while not designated in qualifying hedge relationships and reported on our condensed consolidated statements of comprehensive income as derivative gains (losses). In addition, for the 2017 periods, the table includes the accrual of periodic cash settlements on derivatives in qualifying hedge relationships.

(In millions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Not designated as hedges				
Interest-rate swaps:				
Receive-fixed	($979)	$1,093	($4,076)	$524
Pay-fixed	1,560	(1,672)	6,201	(430)
Basis (floating to floating)	2	(1)	(28)	(1)
Total interest-rate swaps	**583**	**(580)**	**2,097**	**93**
Option based:				
Call swaptions				
Purchased	(296)	292	(990)	(39)
Written	14	(2)	41	1
Put swaptions				
Purchased	61	(239)	388	(336)
Written	6	24	(21)	42
Other option-based derivatives[1]	(44)	34	(132)	11
Total option-based	**(259)**	**109**	**(714)**	**(321)**
Other:				
Futures	64	(115)	451	(230)
Commitments	85	(61)	603	(7)
Credit derivatives	(24)	(15)	(10)	(31)
Other	10	(5)	7	(6)
Total other	**135**	**(196)**	**1,051**	**(274)**
Accrual of periodic cash settlements:				
Receive-fixed interest-rate swaps	74	410	296	855
Pay-fixed interest-rate swaps	(118)	(839)	(486)	(1,751)
Other	1	—	2	—
Total accrual of periodic cash settlements	**(43)**	**(429)**	**(188)**	**(896)**
Total	**$416**	**($1,096)**	**$2,246**	**($1,398)**

(1) Primarily consists of purchased interest-rate caps and floors and options on Treasury futures.

Fair Value Hedges

The tables below present the effects of fair value hedge accounting by condensed consolidated statements of comprehensive income line, including the gains and losses on derivatives and hedged items designated in qualifying hedge relationships and other components due to the application of hedge accounting.

	2Q 2018		
(In millions)	**Interest Income - Mortgage Loans**	**Interest Expense**	**Other Income (Loss)**
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$16,344	($14,299)	$1,011
Interest contracts on mortgage loans held-for-investment:			
Gain or (loss) on fair value hedging relationships:[1]			
Hedged items	(713)	—	—
Derivatives designated as hedging instruments	624	—	—
Interest accruals on hedging instruments	(110)	—	—
Discontinued hedge related basis adjustment amortization	32	—	—
Interest contracts on debt:			
Gain or (loss) on fair value hedging relationships:			
Hedged items	—	132	—
Derivatives designated as hedging instruments	—	(87)	—
Interest accruals on hedging instruments	—	(109)	—
Discontinued hedge related basis adjustment amortization	—	(1)	—

	2Q 2017		
(In millions)	**Interest Income - Mortgage Loans**	**Interest Expense**	**Other Income (Loss)**
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$15,848	($13,521)	$694
Interest contracts on mortgage loans held-for-investment:			
Gain or (loss) on fair value hedging relationships:[1]			
Hedged items	—	—	392
Derivatives designated as hedging instruments[2]	—	—	(365)
Discontinued hedge related basis adjustment amortization	(5)	—	—

Referenced footnotes are included after the next tables.

	YTD 2018		
(In millions)	Interest Income - Mortgage Loans	Interest Expense	Other Income (Loss)
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$32,295	($28,256)	$1,132
Interest contracts on mortgage loans held-for-investment:			
Gain or (loss) on fair value hedging relationships:[1]			
Hedged items	(2,686)	—	—
Derivatives designated as hedging instruments	2,311	—	—
Interest accruals on hedging instruments	(277)	—	—
Discontinued hedge related basis adjustment amortization	48	—	—
Interest contracts on debt:			
Gain or (loss) on fair value hedging relationships:			
Hedged items	—	810	—
Derivatives designated as hedging instruments	—	(678)	—
Interest accruals on hedging instruments	—	(123)	—
Discontinued hedge related basis adjustment amortization	—	(1)	—

	YTD 2017		
(In millions)	Interest Income - Mortgage Loans	Interest Expense	Other Income (Loss)
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$31,813	($26,706)	$1,109
Interest contracts on mortgage loans held-for-investment:			
Gain or (loss) on fair value hedging relationships:[1]			
Hedged items	—	—	366
Derivatives designated as hedging instruments[2]	—	—	(300)
Discontinued hedge related basis adjustment amortization	(5)	—	—

(1) In 2Q 2017 and YTD 2017, gains or losses on derivatives and hedged items were recorded in other income (loss). Beginning in 4Q 2017, gains and losses and interest accruals are recorded in interest income - mortgage loans in our condensed consolidated statements of comprehensive income due to adoption of amended hedge accounting guidance.

(2) The gain or (loss) on fair value hedging relationships in 2Q 2017 and YTD 2017 excludes ($93) million and ($176) million, respectively, of interest accruals which were recorded in derivatives gains (losses) in our condensed consolidated statements of comprehensive income.

Cumulative Basis Adjustments Due to Fair Value Hedging

The tables below present the hedged item cumulative basis adjustments due to qualifying fair value hedging and the related hedged item carrying amounts by their respective balance sheet line item.

	June 30, 2018		
		Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount	
(In millions)	Carrying Amount Assets / (Liabilities)	Total	Discontinued - Hedge Related
Mortgage loans held-for-investment	$135,830	($2,355)	($2,355)
Debt	(98,221)	886	(10)

	December 31, 2017		
		Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount	
(In millions)	Carrying Amount Assets / (Liabilities)	Total	Discontinued - Hedge Related
Mortgage loans held-for-investment	$128,140	$198	$198
Debt	(92,277)	79	(14)

NOTE 10

Collateralized Agreements and Offsetting Arrangements

Derivative Portfolio

Derivative Counterparties

Our use of cleared derivatives, exchange-traded derivatives and OTC derivatives exposes us to counterparty credit risk.

Our use of interest-rate swaps and option-based derivatives is subject to internal credit and legal reviews. On an ongoing basis, we review the credit fundamentals of all of our derivative counterparties, clearinghouses and clearing members to confirm that they continue to meet our internal risk management standards.

Over-the-Counter Derivatives

We use master netting and collateral agreements to reduce our credit risk exposure to our OTC derivative counterparties.

In the event that all of our counterparties for OTC derivatives were to have defaulted simultaneously on June 30, 2018, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately $40 million.

Regulations adopted by certain financial institution regulators (including FHFA) that became effective March 1, 2017 require posting of variation margin without the application of any thresholds for OTC derivative transactions executed after that date. As a result, our and the counterparties' credit ratings are no longer used in determining the amount of collateral to be posted in connection with these transactions.

Cleared and Exchange-Traded Derivatives

The majority of our interest-rate swaps are subject to the central clearing requirement of the Dodd-Frank Act. A reduction in our credit ratings could cause the clearinghouses or clearing members we use for our cleared and exchange-traded derivatives to demand additional collateral.

Other Derivatives

We also execute forward purchase and sale commitments of loans and mortgage-related securities, including dollar roll transactions, that are treated as derivatives for accounting purposes. The total net exposure on our forward purchase and sale commitments, which are treated as derivatives, was $74 million and $44 million at June 30, 2018 and December 31, 2017, respectively.

Many of our transactions involving forward purchase and sale commitments of mortgage-related securities utilize the Mortgage Backed Securities Division of the Fixed Income Clearing Corporation

("MBSD/FICC") as a clearinghouse. As a clearing member of the clearinghouse, we post margin to the MBSD/FICC and are exposed to the counterparty credit risk of the organization (including its clearing members).

Securities Purchased Under Agreements to Resell

As an investor, we enter into arrangements to purchase securities under agreements to subsequently resell the identical or substantially the same securities to our counterparty. Our counterparties to these transactions are required to pledge the purchased securities as collateral for their obligation to repurchase those securities at a later date. While such transactions involve the legal transfer of securities, they are accounted for as secured financings because the transferor does not relinquish effective control over the securities transferred. Although it is not our practice to repledge collateral that has been pledged to us, these agreements may allow us to repledge all or a portion of the collateral.

We consider the types of securities being pledged to us as collateral when determining how much we lend in transactions involving securities purchased under agreements to resell. Additionally, we regularly review the market values of these securities compared to amounts loaned in an effort to manage our exposure to losses.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are effectively collateralized borrowings where we sell securities with an agreement to repurchase such securities at a future date. We are required to pledge the sold securities to the counterparties to these transactions as collateral for our obligation to repurchase these securities at a later date. Similar to the securities purchased under agreements to resell transactions, these transactions involve the legal transfer of securities. However, they are accounted for as secured financings because they require the identical or substantially the same securities to be subsequently repurchased. These agreements may allow our counterparties to repledge all or a portion of the collateral.

Offsetting of Financial Asset and Liabilities

At June 30, 2018 and December 31, 2017, all amounts of cash collateral related to derivatives with master netting and collateral agreements were offset against derivative assets, net or derivative liabilities, net, as applicable.

The tables below display offsetting and collateral information related to derivatives, securities purchased under agreements to resell and securities sold under agreements to repurchase which are subject to enforceable master netting agreements or similar arrangements. Securities sold under agreements to repurchase are included in debt, net on our condensed consolidated balance sheets. During 1Q 2018, certain rule amendments made by the LCH Group became effective. As a result, the legal characterization of variation margin payments for certain of our cleared swaps changed from posting of margin collateral to settlements. The table below reflects this change as of June 30, 2018.

	June 30, 2018					
		Amount Offset in the Consolidated Balance Sheets				
(In millions)	Gross Amount Recognized	Counterparty Netting	Cash Collateral Netting[1]	Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets[2]	Net Amount
Assets:						
Derivatives:						
OTC derivatives	$7,453	($5,122)	($2,168)	$163	($123)	$40
Cleared and exchange-traded derivatives	30	(1)	102	131	—	131
Other	97	—	—	97	—	97
Total derivatives	**7,580**	**(5,123)**	**(2,066)**	**391**	**(123)**	**268**
Securities purchased under agreements to resell[3][4]	41,769	—	—	41,769	(41,769)	—
Total	**$49,349**	**($5,123)**	**($2,066)**	**$42,160**	**($41,892)**	**$268**
Liabilities:						
Derivatives:						
OTC derivatives	($5,447)	$5,122	$244	($81)	$—	($81)
Cleared and exchange-traded derivatives	(3)	1	(49)	(51)	—	(51)
Other	(277)	—	—	(277)	—	(277)
Total derivatives	**(5,727)**	**5,123**	**195**	**(409)**	**—**	**(409)**
Securities sold under agreements to repurchase[4]	(11,719)	—	—	(11,719)	11,719	—
Total	**($17,446)**	**$5,123**	**$195**	**($12,128)**	**$11,719**	**($409)**

	December 31, 2017					
		Amount Offset in the Consolidated Balance Sheets				
(In millions)	Gross Amount Recognized	Counterparty Netting	Cash Collateral Netting[1]	Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets[2]	Net Amount
Assets:						
Derivatives:						
OTC derivatives	$7,648	($5,499)	($1,903)	$246	($205)	$41
Cleared and exchange-traded derivatives	2,545	(2,266)	(202)	77	—	77
Other	52	—	—	52	—	52
Total derivatives	**10,245**	**(7,765)**	**(2,105)**	**375**	**(205)**	**170**
Securities purchased under agreements to resell[3][4]	55,903	—	—	55,903	(55,903)	—
Total	**$66,148**	**($7,765)**	**($2,105)**	**$56,278**	**($56,108)**	**$170**
Liabilities:						
Derivatives:						
OTC derivatives	($6,285)	$5,499	$688	($98)	$—	($98)
Cleared and exchange-traded derivatives	(2,671)	2,266	363	(42)	—	(42)
Other	(129)	—	—	(129)	—	(129)
Total derivatives	**(9,085)**	**7,765**	**1,051**	**(269)**	**—**	**(269)**
Securities sold under agreements to repurchase[4]	(9,681)	—	—	(9,681)	9,681	—
Total	**($18,766)**	**$7,765**	**$1,051**	**($9,950)**	**$9,681**	**($269)**

(1) Excess cash collateral held is presented as a derivative liability, while excess cash collateral posted is presented as a derivative asset.

(2) Does not include the fair value amount of non-cash collateral posted or held that exceeds the associated net asset or liability, netted by counterparty, presented on the condensed consolidated balance sheets. For cleared and exchange-traded derivatives, does not include non-cash collateral posted by us as initial margin with an aggregate fair value of $3.1 billion as of both June 30, 2018 and December 31, 2017.

(3) We primarily execute securities purchased under agreements to resell transactions with central clearing organizations where we have the right to repledge the collateral that has been pledged to us, either with the central clearing organization or with other counterparties. At June 30, 2018, and December 31, 2017, we had $23.4 billion and $34.8 billion, respectively, of securities pledged to us in these transactions. In addition, at June 30, 2018 and December 31, 2017, we had $1.9 billion and $3.4 billion, respectively, of securities pledged to us for transactions involving securities purchased under agreements to resell not executed with central clearing organizations that we had the right to repledge.

(4) Does not include the impacts of netting by central clearing organizations.

Collateral Pledged

Collateral Pledged to Freddie Mac

We have cash pledged to us as collateral primarily related to OTC derivative transactions. At June 30, 2018, we had $2.3 billion pledged to us as collateral that was invested as part of our liquidity and contingency operating portfolio.

Collateral Pledged by Freddie Mac

The tables below summarize the fair value of the securities pledged as collateral by us for derivatives and collateralized borrowing transactions, including securities that the secured party may repledge.

	June 30, 2018			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[3]	Total
Cash equivalents[1]	$—	$906	$—	$906
Debt securities of consolidated trusts[2]	360	—	301	661
Trading securities	2,735	10,828	307	13,870
Total securities pledged	**$3,095**	**$11,734**	**$608**	**$15,437**

	December 31, 2017			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[3]	Total
Debt securities of consolidated trusts[2]	$375	$—	$111	$486
Trading securities	2,766	9,705	362	12,833
Total securities pledged	**$3,141**	**$9,705**	**$473**	**$13,319**

(1) Represents U.S. Treasury securities accounted for as cash equivalents.

(2) Represents PCs held by us in our Capital Markets segment mortgage investments portfolio which are recorded as a reduction to debt securities of consolidated trusts held by third parties on our condensed consolidated balance sheets.

(3) Includes collateral related to transactions with certain clearinghouses.

The table below summarizes the underlying collateral pledged and the remaining contractual maturity of our gross obligations under securities sold under agreements to repurchase.

	June 30, 2018				
(In millions)	Overnight and continuous	30 days or less	After 30 days through 90 days	Greater than 90 days	Total
U.S. Treasury securities	$—	$11,734	$—	$—	$11,734

NOTE 11

Stockholders' Equity and Earnings Per Share

Accumulated Other Comprehensive Income

The tables below present changes in AOCI after the effects of our federal statutory tax rates of 21% and 35% for YTD 2018 and YTD 2017, respectively, related to available-for-sale securities, closed cash flow hedges and our defined benefit plans.

	YTD 2018			
(In millions)	AOCI Related to Available-For-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	$662	($356)	$83	$389
Other comprehensive income before reclassifications(1)	(601)	—	(2)	(603)
Amounts reclassified from accumulated other comprehensive income	(295)	62	(8)	(241)
Changes in AOCI by component	**(896)**	**62**	**(10)**	**(844)**
Cumulative effect of change in accounting principle(2)	143	(73)	19	89
Ending balance	**($91)**	**($367)**	**$92**	**($366)**

	YTD 2017			
(In millions)	AOCI Related to Available-For-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	$915	($480)	$21	$456
Other comprehensive income before reclassifications(1)	486	—	(3)	483
Amounts reclassified from accumulated other comprehensive income	(193)	55	—	(138)
Changes in AOCI by component	**293**	**55**	**(3)**	**345**
Ending balance	**$1,208**	**($425)**	**$18**	**$801**

(1) For YTD 2018 and YTD 2017, net of tax expense (benefit) of $0.2 billion and $0.3 billion, respectively, for AOCI related to available-for-sale securities.

(2) Includes the effect of adopting the accounting guidance on reclassification of stranded tax effects of the Tax Cuts and Jobs Act.

In 1Q 2018, we adopted the accounting guidance related to the reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The reclassification includes stranded tax effects related to unrealized gains and losses on available-for-sale securities, deferred net losses on closed cash flow hedges and our defined benefit plans.

Reclassifications from AOCI to Net Income

The table below presents reclassifications from AOCI to net income, including the affected line item in our condensed consolidated statements of comprehensive income.

(In millions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
AOCI related to available-for-sale securities				
Affected line items in the consolidated statements of comprehensive income:				
Other gains (losses) on investment securities recognized in earnings	($21)	$123	$374	$313
Net impairment of available-for-sale securities recognized in earnings	(1)	(3)	(1)	(16)
Total before tax	**(22)**	**120**	**373**	**297**
Income tax (expense) or benefit	5	(41)	(78)	(104)
Net of tax	**(17)**	**79**	**295**	**193**
AOCI related to cash flow hedge relationships				
Affected line items in the consolidated statements of comprehensive income:				
Interest expense	(37)	(42)	(75)	(85)
Income tax (expense) or benefit	5	15	13	30
Net of tax	**(32)**	**(27)**	**(62)**	**(55)**
AOCI related to defined benefit plans				
Affected line items in the consolidated statements of comprehensive income:				
Salaries and employee benefits	5	—	10	—
Income tax (expense) or benefit	(1)	—	(2)	—
Net of tax	**4**	**—**	**8**	**—**
Total reclassifications in the period	**($45)**	**$52**	**$241**	**$138**

Future Reclassifications from AOCI to Net Income Related to Closed Cash Flow Hedges

The total AOCI related to derivatives designated as cash flow hedges was a loss of $0.4 billion at both June 30, 2018 and June 30, 2017, composed of deferred net losses on closed cash flow hedges. Closed cash flow hedges involve derivatives that have been terminated or are no longer designated as cash flow hedges. Fluctuations in prevailing market interest rates have no effect on the deferred portion of AOCI relating to losses on closed cash flow hedges.

The previously deferred amount related to closed cash flow hedges remains in our AOCI balance and will be recognized into earnings over the expected time period for which the forecasted transactions affect earnings, unless it is deemed probable that the forecasted transactions will not occur. Over the next 12 months, we estimate that approximately $84 million, net of taxes, of the $0.4 billion of cash flow hedge losses in AOCI at June 30, 2018 will be reclassified into earnings. The maximum remaining length of time over which we have hedged the exposure related to the variability in future cash flows on forecasted transactions, primarily forecasted debt issuances, is 15 years.

Senior Preferred Stock

As of June 30, 2018, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. Based on our Net Worth Amount of$4.6 billion as of June 30, 2018 and the Capital Reserve Amount of $3.0 billion, our dividend requirement to Treasury in September 2018 will be $1.6 billion. See **Note 2** for additional information.

Upon the Conservator, acting as successor to the rights, titles, powers and privileges of the Board of Directors, declaring a senior preferred stock dividend equal to our dividend requirement and directing us to pay it before September 30, 2018, we would pay a dividend of $1.6 billion by September 30, 2018. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full, the unpaid amount would be added to the liquidation preference and our applicable Capital Reserve Amount would thereafter be zero, but this would not affect our ability to draw funds from Treasury under the Purchase Agreement. Our cumulative senior preferred stock dividend payments totaled $112.4 billion as of June 30, 2018. The aggregate liquidation preference of the senior preferred stock owned by Treasury was $75.6 billion and $75.3 billion as of June 30, 2018 and December 31, 2017, respectively.

Stock Issuances and Repurchases

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during 2Q 2018, except for issuances of treasury stock relating to stock-based compensation granted prior to conservatorship.

Earnings Per Share

We have participating securities related to restricted stock units with dividend equivalent rights that receive dividends as declared on an equal basis with common shares but are not obligated to participate in undistributed net losses. These participating securities consist of vested restricted stock units that earn dividend equivalents at the same rate when and as declared on common stock.

Consequently, in accordance with accounting guidance, we use the "two-class" method of computing earnings per common share. The "two-class" method is an earnings allocation formula that determines earnings per share for common stock and participating securities based on dividends declared and participation rights in undistributed earnings.

Basic earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding for the period. The weighted average common shares outstanding for the period includes the weighted average number of shares that are associated with the warrant for our common stock issued to Treasury pursuant to the Purchase Agreement. These shares are included since the warrant is unconditionally exercisable by the holder at a minimal cost.

Diluted earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding during the period adjusted for the dilutive effect of common equivalent shares outstanding. For periods with net income attributable to common stockholders, the calculation includes the effect of the weighted-average of restricted stock units.

During periods in which a net loss attributable to common stockholders has been incurred, potential common equivalent shares outstanding are not included in the calculation because it would have an antidilutive effect.

There were no stock options outstanding at June 30, 2018 and June 30, 2017.

Dividends Declared

No common dividends were declared during YTD 2018. During 1Q 2018 and 2Q 2018, we also did not pay dividends on the senior preferred stock. In addition, we did not declare or pay dividends on any other series of Freddie Mac preferred stock outstanding during YTD 2018.

NOTE 12

Income Taxes

Income Tax Expense

For 2Q 2018 and 2Q 2017, we reported income tax expense of $0.6 billion and $0.8 billion, respectively, resulting in effective tax rates of 20.4% and 33.5%, respectively. For YTD 2018 and YTD 2017, we reported income tax expense of $1.4 billion and $1.9 billion, respectively, resulting in effective tax rates of 20.4% and 33.4%, respectively. Our effective tax rates differed from the statutory tax rates of 21% and 35% in these periods primarily due to our recognition of low income housing tax credits.

Deferred Tax Assets, Net

We had net deferred tax assets of $8.3 billion and $8.1 billion as of June 30, 2018 and December 31, 2017, respectively. At June 30, 2018, our net deferred tax assets consisted primarily of basis differences related to derivative instruments and deferred fees.

Based on all positive and negative evidence available at June 30, 2018, we determined that it is more likely than not that our net deferred tax assets, except for a portion of the deferred tax asset related to our capital loss carryforward, will be realized. As of June 30, 2018, we have a $33 million valuation allowance recorded against our capital loss carryforward deferred tax asset.

Unrecognized Tax Benefits and IRS Examinations

We evaluated all income tax positions and determined that there were no uncertain tax positions that required reserves as of June 30, 2018.

NOTE 13

Segment Reporting

We have three reportable segments, which are based on the type of business activities each performs - Single-family Guarantee, Multifamily and Capital Markets. Material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments are included in the All Other category. For more information, see our 2017 Annual Report.

Segment Earnings

We present Segment Earnings by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP condensed consolidated statements of comprehensive income and allocating certain revenues and expenses, including funding costs and administrative expenses, to our three reportable segments.

We do not consider our assets by segment when evaluating segment performance or allocating resources. We operate our business in the United States and its territories, and accordingly, we generate no revenue from and have no long-lived assets, other than financial instruments, in geographic locations other than the United States and its territories.

We evaluate segment performance and allocate resources based on a Segment Earnings approach, subject to the conduct of our business under the direction of the Conservator. See **Note 2** for information about the conservatorship.

The table below presents Segment Earnings by segment.

(In millions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Segment Earnings (loss), net of taxes:				
Single-family Guarantee	$803	$778	$1,505	$1,488
Multifamily	548	389	1,020	838
Capital Markets	1,152	497	2,904	1,549
All Other	—	—	—	—
Total Segment Earnings, net of taxes	**2,503**	**1,664**	**5,429**	**3,875**
Net income	**$2,503**	**$1,664**	**$5,429**	**$3,875**
Comprehensive income (loss) of segments:				
Single-family Guarantee	$801	$778	$1,499	$1,486
Multifamily	524	462	928	907
Capital Markets	1,110	746	2,158	1,827
All Other	—	—	—	—
Comprehensive income of segments	**2,435**	**1,986**	**4,585**	**4,220**
Comprehensive income	**$2,435**	**$1,986**	**$4,585**	**$4,220**

The tables below present detailed reconciliations between our GAAP financial statements and Segment Earnings for our reportable segments and All Other.

	2Q 2018						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$293	$862	$—	$1,155	$1,848	$3,003
Guarantee fee income[1]	1,571	204	—	—	1,775	(1,575)	200
Benefit (provision) for credit losses	103	2	—	—	105	(45)	60
Net impairment of available-for-sale securities recognized in earnings	—	—	26	—	26	(27)	(1)
Derivative gains (losses)	(6)	224	309	—	527	(111)	416
Gains (losses) on trading securities	—	(95)	(232)	—	(327)	—	(327)
Gains (losses) on loans	—	(62)	—	—	(62)	224	162
Other non-interest income (loss)	125	232	572	—	929	(154)	775
Administrative expense	(363)	(106)	(89)	—	(558)	—	(558)
REO operations expense	(20)	1	(1)	—	(20)	5	(15)
Other non-interest expense	(400)	(5)	—	—	(405)	(165)	(570)
Income tax expense	(207)	(140)	(295)	—	(642)	—	(642)
Net income	**803**	**548**	**1,152**	**—**	**2,503**	**—**	**2,503**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(23)	(73)	—	(96)	—	(96)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	32	—	32	—	32
Changes in defined benefit plans	(2)	(1)	(1)	—	(4)	—	(4)
Total other comprehensive income (loss), net of taxes	**(2)**	**(24)**	**(42)**	**—**	**(68)**	**—**	**(68)**
Comprehensive income	**$801**	**$524**	**$1,110**	**$—**	**$2,435**	**$—**	**$2,435**

Referenced footnote is included after the YTD 2017 table.

	YTD 2018						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$564	$1,679	$—	$2,243	$3,778	$6,021
Guarantee fee income[1]	3,084	399	—	—	3,483	(3,089)	394
Benefit (provision) for credit losses	131	18	—	—	149	(152)	(3)
Net impairment of available-for-sale securities recognized in earnings	—	—	137	—	137	(138)	(1)
Derivative gains (losses)	(12)	879	1,611	—	2,478	(232)	2,246
Gains (losses) on trading securities	—	(251)	(703)	—	(954)	—	(954)
Gains (losses) on loans	—	(513)	—	—	(513)	355	(158)
Other non-interest income (loss)	225	409	1,102	—	1,736	(209)	1,527
Administrative expense	(699)	(206)	(173)	—	(1,078)	—	(1,078)
REO operations expense	(59)	1	—	—	(58)	9	(49)
Other non-interest expense	(779)	(19)	(6)	—	(804)	(322)	(1,126)
Income tax expense	(386)	(261)	(743)	—	(1,390)	—	(1,390)
Net income	**1,505**	**1,020**	**2,904**	**—**	**5,429**	**—**	**5,429**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(90)	(806)	—	(896)	—	(896)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	62	—	62	—	62
Changes in defined benefit plans	(6)	(2)	(2)	—	(10)	—	(10)
Total other comprehensive income (loss), net of taxes	**(6)**	**(92)**	**(746)**	**—**	**(844)**	**—**	**(844)**
Comprehensive income	**$1,499**	**$928**	**$2,158**	**$—**	**$4,585**	**$—**	**$4,585**

Referenced footnote is included after the YTD 2017 table.

	2Q 2017						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$292	$875	$—	$1,167	$2,212	$3,379
Guarantee fee income[(1)]	1,506	162	—	—	1,668	(1,510)	158
Benefit (provision) for credit losses	12	6	—	—	18	404	422
Net impairment of available-for-sale securities recognized in earnings	—	—	71	—	71	(74)	(3)
Derivative gains (losses)	(17)	(180)	(485)	—	(682)	(414)	(1,096)
Gains (losses) on trading securities	—	(16)	(46)	—	(62)	—	(62)
Gains (losses) on loans	—	42	—	—	42	151	193
Other non-interest income (loss)	376	386	419	—	1,181	(665)	516
Administrative expense	(332)	(95)	(86)	—	(513)	—	(513)
REO operations expense	(41)	—	—	—	(41)	4	(37)
Other non-interest expense	(335)	(12)	(1)	—	(348)	(108)	(456)
Income tax expense	(391)	(196)	(250)	—	(837)	—	(837)
Net income	**778**	**389**	**497**	**—**	**1,664**	**—**	**1,664**
Changes in unrealized gains (losses) related to available-for-sale securities	—	73	222	—	295	—	295
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	27	—	27	—	27
Changes in defined benefit plans	—	—	—	—	—	—	—
Total other comprehensive income (loss), net of taxes	**—**	**73**	**249**	**—**	**322**	**—**	**322**
Comprehensive income	**$778**	**$462**	**$746**	**$—**	**$1,986**	**$—**	**$1,986**

Referenced footnote is included after the next table.

	YTD 2017						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$563	$1,804	$—	$2,367	$4,807	$7,174
Guarantee fee income[(1)]	2,924	313	—	—	3,237	(2,930)	307
Benefit (provision) for credit losses	51	12	—	—	63	475	538
Net impairment of available-for-sale securities recognized in earnings	—	(4)	144	—	140	(156)	(16)
Derivative gains (losses)	(32)	(53)	(433)	—	(518)	(880)	(1,398)
Gains (losses) on trading securities	—	(15)	(181)	—	(196)	—	(196)
Gains (losses) on loans	—	9	—	—	9	198	207
Other non-interest income (loss)	710	658	1,167	—	2,535	(1,359)	1,176
Administrative expense	(665)	(190)	(169)	—	(1,024)	—	(1,024)
REO operations expense	(100)	—	—	—	(100)	7	(93)
Other non-interest expense	(653)	(33)	(5)	—	(691)	(162)	(853)
Income tax (expense) benefit	(747)	(422)	(778)	—	(1,947)	—	(1,947)
Net income (loss)	**1,488**	**838**	**1,549**	**—**	**3,875**	**—**	**3,875**
Changes in unrealized gains (losses) related to available-for-sale securities	—	69	224	—	293	—	293
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	55	—	55	—	55
Changes in defined benefit plans	(2)	—	(1)	—	(3)	—	(3)
Total other comprehensive income (loss), net of taxes	**(2)**	**69**	**278**	**—**	**345**	**—**	**345**
Comprehensive income	**$1,486**	**$907**	**$1,827**	**$—**	**$4,220**	**$—**	**$4,220**

(1) Guarantee fee income is included in other income (loss) on our GAAP condensed consolidated statements of comprehensive income.

NOTE 14

Concentration of Credit and Other Risks

Single-Family Credit Guarantee Portfolio

The table below summarizes the concentration by loan portfolio and geographic area of the approximately $1.9 trillion and $1.8 trillion UPB of our single-family credit guarantee portfolio at June 30, 2018 and December 31, 2017, respectively. See **Note 4** and **Note 7** for more information about credit risk associated with loans and mortgage-related securities that we hold or guarantee.

	June 30, 2018		December 31, 2017		Percent of Credit Losses	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate	YTD 2018	YTD 2017
Core single-family loan portfolio	80%	0.25%	78%	0.35%	9%	2%
Legacy and relief refinance single-family loan portfolio	20	2.14	22	2.59	91	98
Total	**100%**	**0.82**	**100%**	**1.08**	**100%**	**100%**
Region[1]						
West	30%	0.40	30%	0.47	14%	31%
Northeast	24	1.03	25	1.24	45	32
North Central	16	0.66	16	0.81	18	15
Southeast	16	1.32	16	1.95	17	20
Southwest	14	0.68	13	0.98	6	2
Total	**100%**	**0.82**	**100%**	**1.08**	**100%**	**100%**
State[2]						
New York	5%	1.49	5%	1.74	14%	7%
New Jersey	3	1.38	3	1.78	12	8
Illinois	4	0.90	5	1.13	9	9
Florida	6	1.97	6	3.33	9	13
California	18	0.35	18	0.41	8	21
All other	64	0.71	63	0.91	48	42
Total	**100%**	**0.82%**	**100%**	**1.08%**	**100%**	**100%**

(1) Region designation: West (AK, AZ, CA, GU, HI, ID, MT, NV, OR, UT, WA); Northeast (CT, DE, DC, MA, ME, MD, NH, NJ, NY, PA, RI, VT, VA, WV); North Central (IL, IN, IA, MI, MN, ND, OH, SD, WI); Southeast (AL, FL, GA, KY, MS, NC, PR, SC, TN, VI); Southwest (AR, CO, KS, LA, MO, NE, NM, OK, TX, WY).

(2) States presented based on those with the highest percentage of credit losses during YTD 2018.

Credit Performance of Certain Higher Risk Single-Family Loan Categories

Participants in the mortgage market have characterized single-family loans based upon their overall credit quality at the time of origination, including as prime or subprime. Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between their prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. Although we discontinued new purchases of loans with lower documentation standards beginning March 1, 2009, we continued to purchase certain amounts of these loans in cases where the loan was either:

- Purchased pursuant to a previously issued other mortgage-related guarantee;
- Part of our relief refinance initiative; or
- In another refinance loan initiative and the pre-existing loan (including Alt-A loans) was originated under less than full documentation standards.

In the event we purchase a refinance loan and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as Alt-A in the table below because the new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred.

Although we do not categorize single-family loans we purchase or guarantee as prime or subprime, we recognize that there are a number of loan types with certain characteristics that indicate a higher degree of credit risk.

For example, a borrower's credit score is a useful measure for assessing the credit quality of the borrower. Statistically, borrowers with higher credit scores are more likely to repay or have the ability to refinance than those with lower scores.

Presented below is a summary of the serious delinquency rates of certain higher-risk categories (based on characteristics of the loan at origination) of loans in our single-family credit guarantee portfolio. The table includes a presentation of each higher-risk category in isolation. A single loan may fall within more than one category (for example, an interest-only loan may also have an original LTV ratio greater than 90%). Loans with a combination of these attributes will have an even higher risk of delinquency than those with an individual attribute.

	Percentage of Portfolio[1]		Serious Delinquency Rate[1]	
(Percentage of portfolio based on UPB)	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Interest-only	1%	1%	4.10%	4.97%
Alt-A	1	1	4.83	5.62
Original LTV ratio greater than 90%[2]	17	17	1.24	1.70
Lower credit scores at origination (less than 620)	2	2	4.97	6.34

(1) Excludes loans underlying certain other securitization products for which data was not available.

(2) Includes HARP loans, which we purchase as part of our participation in the MHA Program.

Sellers and Servicers

Sellers

We acquire a significant portion of our single-family and multifamily loan purchase volume from several large sellers. The tables below summarize the concentration of single-family and multifamily sellers who provided 10% or more of our purchase volume.

Single-family Sellers	YTD 2018	YTD 2017
Wells Fargo Bank, N.A.	13%	17%
Other top 10 sellers	36	36
Top 10 single-family sellers	**49%**	**53%**

Multifamily Sellers	YTD 2018	YTD 2017
CBRE Capital Markets, Inc.	16%	17%
Berkadia Commercial Mortgage LLC	11	10
Holliday Fenoglio Fowler, L.P.	11	10
Berkeley Point Capital LLC	5	12
Other top 10 sellers	36	32
Top 10 multifamily sellers	**79%**	**81%**

In recent years, there has been a shift in our single-family purchase volume from depository institutions to non-depository and smaller depository financial institutions. Some of these non-depository sellers have grown rapidly in recent years, and we purchase a significant share of our loans from them. Our top five non-depository sellers provided approximately 22% and 19% of our single-family purchase volume during YTD 2018 and YTD 2017, respectively.

Servicers

Significant portions of our single-family and multifamily loans are serviced by several large servicers. The tables below summarize the concentration of single-family and multifamily servicers who serviced 10% or more of our single-family credit guarantee portfolio and our multifamily mortgage portfolio, excluding loans underlying multifamily securitizations where we are not in first loss position, primarily K Certificates and SB Certificates.

Single-family Servicers	June 30, 2018(1)	December 31, 2017(1)
Wells Fargo Bank, N.A.	18%	18%
Other top 10 servicers	39	40
Top 10 single-family servicers	**57%**	**58%**

(1) Percentage of servicing volume is based on the total single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing.

Multifamily Servicers	June 30, 2018	December 31, 2017
Wells Fargo Bank, N.A.	17%	16%
CBRE Capital Markets, Inc.	10	12
Berkadia Commercial Mortgage LLC	9	11
Other top 10 servicers	38	36
Top 10 multifamily servicers	**74%**	**75%**

In recent years, there has been a shift in our single-family servicing from depository institutions to non-depository servicers. Some of these non-depository servicers have grown rapidly in recent years and now service a large share of our loans. As of June 30, 2018 and December 31, 2017, approximately 16% and 15%, respectively, of our single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing, was serviced by our top five non-depository servicers. We routinely monitor the performance of our largest non-depository servicers.

Mortgage Insurers

We have counterparty credit risk relating to the potential insolvency of, or non-performance by, mortgage insurers that insure single-family loans we purchase or guarantee. We evaluate the recovery and collectability from mortgage insurers as part of the estimate of our allowance for credit losses. See **Note 4** for additional information. As of June 30, 2018, mortgage insurers provided coverage with maximum loss limits of $90.2 billion, for $351.9 billion of UPB, in connection with our single-family credit guarantee portfolio. These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected loan is covered under both primary and pool insurance.

The table below summarizes the concentration of mortgage insurer counterparties who provided 10% or more of our overall mortgage insurance coverage. On October 23, 2016, Genworth Financial, Inc. announced that it had entered into an agreement to be acquired by China Oceanwide Holdings Group Co., Ltd. Regulatory approvals of the acquisition are still pending. Genworth Mortgage Insurance Corporation is a subsidiary of Genworth Financial, Inc.

		Mortgage Insurance Coverage(2)	
Mortgage Insurer	**Credit Rating(1)**	**June 30, 2018**	**December 31, 2017**
Arch Mortgage Insurance Company	A-	24%	24%
Radian Guaranty Inc.	BBB-	21	21
Mortgage Guaranty Insurance Corporation	BBB	19	19
Genworth Mortgage Insurance Corporation	BB+	15	15
Essent Guaranty, Inc.	BBB+	12	12
Total		**91%**	**91%**

(1) Ratings are for the corporate entity to which we have the greatest exposure. Latest rating available as of June 30, 2018. Represents the lower of S&P and Moody's credit ratings stated in terms of the S&P equivalent.

(2) Coverage amounts may include coverage provided by affiliates and subsidiaries of the counterparty.

We received proceeds of $0.1 billion and $0.2 billion during YTD 2018 and YTD 2017, respectively, from our primary and pool mortgage insurance policies for recovery of losses on our single-family loans. We had outstanding receivables from mortgage insurers of $0.1 billion (excluding deferred payment obligations associated with unpaid claim amounts) as of both June 30, 2018 and December 31, 2017. The balance of these receivables, net of an associated allowance for credit losses, was approximately $0.1 billion at both June 30, 2018 and December 31, 2017.

PMI Mortgage Insurance Co. and Triad Guaranty Insurance Corp. are both under the control of their state regulators and are in run-off. A substantial portion of their claims is recorded by us as deferred payment obligations. As of both June 30, 2018 and December 31, 2017, we had cumulative unpaid deferred payment obligations of $0.5 billion from these insurers. We recognized an allowance for credit losses for all of these unpaid amounts as collectability is uncertain. It is not clear how the regulators of these companies will administer their respective deferred payment plans in the future, nor when or if those obligations will be paid.

Cash and Other Investments Counterparties

We are exposed to the non-performance of counterparties relating to cash and other investments (including non-mortgage-related securities and cash equivalents) transactions, including those entered into on behalf of our securitization trusts. Our policies require that the counterparty be evaluated using our internal counterparty rating model prior to our entering into such transactions. We monitor the financial strength of our counterparties to these transactions and may use collateral maintenance requirements to manage our exposure to individual counterparties. The permitted term and dollar limits for each of these transactions are also based on the counterparty's financial strength.

Our cash and other investments (including non-mortgage-related securities and cash equivalents) counterparties are primarily major financial institutions, including other GSEs, Treasury, the Federal Reserve Bank of New York, the Government Securities Division of Fixed Income Clearing Corporation (GSD/FICC), highly-rated supranational institutions and government money market funds. As of June 30, 2018 and December 31, 2017, $1,977 million and $239 million of our securities purchased under agreements to resell were used to provide financing to investors in Freddie Mac securities to increase liquidity and expand the investor base for those securities. These transactions differ from the securities purchased under agreements to resell that we use for liquidity purposes as the counterparties we face may not be major financial institutions and we are exposed to the counterparty risk of these institutions. As of June 30, 2018 and December 31, 2017, including amounts related to our consolidated VIEs, the balance in our other investments and cash portfolio was $73.8 billion and $89.8 billion, respectively. The balances consist primarily of cash and securities purchased under agreements to resell invested with counterparties, U.S. Treasury securities, cash deposited with the Federal Reserve Bank of New York, cash advanced to lenders and other secured lending. As of June 30, 2018, all of our securities purchased under agreements to resell were fully collateralized.

Non-Agency Mortgage-Related Security Issuers

In **Note 14** in our 2017 Annual Report, we noted various loss mitigation efforts concerning certain investments in non-agency mortgage related securities, including a pending lawsuit filed by FHFA, as Conservator of Freddie Mac and Fannie Mae, against Nomura Holding America, Inc. and Royal Bank of Scotland Group plc in the U.S. District Court for the Southern District of New York. In May 2015, the District Court ruled against the defendants and ordered them to pay an aggregate of $806 million, of which $779 million was to be paid to Freddie Mac, adjusted by any principal and interest collected by Freddie Mac between the date of the judgment and the date on which the judgment is executed. The judgment also provided for Freddie Mac to transfer to defendants the six mortgage-related securities at issue in the case and ordered the defendants to reimburse Freddie Mac for certain costs, legal fees and expenses. In September 2017, the U.S. Court of Appeals for the Second Circuit affirmed the District Court's decision. Nomura and RBS filed a petition for writ of certiorari in the U.S. Supreme Court, and on June 25, 2018, the U.S. Supreme Court denied certiorari. On July 20, 2018, Freddie Mac received approximately $652 million, which included post-judgment interest, and tendered to Nomura the six certificates at issue. In addition, Freddie Mac received $16.5 million from Nomura as reimbursement of attorneys' fees and costs. We recognized the benefit of the judgment during 2Q 2018 and recorded a gain of $334 million within non-interest income on our consolidated statements of comprehensive income.

NOTE 15

Fair Value Disclosures

The accounting guidance for fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value, and sets forth disclosure requirements regarding fair value measurements. This guidance applies whenever other accounting guidance requires or permits assets or liabilities to be measured at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or non-recurring basis.

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures establishes a three-level fair value hierarchy that prioritizes the inputs into the valuation techniques used to measure fair value. The levels of the fair value hierarchy are defined as follows in priority order:

- Level 1 - inputs to the valuation techniques are based on quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs to the valuation techniques are based on observable inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3 - one or more inputs to the valuation technique are unobservable and significant to the fair value measurement.

We use quoted market prices and valuation techniques that seek to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs. Our inputs are based on the assumptions a market participant would use in valuing the asset or liability. Assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present our assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis subsequent to initial recognition, including instruments where we have elected the fair value option.

(In millions)	June 30, 2018 Level 1	Level 2	Level 3	Netting Adjustment[1]	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$—	$27,148	$4,380	$—	$31,528
Other agency	—	1,834	270	—	2,104
Non-agency RMBS	—	—	2,226	—	2,226
Non-agency CMBS	—	31	1,624	—	1,655
Obligations of states and political subdivisions	—	—	309	—	309
Total available-for-sale securities, at fair value	**—**	**29,013**	**8,809**	**—**	**37,822**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	9,986	2,428	—	12,414
Other agency	—	2,624	17	—	2,641
All other	—	20	1,284	—	1,304
Total mortgage-related securities	**—**	**12,630**	**3,729**	**—**	**16,359**
Non-mortgage-related securities	20,501	3,028	—	—	23,529
Total trading securities, at fair value	**20,501**	**15,658**	**3,729**	**—**	**39,888**
Total investments in securities	**20,501**	**44,671**	**12,538**	**—**	**77,710**
Mortgage loans:					
Held-for-sale, at fair value	—	16,621	—	—	16,621
Derivative assets, net:					
Interest-rate swaps	—	2,568	—	—	2,568
Option-based derivatives	—	3,991	—	—	3,991
Other	—	74	23	—	97
Subtotal, before netting adjustments	**—**	**6,633**	**23**	**—**	**6,656**
Netting adjustments[1]	—	—	—	(6,265)	(6,265)
Total derivative assets, net	**—**	**6,633**	**23**	**(6,265)**	**391**
Other assets:					
Guarantee asset, at fair value	—	—	3,363	—	3,363
Non-derivative held-for-sale purchase commitments, at fair value	—	132	—	—	132
All other, at fair value	—	—	103	—	103
Total other assets	**—**	**132**	**3,466**	**—**	**3,598**
Total assets carried at fair value on a recurring basis	**$20,501**	**$68,057**	**$16,027**	**($6,265)**	**$98,320**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$8	$629	$—	$637
Other debt, at fair value	—	4,651	135	—	4,786
Derivative liabilities, net:					
Interest-rate swaps	—	4,416	—	—	4,416
Option-based derivatives	—	105	—	—	105
Other		212	65	—	277
Subtotal, before netting adjustments	**—**	**4,733**	**65**	**—**	**4,798**
Netting adjustments[1]	—	—	—	(4,389)	(4,389)
Total derivative liabilities, net	**—**	**4,733**	**65**	**(4,389)**	**409**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	11	—	—	11
Total liabilities carried at fair value on a recurring basis	**$—**	**$9,403**	**$829**	**($4,389)**	**$5,843**

Referenced footnote is included after the next table.

(In millions)	December 31, 2017 Level 1	Level 2	Level 3	Netting Adjustment[1]	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$—	$30,415	$5,055	$—	$35,470
Other agency	—	2,007	46	—	2,053
Non-agency RMBS	—	—	3,933	—	3,933
Non-agency CMBS	—	87	1,697	—	1,784
Obligations of states and political subdivisions	—	—	357	—	357
Total available-for-sale securities, at fair value	**—**	**32,509**	**11,088**	**—**	**43,597**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	11,393	842	—	12,235
Other agency	—	3,565	9	—	3,574
All other	—	27	2,066	—	2,093
Total mortgage-related securities	**—**	**14,985**	**2,917**	**—**	**17,902**
Non-mortgage-related securities	20,159	2,660	—	—	22,819
Total trading securities, at fair value	**20,159**	**17,645**	**2,917**	**—**	**40,721**
Total investments in securities	**20,159**	**50,154**	**14,005**	**—**	**84,318**
Mortgage loans:					
Held-for-sale, at fair value	—	20,054	—	—	20,054
Derivative assets, net:					
Interest-rate swaps	—	4,262	—	—	4,262
Option-based derivatives	—	4,524	—	—	4,524
Other	—	44	8	—	52
Subtotal, before netting adjustments	**—**	**8,830**	**8**	**—**	**8,838**
Netting adjustments[1]	—	—	—	(8,463)	(8,463)
Total derivative assets, net	**—**	**8,830**	**8**	**(8,463)**	**375**
Other assets:					
Guarantee asset, at fair value	—	—	3,171	—	3,171
Non-derivative held-for-sale purchase commitments, at fair value	—	137	—	—	137
All other, at fair value	—	—	45	—	45
Total other assets	**—**	**137**	**3,216**	**—**	**3,353**
Total assets carried at fair value on a recurring basis	**$20,159**	**$79,175**	**$17,229**	**($8,463)**	**$108,100**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$9	$630	$—	$639
Other debt, at fair value	—	5,023	137	—	5,160
Derivative liabilities, net:					
Interest-rate swaps	—	7,239	—	—	7,239
Option-based derivatives	—	121	—	—	121
Other	—	64	65	—	129
Subtotal, before netting adjustments	**—**	**7,424**	**65**	**—**	**7,489**
Netting adjustments[1]	—	—	—	(7,220)	(7,220)
Total derivative liabilities, net	**—**	**7,424**	**65**	**(7,220)**	**269**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	4	—	—	4
Total liabilities carried at fair value on a recurring basis	**$—**	**$12,460**	**$832**	**($7,220)**	**$6,072**

(1) Represents counterparty netting, cash collateral netting and net derivative interest receivable or payable.

Level 3 Fair Value Measurements

The tables below present a reconciliation of all assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis using significant unobservable inputs (Level 3), including transfers into and out of Level 3. The tables also present gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized in our condensed consolidated statements of comprehensive income for Level 3 assets and liabilities. When assets and liabilities are transferred between levels, we recognize the transfer as of the beginning of the period.

	2Q 2018											
		Realized and unrealized gains (losses)										
(In millions)	Balance, April 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$5,127	($5)	($36)	($41)	$91	$—	($312)	($315)	$—	($170)	$4,380	($2)
Other agency	44	—	—	—	239	—	—	(13)	—	—	270	—
Non-agency RMBS	2,363	46	(18)	28	—	—	(33)	(132)	—	—	2,226	14
Non-agency CMBS	1,643	(2)	(12)	(14)	—	—	—	(5)	—	—	1,624	(2)
Obligations of states and political subdivisions	327	—	—	—	—	—	—	(18)	—	—	309	—
Total available-for-sale mortgage-related securities	**9,504**	**39**	**(66)**	**(27)**	**330**	**—**	**(345)**	**(483)**	**—**	**(170)**	**8,809**	**10**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	1,456	(105)	—	(105)	651	—	(164)	(10)	645	(45)	2,428	(98)
Other agency	9	(1)	—	(1)	30	—	(21)	—	—	—	17	(1)
All other	1,583	(20)	—	(20)	—	—	(261)	(18)	—	—	1,284	(18)
Total trading mortgage-related securities	**3,048**	**(126)**	**—**	**(126)**	**681**	**—**	**(446)**	**(28)**	**645**	**(45)**	**3,729**	**(117)**
Other assets:												
Guarantee asset	3,285	(36)	—	(36)	—	255	—	(141)	—	—	3,363	(36)
All other, at fair value	88	23	—	23	(2)	(6)	—	—	—	—	103	11
Total other assets	**$3,373**	**($13)**	**$—**	**($13)**	**($2)**	**$249**	**$—**	**($141)**	**$—**	**$—**	**$3,466**	**($25)**

		Realized and unrealized (gains) losses										
	Balance, April 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized (gains) losses still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$629	$—	$—	$—	$—	$—	$—	$—	$—	$—	$629	$—
Other debt, at fair value	135	—	—	—	—	—	—	—	—	—	135	—
Net derivatives[2]	40	13	—	13	—	(4)	—	(7)	—	—	42	7
Other liabilities:												
All other, at fair value	—	—	—	—	—	—	—	—	—	—	—	—

Referenced footnotes are included after the prior period tables.

	YTD 2018											
		Realized and unrealized gains (losses)										
(In millions)	Balance, January 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$5,055	($6)	($140)	($146)	$91	$—	($56)	($564)	$—	$—	$4,380	($6)
Other agency	46	—	—	—	239	—	—	(15)	—	—	270	—
Non-agency RMBS	3,933	494	(469)	25	—	—	(1,500)	(232)	—	—	2,226	28
Non-agency CMBS	1,697	(4)	(59)	(63)	—	—	—	(10)	—	—	1,624	(4)
Obligations of states and political subdivisions	357	—	(2)	(2)	—	—	—	(46)	—	—	309	—
Total available-for-sale mortgage-related securities	**11,088**	**484**	**(670)**	**(186)**	**330**	**—**	**(1,556)**	**(867)**	**—**	**—**	**8,809**	**18**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	842	(180)	—	(180)	1,225	—	—	(13)	586	(32)	2,428	(176)
Other agency	9	(1)	—	(1)	30	—	(21)	—	—	—	17	(1)
All other	2,066	(67)	—	(67)	—	—	(681)	(34)	—	—	1,284	(55)
Total trading mortgage-related securities	**2,917**	**(248)**	**—**	**(248)**	**1,255**	**—**	**(702)**	**(47)**	**586**	**(32)**	**3,729**	**(232)**
Other assets:												
Guarantee asset	3,171	(20)	—	(20)	—	490	—	(278)	—	—	3,363	(20)
All other, at fair value	45	29	—	29	41	(12)	—	—	—	—	103	14
Total other assets	**$3,216**	**$9**	**$—**	**$9**	**$41**	**$478**	**$—**	**($278)**	**$—**	**$—**	**$3,466**	**($6)**
		Realized and unrealized (gains) losses										
	Balance, January 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2018	Unrealized (gains) losses still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$630	($1)	$—	($1)	$—	$—	$—	$—	$—	$—	$629	($1)
Other debt, at fair value	$137	—	—	—	—	—	—	(2)	—	—	135	—
Net derivatives[2]	57	23	—	23	—	(26)	—	(12)	—	—	42	13
Other liabilities:												
All other, at fair value	—	—	—	—	—	—	—	—	—	—	—	—

Referenced footnotes are included after the prior period tables.

	2Q 2017											
		Realized and unrealized gains (losses)										
(In millions)	Balance, April 1, 2017	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2017	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$6,419	$10	$17	$27	$258	$—	($482)	($391)	$—	($145)	$5,686	($5)
Other agency	62	—	—	—	—	—	—	(3)	—	(8)	51	—
Non-agency RMBS	9,270	153	158	311	—	—	(477)	(465)	—	—	8,639	70
Non-agency CMBS	3,360	2	120	122	—	—	—	(12)	—	—	3,470	2
Obligations of states and political subdivisions	560	1	(1)	—	—	—	—	(79)	—	—	481	—
Total available-for-sale mortgage-related securities	**19,671**	**166**	**294**	**460**	**258**	**—**	**(959)**	**(950)**	**—**	**(153)**	**18,327**	**67**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	552	(51)	—	(51)	474	—	—	—	83	(170)	888	(42)
Other agency	11	(1)	—	(1)	—	—	—	—	—	—	10	—
All other	109	1	—	1	—	—	—	(2)	—	—	108	2
Total trading mortgage-related securities	**672**	**(51)**	**—**	**(51)**	**474**	**—**	**—**	**(2)**	**83**	**(170)**	**1,006**	**(40)**
Other assets:												
Guarantee asset	2,340	4	—	4	—	249	—	(113)	—	—	2,480	4
All other, at fair value	—	—	—	—	—	—	—	—	—	—	—	—
Total other assets	**$2,340**	**$4**	**$—**	**$4**	**$—**	**$249**	**$—**	**($113)**	**$—**	**$—**	**$2,480**	**$4**

		Realized and unrealized gains (losses)										
	Balance, April 1, 2017	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2017	Unrealized gains (losses) still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$530	$1	$—	$1	$—	$—	$—	$—	$—	$—	$531	$1
Other debt, at fair value	94	—	—	—	—	—	—	(5)	—	—	89	—
Net derivatives[2]	61	20	—	20	—	—	—	(10)	—	—	71	12
Other Liabilities:												
All other, at fair value	10	6	—	6	1	—	—	—	—	—	17	6

Referenced footnotes are included after the following table.

	YTD 2017											
		Realized and unrealized gains (losses)										
(In millions)	Balance, January 1, 2017	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2017	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$9,847	($1)	$35	$34	$494	$—	($907)	($703)	$17	($3,096)	$5,686	($10)
Other agency	66	—	(1)	(1)	—	—	—	(6)	—	(8)	51	—
Non-agency RMBS	11,797	431	60	491	—	—	(2,694)	(955)	—	—	8,639	137
Non-agency CMBS	3,366	2	122	124	—	—	—	(20)	—	—	3,470	2
Obligations of states and political subdivisions	665	1	(1)	—	—	—	—	(184)	—	—	481	—
Total available-for-sale mortgage-related securities	**25,741**	**433**	**215**	**648**	**494**	**—**	**(3,601)**	**(1,868)**	**17**	**(3,104)**	**18,327**	**129**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	1,095	(84)	—	(84)	539	—	(592)	(9)	131	(192)	888	(74)
Other agency	12	(2)	—	(2)	—	—	—	—	—	—	10	(2)
All other	113	1	—	1	—	—	—	(6)	—	—	108	1
Total trading mortgage-related securities	**1,220**	**(85)**	**—**	**(85)**	**539**	**—**	**(592)**	**(15)**	**131**	**(192)**	**1,006**	**(75)**
Other assets:												
Guarantee asset	2,299	(3)	—	(3)	—	413	—	(229)	—	—	2,480	(3)
All other, at fair value	—	—	—	—	—	—	—	—	—	—	—	—
Total other assets	**$2,299**	**($3)**	**$—**	**($3)**	**$—**	**$413**	**$—**	**($229)**	**$—**	**$—**	**$2,480**	**($3)**
		Realized and unrealized gains (losses)										
	Balance, January 1, 2017	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, June 30, 2017	Unrealized gains (losses) still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$—	$1	$—	$1	$—	$530	$—	$—	$—	$—	$531	$1
Other debt, at fair value	95	—	—	—	—	—	—	(6)	—	—	89	—
Net derivatives[2]	50	33	—	33	—	1	—	(13)	—	—	71	21
Other Liabilities:												
All other, at fair value	(2)	7	—	7	12	—	—	—	—	—	17	7

(1) Transfers out of Level 3 during 2Q 2018 and YTD 2018 consisted primarily of certain mortgage-related securities due to an increased volume and level of activity in the market and availability of price quotes from dealers and third-party pricing services. Certain Freddie Mac securities are classified as Level 3 at issuance and generally are classified as Level 2 when they begin trading. Transfers into Level 3 during 2Q 2018 and YTD 2018 consisted primarily of certain mortgage-related securities due to a decrease in market activity and the availability of relevant price quotes from dealers and third-party pricing services.

(2) Amounts are the net of derivative assets and liabilities prior to counterparty netting, cash collateral netting, net trade/settle receivable or payable and net derivative interest receivable or payable.

(3) Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains and losses related to assets and liabilities classified as Level 3 that were still held at June 30, 2018 and June 30, 2017, respectively. Included in these amounts are other-than temporary impairments recorded on available-for-sale securities.

The tables below provide valuation techniques, the range and the weighted average of significant unobservable inputs for Level 3 assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis.

	June 30, 2018				
			Unobservable Inputs		
(**In millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Recurring fair value measurements					
Assets					
Investments in securities					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$4,176	Discounted cash flows	OAS	29 - 325 bps	74 bps
	204	Other			
Total Freddie Mac	**4,380**				
Other agency	270	Other			
Non-agency RMBS	1,956	Median of external sources	External pricing sources	$70.9 - $77.7	$74.0
	270	Other			
Total non-agency RMBS	**2,226**				
Non-agency CMBS	1,624	Single external source	External pricing sources	$104.0 - $105.2	$104.7
Obligations of states and political subdivisions	292	Single external source	External pricing sources	$97.2 - $107.3	$100.9
	17	Other			
Total obligations of states and political subdivisions	**309**				
Total available-for-sale mortgage-related securities	**8,809**				
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	871	Discounted cash flows	OAS	(21,945) - 6,521 bps	230 bps
	550	Single external source	External pricing sources	$0.0 - $6.9	$3.4
	277	Risk metrics	Effective duration	(15.99) - 12.97 years	7.71 years
	730	Other			
Total Freddie Mac	**2,428**				
Other agency	17	Other			
All other	1,283	Single external source	External pricing sources	$6.2 - $108.7	$94.8
	1	Other			
Total all other	**1,284**				
Total trading mortgage-related securities	**3,729**				
Total investments in securities	**$12,538**				
Other assets:					
Guarantee asset, at fair value	$3,132	Discounted cash flows	OAS	17 - 198 bps	135 bps
	231	Other			
Total Guarantee asset, at fair value	**3,363**				
All other at fair value	103	Other			
Total other assets	**3,466**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	629	Single external source	External Pricing Sources	$97.0 - $100.5	$100.0
Other debt, at fair value	135	Other			
Net derivatives	42	Other			

	December 31, 2017				
			Unobservable Inputs		
(In millions, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Recurring fair value measurements					
Assets					
Investments in securities:					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$4,873	Discounted cash flows	OAS	27 - 501 bps	68 bps
	182	Other			
Total Freddie Mac	**5,055**				
Other agency	46	Other			
Non-agency RMBS	3,665	Median of external sources	External pricing sources	$75.6 - $80.8	$77.7
	268	Other			
Total non-agency RMBS	**3,933**				
Non-agency CMBS	1,696	Single external source	External pricing sources	$108.4 - $108.9	$108.7
	1	Other			
Total non-agency CMBS	**1,697**				
Obligations of states and political subdivisions	334	Median of external sources	External pricing sources	$101.2 - $101.6	$101.4
	23	Other			
Total obligations of states and political subdivisions	**357**				
Total available-for-sale mortgage-related securities	**11,088**				
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	582	Discounted cash flows	OAS	(8,905) - 27,202 bps	(88) bps
	243	Risk metrics	Effective duration	0.00 - 55.93 years	11.76 years
	17	Other			
Total Freddie Mac	**842**				
Other agency	9	Other			
All other	2,065	Single external source	External pricing sources	$6.4 - $113.2	$98.0
	1	Other			
Total all other	**2,066**				
Total trading mortgage-related securities	**2,917**				
Total investments in securities	**$14,005**				
Other assets:					
Guarantee asset, at fair value	$3,171	Discounted cash flows	OAS	17 - 198 bps	45 bps
All other at fair value	45	Other			
Total other assets	**3,216**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	630	Single external source	External Pricing Sources	$99.2 - $100.2	$100.1
Other debt, at fair value	137	Other			
Net derivatives	57	Other			

Assets Measured at Fair Value on a Non-recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis after our initial recognition. These adjustments usually result from the application of lower-of-cost-or-fair-value accounting or measurement of impairment based on the fair value of the underlying collateral.

The table below presents assets measured on our condensed consolidated balance sheets at fair value on a non-recurring basis.

	June 30, 2018				December 31, 2017			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a non-recurring basis:								
Mortgage loans[1]	$—	$162	$5,823	$5,985	$—	$494	$6,199	$6,693

(1) Includes loans that are classified as held-for-investment and have been measured for impairment based on the fair value of the underlying collateral and held-for-sale loans where the fair value is below cost.

The tables below provide valuation techniques, the range and the weighted average of significant unobservable inputs for Level 3 assets and liabilities measured on our condensed consolidated balance sheets at fair value on a non-recurring basis. Certain of the fair values in the tables below were not obtained as of the period end, but were obtained during the period.

	June 30, 2018				
			Unobservable Inputs		
(In millions, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$5,823				
		Internal model	Historical sales proceeds	$3,000 - $947,675	$177,666
		Internal model	Housing sales index	42 - 384 bps	104 bps
		Median of external sources	External pricing sources	$35.9 - $94.6	$81.9

	December 31, 2017				
			Unobservable Inputs		
(In millions, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$6,199				
		Internal model	Historical sales proceeds	$3,000 - $899,000	$176,558
		Internal model	Housing sales index	43 - 394 bps	102 bps
		Median of external sources	External pricing sources	$36.5 - $94.9	$80.9

Fair Value of Financial Instruments

The tables below present the carrying value and estimated fair value of our financial instruments. For certain types of financial instruments, such as cash and cash equivalents, securities purchased under agreements to resell, advances to lenders and other secured lending and certain debt, the carrying value on our GAAP balance sheets approximates fair value, as these assets and liabilities are short-term in nature and have limited market value volatility.

	June 30, 2018							
			Fair Value					
(In millions)	GAAP Measurement Category[1]	GAAP Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustments[2]	Total
Financial Assets							
Cash and cash equivalents[3]	Amortized cost	$6,752	$6,752	$—	$—	$—	$6,752
Securities purchased under agreements to resell	Amortized cost	41,769	—	41,769	—	—	41,769
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	37,822	—	29,013	8,809	—	37,822
Trading, at fair value	FV - NI	39,888	20,501	15,658	3,729	—	39,888
Total investments in securities		**77,710**	**20,501**	**44,671**	**12,538**	**—**	**77,710**
Mortgage loans:							
Loans held by consolidated trusts		1,795,534	—	1,630,952	129,517	—	1,760,469
Loans held by Freddie Mac		89,317	—	31,457	60,424	—	91,881
Total mortgage loans	**Various[4]**	**1,884,851**	**—**	**1,662,409**	**189,941**	**—**	**1,852,350**
Derivative assets, net	FV - NI	391	—	6,633	23	(6,265)	391
Guarantee asset	FV - NI	3,363	—	—	3,374	—	3,374
Non-derivative purchase commitments, at fair value	FV - NI	132	—	132	24	—	156
Advances to lenders and other secured lending	Amortized cost	1,700	—	564	890	—	1,454
Total financial assets		**$2,016,668**	**$27,253**	**$1,756,178**	**$206,790**	**($6,265)**	**$1,983,956**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,746,298	$—	$1,703,861	$2,329	$—	$1,706,190
Other debt		274,864	—	274,202	3,750	—	277,952
Total debt, net	**Various[5]**	**2,021,162**	**—**	**1,978,063**	**6,079**	**—**	**1,984,142**
Derivative liabilities, net	FV - NI	409	—	4,733	65	(4,389)	409
Guarantee obligation	Amortized cost	3,250	—	—	3,574	—	3,574
Non-derivative purchase commitments, at fair value	FV - NI	11	—	11	35	—	46
Total financial liabilities		**$2,024,832**	**$—**	**$1,982,807**	**$9,753**	**($4,389)**	**$1,988,171**

(1) FV - NI denotes fair value through net income. FV - OCI denotes fair value through other comprehensive income.

(2) Represents counterparty netting, cash collateral netting and net derivative interest receivable or payable.

(3) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance.

(4) As of June 30, 2018, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value and FV - NII were$1.9 trillion, $9.7 billion and $16.6 billion, respectively.

(5) As of June 30, 2018, the GAAP carrying amounts measured at amortized cost and FV - NII were $2.0 trillion and $5.4 billion, respectively.

(In millions)	GAAP Measurement Category[(1)]	GAAP Carrying Amount	December 31, 2017 Fair Value Level 1	Level 2	Level 3	Netting Adjustments[(2)]	Total
Financial Assets							
Cash and cash equivalents[(3)]	Amortized cost	$9,811	$9,811	$—	$—	$—	$9,811
Securities purchased under agreements to resell	Amortized cost	55,903	—	55,903	—	—	55,903
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	43,597	—	32,509	11,088	—	43,597
Trading, at fair value	FV - NI	40,721	20,159	17,645	2,917	—	40,721
Total investments in securities		**84,318**	**20,159**	**50,154**	**14,005**	**—**	**84,318**
Mortgage loans:							
Loans held by consolidated trusts		1,774,286	—	1,635,137	145,911	—	1,781,048
Loans held by Freddie Mac		96,931	—	32,169	67,932	—	100,101
Total mortgage loans	**Various[(4)]**	**1,871,217**	**—**	**1,667,306**	**213,843**	**—**	**1,881,149**
Derivative assets, net	FV - NI	375	—	8,830	8	(8,463)	375
Guarantee asset	FV - NI	3,171	—	—	3,359	—	3,359
Non-derivative purchase commitments, at fair value	FV - NI	137	—	137	55	—	192
Advances to lenders and other secured lending	Amortized cost	1,269	—	473	796	—	1,269
Total financial assets		**$2,026,201**	**$29,970**	**$1,782,803**	**$232,066**	**($8,463)**	**$2,036,376**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,720,996	$—	$1,721,091	$2,679	$—	$1,723,770
Other debt		313,634	—	313,688	3,892	—	317,580
Total debt, net	**Various[(5)]**	**2,034,630**	**—**	**2,034,779**	**6,571**	**—**	**2,041,350**
Derivative liabilities, net	FV - NI	269	—	7,424	65	(7,220)	269
Guarantee obligation	Amortized cost	3,081	—	—	3,742	—	3,742
Non-derivative purchase commitments, at fair value	FV - NI	4	—	4	15	—	19
Total financial liabilities		**$2,037,984**	**$—**	**$2,042,207**	**$10,393**	**($7,220)**	**$2,045,380**

(1) FV - NI denotes fair value through net income. FV - OCI denotes fair value through other comprehensive income.

(2) Represents counterparty netting, cash collateral netting and net derivative interest receivable or payable.

(3) The current and prior period presentation has been modified to include restricted cash and cash equivalents due to recently adopted accounting guidance.

(4) As of December 31, 2017, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value and FV - NII were$1.8 trillion, $14.7 billion and $20.1 billion, respectively.

(5) As of December 31, 2017, the GAAP carrying amounts measured at amortized cost and FV - NII were $2.0 trillion and $5.8 billion, respectively.

HARP Loans

The fair value of mortgage loans includes loans refinanced under HARP of $21.6 billion and $30.2 billion as of June 30, 2018 and December 31, 2017, respectively. The fair value of HARP loans reflects the total compensation that we receive for the delivery of a HARP loan, based on the pricing that we are willing to offer because HARP is a part of a broader government program intended to provide assistance to homeowners and prevent foreclosures. When HARP ends on December 31, 2018, the beneficial pricing afforded to HARP loans may no longer be reflected in the pricing structure of our guarantee fees. If these benefits were not reflected in the pricing for these loans, the fair value of our loans would have decreased by $1.5 billion and $2.1 billion as of June 30, 2018 and December 31, 2017, respectively.

Fair Value Option

We elected the fair value option for certain multifamily held-for-sale loans, multifamily held-for-sale loan purchase commitments and certain long-term debt.

The table below presents the fair value and UPB related to certain loans and long-term debt for which we have elected the fair value option.

	June 30, 2018			December 31, 2017		
(In millions)	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties[(1)]	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties[(1)]
Fair value	$16,621	$4,786	$629	$20,054	$5,160	$630
Unpaid principal balance	16,494	4,320	630	19,762	4,666	630
Difference	$127	$466	($1)	$292	$494	$—

(1) Does not include interest-only securities with fair value of $8 million and $9 million as of June 30, 2018 and December 31, 2017, respectively.

Changes in Fair Value Under the Fair Value Option Election

The table below presents the changes in fair value included in other income (loss) in our condensed consolidated statements of comprehensive income, related to items for which we have elected the fair value option.

	2Q 2018	2Q 2017	YTD 2018	YTD 2017
(In millions)	Gains (Losses)		Gains (Losses)	
Multifamily held-for-sale loans	($54)	$42	($512)	$7
Multifamily held-for-sale loan purchase commitments	192	331	297	555
Other debt - long term	19	(103)	28	(202)
Debt securities of consolidated trusts held by third parties	—	1	2	11

Changes in fair value attributable to instrument-specific credit risk were not material for 2Q 2018 and YTD 2018 and for 2Q 2017 and YTD 2017 for any assets or liabilities for which we elected the fair value option.

NOTE 16

Legal Contingencies

We are involved as a party in a variety of legal and regulatory proceedings arising from time to time in the ordinary course of business including, among other things, contractual disputes, personal injury claims, employment-related litigation and other legal proceedings incidental to our business. We are frequently involved, directly or indirectly, in litigation involving mortgage foreclosures. From time to time, we are also involved in proceedings arising from our termination of a seller's or servicer’s eligibility to sell loans to, and/or service loans for, us. In these cases, the former seller or servicer sometimes seeks damages against us for wrongful termination under a variety of legal theories. In addition, we are sometimes sued in connection with the origination or servicing of loans. These suits typically involve claims alleging wrongful actions of sellers and servicers. Our contracts with our sellers and servicers generally provide for indemnification of Freddie Mac against liability arising from sellers' and servicers' wrongful actions with respect to loans sold to or serviced for Freddie Mac.

Litigation and claims resolution are subject to many uncertainties and are not susceptible to accurate prediction. In accordance with the accounting guidance for contingencies, we reserve for litigation claims and assessments asserted or threatened against us when a loss is probable (as defined in such guidance) and the amount of the loss can be reasonably estimated.

Putative Securities Class Action Lawsuit: Ohio Public Employees Retirement System vs. Freddie Mac, Syron, Et Al.

This putative securities class action lawsuit was filed against Freddie Mac and certain former officers on January 18, 2008 in the U.S. District Court for the Northern District of Ohio purportedly on behalf of a class of purchasers of Freddie Mac stock from August 1, 2006 through November 20, 2007. FHFA later intervened as Conservator, and the plaintiff amended its complaint on several occasions. The plaintiff alleged, among other things, that the defendants violated federal securities laws by making false and misleading statements concerning our business, risk management, and the procedures we put into place to protect the company from problems in the mortgage industry. The plaintiff seeks unspecified damages and interest, and reasonable costs and expenses, including attorney and expert fees.

In October 2013, defendants filed motions to dismiss the complaint. In October 2014, the District Court granted defendants’ motions and dismissed the case in its entirety against all defendants, with prejudice. In November 2014, plaintiff filed a notice of appeal in the U.S. Court of Appeals for the Sixth Circuit. On July 20, 2016, the Court of Appeals reversed the District Court's dismissal and remanded the case to the District Court for further proceedings.

At present, it is not possible for us to predict the probable outcome of this lawsuit or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matter due to the following factors, among others: the inherent uncertainty of pre-trial litigation and the fact that the District Court has not yet ruled upon motions for class certification or summary judgment. In particular, absent the certification of a class, the identification of a class period, and the identification of the alleged statement or statements that survive dispositive motions, we cannot reasonably estimate any possible loss or range of possible loss.

LIBOR Lawsuit

On March 14, 2013, Freddie Mac filed a lawsuit in the U.S. District Court for the Eastern District of Virginia against the British Bankers Association and the 16 U.S. Dollar LIBOR panel banks and a number of their affiliates. The case was subsequently transferred to the U.S. District Court for the Southern District of New York. The complaint alleges, among other things, that the defendants fraudulently and collusively depressed LIBOR, a benchmark interest rate indexed to trillions of dollars of financial products, and asserts claims for antitrust violations, breach of contract, tortious interference with contract and fraud. Freddie Mac filed an amended complaint in July 2013, and a second amended complaint in October 2014. In August 2015, the District Court dismissed the portion of our claim related to antitrust violations and fraud and we filed a motion for reconsideration. On March 31, 2016, the District Court granted a portion of our motion, finding personal jurisdiction over certain defendants, and denied the portion of our motion with respect to statutes of limitation for our fraud claims. Subsequently, in a related case, the U.S. Court of Appeals for the Second Circuit reversed the District Court's dismissal of certain plaintiffs' antitrust claims and remanded the case to the District Court for consideration of whether, among other things, the plaintiffs are "efficient enforcers" of the antitrust laws.

On December 20, 2016, after briefing and argument on the defendants' renewed motions to dismiss on personal jurisdiction and efficient enforcer grounds, the District Court denied defendants' motions in part and granted them in part. The District Court held that Freddie Mac is an efficient enforcer of the antitrust laws, but dismissed on personal jurisdiction grounds Freddie Mac's antitrust claims against all defendants except HSBC USA, N.A. Then, in an order issued February 2, 2017, the District Court effectively dismissed Freddie Mac's remaining antitrust claim against HSBC USA, N.A. At present, Freddie Mac's breach of contract actions against Bank of America, N.A., Barclays Bank, Citibank, N.A., Credit Suisse, Deutsche Bank, Royal Bank of Scotland and UBS AG are its only claims remaining in the District Court.

On February 23, 2018, the Second Circuit reversed the District Court's dismissal of certain plaintiffs' state law fraud and unjust enrichment claims on statutes of limitations grounds. While Freddie Mac was not a party to the appeal, this decision could have the effect of reinstating Freddie Mac's fraud claims against the above-named defendants. The Second Circuit also reversed certain aspects of the District Court's personal jurisdiction rulings and remanded with instructions to allow the named appellant to amend its complaint. On June 15, 2018, Freddie Mac filed a motion for leave to file an amended complaint, along with a proposed amended complaint.

Litigation Concerning the Purchase Agreement

Since July 2013, a number of lawsuits have been filed against us concerning the August 2012 amendment to the Purchase Agreement, which created the net worth sweep dividend provisions of the senior preferred stock. The plaintiffs in the lawsuits allege that they are holders of common stock and/or junior preferred stock issued by Freddie Mac and Fannie Mae. (For purposes of this discussion, junior preferred stock refers to the various series of preferred stock of Freddie Mac and Fannie Mae other than the senior preferred stock issued to Treasury.) It is possible that similar lawsuits will be filed in the future. The lawsuits against us are described below.

Litigation in the U.S. District Court for the District of Columbia

In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations. This case is the result of the consolidation of three putative class action lawsuits: *Cacciapelle and Bareiss vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 29, 2013; *American European Insurance Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 30, 2013; and *Marneu Holdings, Co. vs. FHFA, Treasury, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation*, filed on September 18, 2013. (The Marneu case was also filed as a shareholder derivative lawsuit.) A consolidated amended complaint was filed in December 2013. In the consolidated amended complaint, plaintiffs allege, among other items, that the August 2012 amendment to the Purchase Agreement breached Freddie Mac's and Fannie Mae's respective contracts with the holders of junior preferred stock and common stock and the covenant of good faith and fair dealing inherent in such contracts. Plaintiffs sought unspecified damages, equitable and injunctive relief, and costs and expenses, including attorney and expert fees.

The Cacciapelle and American European Insurance Company lawsuits were filed purportedly on behalf of a class of purchasers of junior preferred stock issued by Freddie Mac or Fannie Mae who held stock prior to, and as of, August 17, 2012. The Marneu lawsuit was filed purportedly on behalf of a class of purchasers of junior preferred stock and purchasers of common stock issued by Freddie Mac or Fannie Mae over a not-yet-defined period of time.

Arrowood Indemnity Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, FHFA and Treasury. This case was filed on September 20, 2013. The allegations and demands made by plaintiffs in this case were generally similar to those made by the plaintiffs in the In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations case described above. Plaintiffs in the Arrowood lawsuit also requested that, if injunctive relief were not granted, the Arrowood plaintiffs be awarded damages against the defendants in an amount to be determined including, but not limited to, the aggregate par value of their junior preferred stock, the total of which they stated to be approximately $42 million.

American European Insurance Company, Cacciapelle and Miller vs. Treasury and FHFA. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on July 30, 2014. The complaint alleged that, through the August 2012 amendment to the Purchase Agreement, Treasury and FHFA breached their respective fiduciary duties to Freddie Mac, causing Freddie Mac to suffer damages. The plaintiffs asked that Freddie Mac be awarded compensatory damages and disgorgement, as well as attorneys' fees, costs and other expenses.

FHFA, joined by Freddie Mac and Fannie Mae, moved to dismiss the In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations case and the other related cases in January 2014. Treasury filed a motion to dismiss the same day. In September 2014, the District Court granted the motions and dismissed the plaintiffs' claims. All plaintiffs appealed that decision, and on February 21, 2017, the U.S. Court of Appeals for the District of Columbia Circuit affirmed in part and remanded in part the decision granting the motions to dismiss. The Court of Appeals affirmed dismissal of all claims except certain claims seeking monetary damages for breach of contract and breach of implied duty of good faith and fair dealing. In March 2017, certain institutional and class plaintiffs filed petitions for panel rehearing with respect to certain claims. On July 17, 2017, the Court of Appeals granted the petitions for rehearing and issued a modified decision, which permitted the institutional plaintiffs to pursue the breach of contract and breach of implied duty of good faith and fair dealing claims that had been remanded. The Court of Appeals also removed language related to the standard to be applied to the implied duty claims, leaving that issue for the District Court to determine on remand. On October 16, 2017, certain institutional and class plaintiffs filed petitions for a writ of certiorari in the U.S. Supreme Court challenging whether HERA's prohibition on injunctive relief against FHFA bars judicial review of the net worth sweep dividend provisions of the August 2012 amendment to the Purchase Agreement, as well as whether HERA bars shareholders from pursuing derivative litigation where they allege the conservator faces a conflict of interest. The Supreme Court denied the petitions on February 20, 2018. On November 1, 2017, certain institutional and class plaintiffs and plaintiffs in another case in which Freddie Mac was not originally a defendant, *Fairholme Funds, Inc. v. FHFA, Treasury, and Federal National Mortgage Association*, filed proposed amended complaints in the District Court. Each of the proposed amended complaints names Freddie Mac as a defendant for breach of contract and breach of the covenant of good faith and fair dealing claims as well as for new claims alleging breach of fiduciary duty and breach of Virginia corporate law. On January 10, 2018, FHFA, Freddie Mac, and Fannie Mae moved to dismiss the amended complaints.

Angel vs. The Federal Home Loan Mortgage Corporation et al. This case was filed pro se on May 21, 2018 against Freddie Mac, Fannie Mae, certain current and former directors of Freddie Mac and Fannie Mae, and FHFA as a nominal defendant. The complaint alleges, among other things, breach of contract, breach of the implied covenant of good faith and fair dealing, and that defendants aided and abetted the government's "avoidance" of plaintiff's dividend rights. On July 12, 2018, the defendants filed a motion to dismiss the complaint.

Litigation in the U.S. Court of Federal Claims

Reid and Fisher vs. the United States of America and Federal Home Loan Mortgage Corporation. This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on February 26, 2014. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation. The plaintiffs ask that Freddie Mac be awarded just compensation for the U.S. government's alleged taking of its property, attorneys' fees, costs and other expenses. On March 8, 2018, the plaintiffs filed an amended complaint under seal.

Rafter, Rattien and Pershing Square Capital Management vs. the United States of America et al. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on August 14, 2014. The complaint alleges that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation, and the U.S. government breached an implied-in-fact contract with Freddie Mac. In September 2015, plaintiffs filed an amended complaint, which contains one claim involving Freddie Mac. The amended complaint alleges that Freddie Mac's charter is a contract with its common stockholders, and that, through the August 2012 amendment to the Purchase Agreement, the U.S. government breached the implied covenant of good faith and fair dealing inherent in such contract. Plaintiffs ask that they be awarded damages or other appropriate relief for the alleged breach of contract as well as attorneys' fees, costs and expenses. Plaintiffs filed a further amended complaint under seal on March 8, 2018, and a redacted public version on April 20, 2018. The amended complaint no longer lists Freddie Mac as a nominal defendant.

Fairholme Funds, Inc., et al. vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. This case was originally filed on July 9, 2013 against the United States of America. On March 8, 2018, plaintiffs filed an amended complaint under seal. A redacted public version was filed on May 11, 2018 and adds Freddie Mac and Fannie Mae as nominal defendants. The amended complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking or exaction of private property for public use without just compensation, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiffs ask that plaintiffs, Freddie Mac, and Fannie Mae be awarded (1) just compensation for the government's alleged taking or exaction of their property, (2) damages for the government's breach of fiduciary duties, and (3) damages for the government's breach of the alleged implied-in-fact contracts. In addition, plaintiffs seek pre- and post-judgment interest, attorneys' fees, costs, and other expenses.

Litigation in the U.S. District Court for the District of Delaware

Jacobs and Hindes vs. FHFA and Treasury. This case was filed on August 17, 2015 as a putative class action lawsuit purportedly on behalf of a class of holders of preferred stock or common stock issued by Freddie Mac or Fannie Mae. The case was also filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac and Fannie Mae as "nominal" defendants. The complaint alleges, among other items, that the August 2012 amendment to the Purchase Agreement violated applicable state law and constituted a breach of contract, as well as a breach of covenants of good faith and fair dealing. Plaintiffs seek equitable and injunctive relief (including restitution of the monies paid by Freddie Mac and Fannie Mae to Treasury under the net worth sweep dividend), compensatory damages, attorneys' fees, costs and expenses. On November 27, 2017, the Court dismissed the case with prejudice after defendants filed a motion to dismiss. On December 21, 2017, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Third Circuit.

At present, it is not possible for us to predict the probable outcome of the lawsuits discussed above in the U.S. District Courts and the U.S. Court of Federal Claims (including the outcome of any appeal) or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matters due to a number of factors, including the inherent uncertainty of pre-trial litigation. In addition, with respect to the In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations case, the plaintiffs have not demanded a stated amount of damages they believe are due, and the Court has not certified a class.

NOTE 17

Regulatory Capital

In October 2008, FHFA announced that it was suspending capital classification of us during conservatorship in light of the Purchase Agreement. FHFA continues to monitor our capital levels, but the existing statutory and FHFA regulatory capital requirements are not binding during conservatorship.

We continue to provide quarterly submissions to FHFA on minimum capital. The table below summarizes our minimum capital requirements and deficits and net worth.

(In millions)	June 30, 2018	December 31, 2017
GAAP net worth (deficit)	$4,585	($312)
Core capital (deficit)(1)(2)	(67,697)	(73,037)
Less: Minimum capital requirement(1)	17,809	18,431
Minimum capital surplus (deficit)(1)	**($85,506)**	**($91,468)**

(1) Core capital and minimum capital figures are estimates and represent amounts submitted to FHFA. FHFA is the authoritative source for our regulatory capital.

(2) Core capital excludes certain components of GAAP total equity (i.e., AOCI and the liquidation preference of the senior preferred stock) as these items do not meet the statutory definition of core capital.

During 2017, we and Fannie Mae worked with FHFA to develop an overall risk measurement framework for evaluating our risk management and business decisions during conservatorship, known as the CCF. We use both the CCF and our internal capital model, which are aligned, to measure risk for making economically effective decisions. We are required to submit quarterly reports to FHFA related to the CCF requirements.

NOTE 18

Selected Financial Statement Line Items

The table below presents the significant components of other income (loss) on our condensed consolidated statements of comprehensive income.

(In millions)	2Q 2018	2Q 2017	YTD 2018	YTD 2017
Other income (loss):				
Non-agency mortgage-related securities settlements and judgments	$334	$—	$334	$3
Gains (losses) on loans	162	193	(158)	207
Guarantee fee income	200	158	394	307
Gains (losses) on held-for-sale loan purchase commitments	192	331	297	555
All other	123	12	265	37
Total other income (loss)	**$1,011**	**$694**	**$1,132**	**$1,109**

The table below presents the significant components of other assets and other liabilities on our condensed consolidated balance sheets.

(In millions)	June 30, 2018	December 31, 2017
Other assets:		
Real estate owned, net	$771	$892
Accounts and other receivables(1)(2)	8,026	6,924
Guarantee asset	3,363	3,171
Fixed assets	883	798
Advances to lenders and other secured lending(2)	1,700	1,269
All other	747	636
Total other assets	**$15,490**	**$13,690**
Other liabilities:		
Servicer liabilities	$370	$628
Guarantee obligation	3,250	3,081
Accounts payable and accrued expenses	678	754
Payables related to securities	4,012	2,813
Income taxes payable	—	656
All other	889	1,036
Total other liabilities	**$9,199**	**$8,968**

(1) Primarily consists of servicer receivables and other non-interest receivables.

(2) Current and prior period presentation has been modified to reflect certain secured lending activity within advances to lenders and other secured lending. Previously this activity was included in accounts and other receivables.

END OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

Other Information

LEGAL PROCEEDINGS

We are involved as a party to a variety of legal proceedings. For more information, see **Note 16** in this report, our 2017 Annual Report and our Form 10-Q for the first quarter of 2018.

In addition, a number of lawsuits have been filed against the U.S. government related to the conservatorship and the Purchase Agreement. For information on these lawsuits, see the **Legal Proceedings** section in our 2017 Annual Report and our Form 10-Q for the first quarter of 2018. One of these cases was filed in the U.S. District Court for the Northern District of Illinois. On March 27, 2017, the District Court dismissed this case. On May 3, 2018, the U.S. Court of Appeals for the Seventh Circuit affirmed the District Court's decision. On May 18, 2018, two additional cases were filed in the U.S. Court of Federal Claims.

Some of these cases also have challenged the constitutionality of the structure of FHFA. One such case was filed in the U.S. District Court for the District of Minnesota. On July 6, 2018, the District Court dismissed this case. Another such case was filed in the U.S. District Court for the Southern District of Texas. On July 16, 2018, the U.S. Court of Appeals for the Fifth Circuit concluded in this case that FHFA's structure is unconstitutional and remanded the case with instructions to enter judgment declaring that the for-cause limitation on the removal of FHFA's Director violates the Constitution's separation-of-powers principles. The Fifth Circuit decision did not invalidate the Purchase Agreement, and the Court affirmed dismissal of the plaintiffs' other claims challenging the Purchase Agreement pursuant to the Administrative Procedures Act.

Freddie Mac is not a party to any of these lawsuits.

RISK FACTORS

This Form 10-Q should be read together with the **Risk Factors** section in our 2017 Annual Report, which describes various risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies and/or prospects.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

The securities we issue are "exempted securities" under the Securities Act of 1933, as amended. As a result, we do not file registration statements with the SEC with respect to offerings of our securities.

Following our entry into conservatorship, we suspended the operation of, and ceased making grants under, equity compensation plans. Previously, we had provided equity compensation under those plans to employees and members of the Board of Directors. Under the Purchase Agreement, we cannot issue any new options, rights to purchase, participations, or other equity interests without Treasury's prior approval. However, grants outstanding as of the date of the Purchase Agreement remain in effect in accordance with their terms.

Dividend Restrictions

Our payment of dividends on Freddie Mac common stock or any series of Freddie Mac preferred stock (other than senior preferred stock) is subject to certain restrictions as described in **Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - *Dividends and Dividend Restrictions*** in our 2017 Annual Report.

Information About Certain Securities Issuances by Freddie Mac

Pursuant to SEC regulations, public companies are required to disclose certain information when they incur a material direct financial obligation or become directly or contingently liable for a material obligation under an off-balance sheet arrangement. The disclosure must be made in a current report on Form 8-K under Item 2.03 or, if the obligation is incurred in connection with certain types of securities offerings, in prospectuses for those offerings that are filed with the SEC.

Freddie Mac's securities offerings are exempted from SEC registration requirements. As a result, we do not file registration statements or prospectuses with the SEC with respect to our securities offerings. To comply with the disclosure requirements of Form 8-K relating to the incurrence of material financial obligations, we report these types of obligations either in offering circulars or offering circular supplements that we post on our web site or in a current report on Form 8-K, in accordance with a "no-action" letter we received from the SEC staff. In cases where the information is disclosed in an offering circular or offering circular supplement, the document will be posted on our web site within the same time period that a prospectus for a non-exempt securities offering would be required to be filed with the SEC.

The web site address for disclosure about our debt securities is **www.freddiemac.com/debt**. From this address, investors can access the offering circular and related supplements for debt securities offerings under Freddie Mac's global debt facility, including pricing supplements for individual issuances of debt securities. Similar information about our STACR debt notes and SCR debt notes is available at **crt.freddiemac.com** and **mf.freddiemac.com/investors/**, respectively.

Disclosure about the mortgage-related securities we issue, some of which are off-balance sheet obligations (e.g., K Certificates and SB Certificates), can be found at **www.freddiemac.com/mbs**. From this address, investors can access information and documents about our mortgage-related securities, including offering circulars and offering circular supplements.

We provide additional information, including product descriptions, investor presentations, securities issuance calendars, transactions volumes and details, redemption notices and Freddie Mac research, in each case as applicable, on the websites for our business segments, which can be found at **www.freddiemac.com/singlefamily**, **mf.freddiemac.com** and **www.freddiemac.com/capital-markets**.

EXHIBITS

The exhibits are listed in the **Exhibit Index** of this Form 10-Q.

Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to management of the company, including the company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in implementing possible controls and procedures.

Management, including the company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2018. As a result of management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2018, at a reasonable level of assurance, because we have not been able to update our disclosure controls and procedures to provide reasonable assurance that information known by FHFA on an ongoing basis is communicated from FHFA to Freddie Mac's management in a manner that allows for timely decisions regarding our required disclosure under the federal securities laws. We consider this situation to be a material weakness in our internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING DURING 2Q 2018

We evaluated the changes in our internal control over financial reporting that occurred during 2Q 2018 and concluded that there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MITIGATING ACTIONS RELATED TO THE MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As described above under **Evaluation of Disclosure Controls and Procedures**, we have one material weakness in internal control over financial reporting as of June 30, 2018 that we have not remediated.

Based on discussions with FHFA and given the structural nature of this material weakness, we believe it is likely that we will not remediate it while we are under conservatorship. However, both we and FHFA have continued to engage in activities and employ procedures and practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws. These include the following:

- FHFA has established the Division of Conservatorship, which is intended to facilitate operation of the company with the oversight of the Conservator.
- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of external press releases, statements and certain speeches to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-Q, and engage in discussions with us regarding issues associated with the information contained in those filings. Prior to filing this Form 10-Q, FHFA provided us with a written acknowledgment that it had reviewed the Form 10-Q, was not aware of any material misstatements or omissions in the Form 10-Q, and had no objection to our filing the Form 10-Q.
- The Director of FHFA is in frequent communication with our Chief Executive Officer, typically meeting (in person or by phone) on at least a bi-weekly basis.
- FHFA representatives attend meetings frequently with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and capital markets management, external communications and legal matters.
- Senior officials within FHFA's accounting group meet frequently with our senior financial executives regarding our accounting policies, practices and procedures.

In view of our mitigating actions related to this material weakness, we believe that our condensed consolidated financial statements for 2Q 2018 have been prepared in conformity with GAAP.

Exhibit Index

Exhibit	Description*
3.1	Federal Home Loan Mortgage Corporation Act (12 U.S.C. §1451 et seq.), as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act
10.1	PC Master Trust Agreement, dated July 1, 2018
12.1	Statement re: computation of ratio of earnings to fixed charges and computation of ratio of earnings to combined fixed charges and preferred stock dividends
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Executive Vice President —Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Executive Vice President —Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
101.DEF	XBRL Taxonomy Extension Definition

* The SEC file numbers for the Registrant's Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K are 000-53330 and 001-34139.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal Home Loan Mortgage Corporation

By: /s/ Donald H. Layton

Donald H. Layton

Chief Executive Officer

Date: July 31, 2018

By: /s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer

(Principal Financial Officer)

Date: July 31, 2018

Form 10-Q Index

Exhibit 3.1

Federal Home Loan Mortgage Corporation Act

Public Law No. 91-351
July 24, 1970
As amended through May 24, 2018

Sec. 301. Short Title and Statement of Purpose (12 U.S.C. § 1451 note)

(a) This title may be cited as the "Federal Home Loan Mortgage Corporation Act."

(b) It is the purpose of the Federal Home Loan Mortgage Corporation -

(1) to provide stability in the secondary market for residential mortgages;

(2) to respond appropriately to the private capital market;

(3) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and

(4) to promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Sec. 302. Definitions (12 U.S.C. § 1451)

As used in this title -

(a) The term "Board of Directors" means the Board of Directors of the Corporation.

(b) The term "Corporation" means the Federal Home Loan Mortgage Corporation created by this chapter.

(c) The term "law" includes any law of the United States or of any State (including any rule of law or of equity).

(d) The term "mortgage" includes such classes of liens as are commonly given or are legally effective to secure advances on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located or a manufactured home that is personal property under the laws of the State in which the manufactured home is located together with the credit instruments, if any, secured thereby, and includes interests in mortgages.

(e) The term "organization" means any corporation, partnership, association, business trust, or business entity.

(f) The term "prescribe" means to prescribe by regulations or otherwise.

(g) The term “property” includes any property, whether real, personal, mixed, or otherwise, including without limitation on the generality of the foregoing choses in action and mortgages, and includes any interest in any of the foregoing.

(h) The term “residential mortgage” means a mortgage which (1) is a mortgage on real estate, in fee simple or under a leasehold having such term as may be prescribed by the Corporation, upon which there is located a structure or structures designed in whole or in part for residential use, or which comprises or includes one or more condominium units or dwelling units (as defined by the Corporation) and (2) has such characteristics and meets such requirements as to amount, term, repayment provisions, number of families, status as a lien on such real estate, and otherwise, as may be prescribed by the Corporation. The term “residential mortgage” also includes a loan or advance of credit insured under title I of the National Housing Act [12 U.S.C. 1702 et seq.] whose original proceeds are applied for in order to finance energy conserving improvements, or the addition of a solar energy system, to residential real estate. The term “residential mortgage” also includes a loan or advance of credit for such purposes, or purchased from any public utility carrying out activities in accordance with the requirements of title II of the National Energy Conservation Policy Act [42 U.S.C. 8211 et seq.] if the residential mortgage to be purchased is a loan or advance of credit the original proceeds of which are applied for in order to finance the purchase and installation of residential energy conservation measures (as defined in section 210(11) of the National Energy Conservation Policy Act) in residential real estate, not having the benefit of such insurance and includes loans made where the lender relies for purposes of repayment primarily on the borrower’s general credit standing and forecast of income, with or without other security. The term “residential mortgage” is also deemed to include a secured loan or advance of credit the proceeds of which are intended to finance the rehabilitation, renovation, modernization, refurbishment, or improvement of properties as to which the Corporation may purchase a “residential mortgage” as defined under the first sentence of this subsection. Such term shall also include other secured loans that are secured by a subordinate lien against a property as to which the Corporation may purchase a residential mortgage as defined under the first sentence of this subsection. A “secured loan or advance of credit” is one in which a security interest is taken in the rehabilitated, renovated, modernized, refurbished, or improved property. Such term shall also include a mortgage, lien, or other security interest on the stock or membership certificate issued to a tenant-stockholder or resident-member by a cooperative housing corporation, as defined in section 216 of title 26, and on the proprietary lease, occupancy agreement, or right of tenancy in the dwelling unit of the tenant-stockholder or resident-member in such cooperative housing corporation. The term “residential mortgage” also includes a loan or advance of credit secured by a mortgage or other lien on a manufactured home that is the principal residence of the borrower, without regard to whether the security property is real, personal, or mixed.

(i) The term “conventional mortgage” means a mortgage other than a mortgage as to which the Corporation has the benefit of any guaranty, insurance or other obligation by the United States or any of its agencies or instrumentalities.

(j) The term “security” has the meaning ascribed to it by section 77b of title 15.

(k) The term “State”, whether used as a noun or otherwise, includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

(l) The term “mortgage insurance program” includes, in the case of a residential mortgage secured by a manufactured home, any manufactured home lending program under title I of the National Housing Act [12 U.S.C. 1702 et seq.].

Sec. 303. Federal Home Loan Mortgage Corporation (12 U.S.C. § 1452)

(a) Creation; Board of Directors; policies; principal office; membership; term; vacancies

(1) There is hereby created the Federal Home Loan Mortgage Corporation, which shall be a body corporate under the direction of a Board of Directors. Within the limitations of law and regulation, the Board of Directors shall determine the general policies that govern the operations of the Corporation. The principal office of the Corporation shall be in the District of Columbia or at any other place determined by the Corporation.

(2)(A) The Board of Directors of the Corporation shall consist of 13 persons, or such other number as the Director determines appropriate, who shall be elected annually by the voting common stockholders. Except to the extent action under section 1377 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 temporarily results in a lesser number, the Board of Directors shall at all times have as members at least 1 person from the homebuilding industry, at least 1 person from the mortgage lending industry, at least 1 person from the real estate industry, and at least 1 person from an organization that has represented consumer or community interests for not less than 2 years or 1 person who has demonstrated a career commitment to the provision of housing for low-income households.

(B) Each member of the Board of Directors shall be elected for a term ending on the date of the next annual meeting of the voting common stockholders.

(C) Any seat on the Board of Directors that becomes vacant after the annual election of the directors shall be filled by the Board of Directors, but only for the unexpired portion of the term.

(D) Any member of the Board of Directors who is a full- time officer or employee of the Federal Government shall not, as such member, receive compensation for services as such a member.

(b) Capital distributions; limitation

(1) Except as provided in paragraph (2), the Corporation may make such capital distributions (as such term is defined in section 4502 of this title) as may be declared by the Board of Directors.

(2) The Corporation may not make any capital distribution that would decrease the total capital of the Corporation (as such term is defined in section 4502 of this title) to an amount less than the risk-based capital level for the Corporation established under section 4611 of this title or that would decrease the core capital of the Corporation (as such term is defined in section 4502 of this title) to an amount less than the minimum capital level for the Corporation established under section 4612 of this title, without prior written approval of the distribution by the Director of the Federal Housing Finance Agency.

(c) Powers of the Corporation - The Corporation shall have power (1) to adopt, alter, and use a corporate seal; (2) to have succession until dissolved by Act of Congress; (3) to make and enforce such bylaws, rules, and regulations as may be necessary or appropriate to carry out the purposes or provisions of this chapter; (4) to make and perform contracts, agreements, and commitments; (5) to prescribe and impose fees and charges for services by the Corporation; (6) to settle, adjust, and compromise, and with or without consideration or benefit to the Corporation to release or waive in whole or in part, in advance or otherwise, any claim, demand, or right of, by, or against the Corporation; (7) to sue and be sued, complain and defend, in any State, Federal, or other court; (8) to acquire, take, hold, and own, and to deal with and dispose of any property; and (9) to determine its necessary expenditures and the manner in which the same shall be incurred, allowed, and paid, and appoint, employ, and fix and provide for the compensation and benefits of officers, employees, attorneys, and agents as the Board of Directors determines reasonable and comparable with compensation for employment in other similar businesses (including publicly held financial institutions or other major financial services companies) involving similar duties and responsibilities, except that a significant portion of potential compensation of all executive officers (as such term is defined in subsection (h)(3) of this section) of the Corporation shall be based on the performance of the Corporation, all without regard to any other law except as may be provided by the Corporation or by laws hereafter enacted by the Congress expressly in limitation of this sentence. The Corporation, with the consent of any such department, establishment, or instrumentality, including any field services thereof, may utilize and act through any such department, establishment, or instrumentality and may avail itself of the use of information, services, facilities, and personnel thereof, and may pay compensation therefor, and all of the foregoing are hereby authorized to provide the same to the Corporation as it may request.

(d) Investment of funds; designation as depositary, custodian, or agent for Corporation of any Federal Reserve bank, Federal home loan bank, or any bank designated as depositary of public money - Funds of the Corporation may be invested in such investments as the Board of Directors may prescribe. Any Federal Reserve bank or Federal home loan bank, or any bank as to which at the time of its designation by the Corporation there is outstanding a designation by the Secretary of the Treasury as a general or other depositary of public money, may be designated by the Corporation as a depositary or custodian or as a fiscal or other agent of the Corporation, and is hereby authorized to act as such depositary, custodian, or agent. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depositary of public money, under such regulations as may be prescribed by the Secretary of the Treasury, and may also be employed as fiscal or other agent of the United States, and it shall perform all such reasonable duties as such depositary or agent as may be required of it.

(e) Exemption from Federal, State, and local taxation; exception; applicability of other provisions - The Corporation, including its franchise, activities, capital, reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by any territory, dependency, or possession of the United States or by any State, county, municipality, or local taxing authority, except that any real property of the Corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(f) Actions by and against the Corporation; jurisdiction; removal of actions; attachment or execution issued against the Corporation - Notwithstanding section 1349 of title 28 or any other provision of law, (1) the Corporation shall be deemed to be an agency included in sections 1345 and 1442 of such title 28; (2) all civil actions to which the Corporation is a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of all such actions, without regard to amount or value; and (3) any civil or other action, case or controversy in a court of a State, or in any court other than a district court of the United States, to which the Corporation is a party may at any time before the trial thereof be removed by the Corporation, without the giving of any bond or security, to the district court of the United States for the district and division embracing the place where the same is pending, or, if there is no such district court, to the district court of the United States for the district in which the principal office of the Corporation is located, by following any procedure for removal of causes in effect at the time of such removal.

(g) Mortgages, obligations, or other securities sold by Corporation deemed lawful investments for security purposes - All mortgages, obligations, or other securities which are or have been sold by the Corporation pursuant to section 1454 or section 1455 of this title shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposits of which shall be under the authority and control of the United States or any officers thereof.

(h) Report on comparability of compensation policies and financial performance of Corporation and payments earned by executive officers; prohibition on payments to terminated executive officers

(1) Not later than June 30, 1993, and annually thereafter, the Corporation shall submit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate on (A) the comparability of the compensation policies of the Corporation with the compensation policies of other similar businesses, (B) in the aggregate, the percentage of total cash compensation and payments under employee benefit plans (which shall be defined in a manner consistent with the Corporation's proxy statement for the annual meeting of shareholders for the preceding year) earned by executive officers of the Corporation during the preceding year that was based on the Corporation's performance, and (C) the comparability of the Corporation's financial performance with the performance of other similar businesses. The report shall include a copy of the Corporation's proxy statement for the annual meeting of shareholders for the preceding year.

(2) Notwithstanding the first sentence of subsection (c) of this section, after October 28, 1992, the Corporation may not enter into any agreement or contract to provide any payment of money or other thing of current or potential value in connection with the termination of employment of any executive officer of the Corporation, unless such agreement or contract is approved in advance by the Director of the Federal Housing Finance Agency. The Director may not approve any such agreement or contract unless the Director determines that the benefits provided under the agreement or contract are comparable to benefits under such agreements for officers of other public and private entities involved in financial services and housing interests who have comparable duties and responsibilities. For purposes of this paragraph, any renegotiation, amendment, or change after October 28, 1992, to any such agreement or contract entered into on or before October 28, 1992, shall be considered entering into an agreement or contract.

(3) For purposes of this subsection, the term "executive officer" has the meaning given the term in section 4502 of this title.

(4) Notwithstanding any other provision of this section, the Corporation shall not transfer, disburse, or pay compensation to any executive officer, or enter into an agreement with such executive officer, without the approval of the Director, for matters being reviewed under section 1318 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4518).

Sec. 304. Capitalization of Federal Home Loan Mortgage Corporation (12 U.S.C. § 1453)

(a) Common stock; issuance - The common stock of the Corporation shall consist of voting common stock, which shall be issued to such holders in the manner and amount, and subject to any limitations on concentration of ownership, as may be established by the Corporation.

(b) Par value - The voting common stock shall have such par value and other characteristics as the Corporation provides. The voting common stock shall be vested with all voting rights, each share being entitled to 1 vote. The free transferability of the voting common stock at all times to any person, firm, corporation or other entity shall not be restricted except that, as to the Corporation, it shall be transferable only on the books of the Corporation.

Sec. 305. Purchase and sale of mortgages; residential mortgages; conventional mortgages; terms and conditions of sale or other disposition; authority to enter into, perform, and carry out transactions (12 U.S.C. § 1454)

(a) Authority for purchase and sale; residential mortgages; conventional mortgages; terms and conditions of sale or other disposition; lending activities

(1) The Corporation is authorized to purchase, and make commitments to purchase, residential mortgages. The Corporation may hold and deal with, and sell or otherwise dispose of, pursuant to commitments or otherwise, any such mortgage or interest therein. The operations of the Corporation under this section shall be confined so far as practicable to residential mortgages which are deemed by the Corporation to be of such quality, type, and class as to meet generally the purchase standards imposed by private institutional mortgage investors. The Corporation may establish requirements, and impose charges or fees, which may be regarded as elements of pricing, for different classes of sellers or servicers, and for such purposes the Corporation is authorized to classify sellers or servicers according to type, size, location, assets, or, without limitation on the generality of the foregoing, on such other basis or bases of differentiation as the Corporation may consider necessary or appropriate to effectuate the purposes or provisions of this chapter. The Corporation may specify requirements concerning among other things, (A) minimum net worth; (B) supervisory mechanisms; (C) warranty compensation mechanisms; (D) prior approval of facilities; (E) prior origination and servicing experience with respect to different types of mortgages; (F) capital contributions and substitutes; (G) mortgage purchase volume limits; and (H) reduction of mortgage purchases during periods of borrowing. With respect to any particular type of seller, the Corporation shall not be required to make available programs involving prior approval of mortgages, optional delivery of mortgages, and purchase of other than conventional mortgages to an extent greater than the Corporation elects to make such programs available to other types of eligible sellers. Any requirements specified by the Corporation pursuant to the preceding three sentences must bear a rational relationship to the purposes or provisions of this chapter, but will not be considered discriminatory solely on the grounds of differential effects on types of eligible sellers. Insofar as is practicable, the Corporation shall make reasonable efforts to encourage participation in its programs by each type of eligible seller. Nothing in this section authorizes the Corporation to impose any charge or fee upon any mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act [12 U.S.C. 1701 et seq.] solely because of such status.

(2) No conventional mortgage secured by a property comprising one- to four-family dwelling units shall be purchased under this section if the outstanding principal balance of the mortgage at the time of purchase exceeds 80 per centum of the value of the property securing the mortgage, unless (A) the seller retains a participation of not less than 10 per centum in the mortgage; (B) for such period and under such circumstances as the Corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the Corporation in the event that the mortgage is in default; or (C) that portion of the unpaid principal balance of the mortgage which is in excess of such 80 per centum is guaranteed or insured by a qualified insurer as determined by the Corporation. The Corporation shall not issue a commitment to purchase a conventional mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (A) of such sentence. The Corporation may purchase a conventional mortgage which was originated more than

one year prior to the purchase date only if the seller is the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the National Credit Union Administration, or any other seller currently engaged in mortgage lending or investing activities. With respect to any transaction in which a seller contemporaneously sells mortgages originated more than one year old prior to the date of sale to the Corporation and receives in payment for such mortgages securities representing undivided interests only in those mortgages, the Corporation shall not impose any fee or charge upon an eligible seller which is not a member of a Federal Home Loan Bank which differs from that imposed upon an eligible seller which is such a member. The Corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages that are purchased by it; in any case in which the Corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of the mortgage and not merely with respect to the interest purchased by the Corporation. Such limitations shall not exceed $417,000 for a mortgage secured by a single-family residence, $533,850 for a mortgage secured by a 2-family residence, $645,300 for a mortgage secured by a 3-family residence, and $801,950 for a mortgage secured by a 4-family residence, except that such maximum limitations shall be adjusted effective January 1 of each year beginning after the effective date of the Federal Housing Finance Regulatory Reform Act of 2008, subject to the limitations in this paragraph. Each adjustment shall be made by adding to each such amount (as it may have been previously adjusted) a percentage thereof equal to the percentage increase, during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment, in the housing price index maintained by the Director of the Federal Housing Finance Agency (pursuant to section 1322 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4541)). If the change in such house price index during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment is a decrease, then no adjustment shall be made for the next year, and the next adjustment shall take into account prior declines in the house price index, so that any adjustment shall reflect the net change in the house price index since the last adjustment. Declines in the house price index shall be accumulated and then reduce increases until subsequent increases exceed prior declines. The foregoing limitations may be increased by not to exceed 50 per centum with respect to properties located in Alaska, Guam, Hawaii, and the Virgin Islands. Such foregoing limitations shall also be increased, with respect to properties of a particular size located in any area for which 115 percent of the median house price for such size residence exceeds the foregoing limitation for such size residence, to the lesser of 150 percent of such limitation for such size residence or the amount that is equal to 115 percent of the median house price in such area for such size residence.

(3) The sale or other disposition by the Corporation of a mortgage under this section may be with or without recourse, and shall be upon such terms and conditions relating to resale, repurchase, guaranty, substitution, replacement, or otherwise as the Corporation may prescribe.

(4)(A) The Corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in (i) residential mortgages that are secured by a subordinate lien against a one- to four-family residence that is the principal residence of the mortgagor; and (ii) residential mortgages that are secured by a subordinate lien against a property comprising five or more family dwelling units. If the Corporation shall have purchased, serviced, sold, or otherwise dealt with any other outstanding mortgage secured by the same residence, the aggregate original amount of such other mortgage and the mortgage authorized to be purchased, serviced, sold, or otherwise dealt with under this paragraph shall not exceed the applicable limitation determined under paragraph (2).

(B) The Corporation shall establish limitations governing the maximum original principal obligation of such mortgages. In any case in which the Corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of such mortgage secured by a subordinate lien and not merely with respect to the interest purchased by the Corporation. Such limitations shall not exceed (i) with respect to mortgages described in subparagraph (A)(i), 50 per centum of the single-family residence mortgage limitation determined under paragraph (2); and (ii) with respect to mortgages described in subparagraph (A)(ii), the applicable limitation determined under paragraph (2).

(C) No subordinate mortgage against a one- to four-family residence shall be purchased by the Corporation if the total outstanding indebtedness secured by the property as a result of such mortgage exceeds 80 per centum of the value of such property unless (i) that portion of such total outstanding indebtedness that exceeds such 80 per centum is guaranteed or insured by a qualified insurer as determined by the Corporation; (ii) the seller retains a participation of not less than 10 per centum in the mortgage; or (iii) for such period and under such circumstances as the Corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the Corporation in the event that the mortgage is in default. The Corporation shall not issue a commitment to purchase a subordinate mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (iii) of such sentence.

(5) The Corporation is authorized to lend on the security of, and to make commitments to lend on the security of, any mortgage that the Corporation is authorized to purchase under this section. The volume of the Corporation's lending activities and the establishment of its loan ratios, interest rates, maturities, and charges or fees in its secondary market operations under this paragraph, shall be determined by the Corporation from time to time; and such determinations shall be consistent with the objectives that the lending activities shall be conducted on such terms as will reasonably prevent excessive use of the Corporation's facilities, and that the operations of the Corporation under this paragraph shall be within its income derived from such operations and that such operations shall be fully self-supporting. The Corporation shall not be permitted to use its lending authority under this paragraph (A) to advance funds to a mortgage seller on an interim basis, using mortgage loans as collateral, pending the sale of the mortgages in the secondary market; or (B) to originate mortgage loans. Notwithstanding any Federal, State, or other law to the contrary, the Corporation is hereby empowered, in connection with any loan under this paragraph, whether before or after any default, to provide by contract with the borrower for the settlement or extinguishment, upon default, of any redemption, equitable, legal, or other right, title, or interest of the borrower in any mortgage or mortgages that constitute the security for the loan; and with respect to any such loan, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such security shall become the absolute property of the Corporation.

(b) Authority of other institutions to enter into, perform, and carry out transactions - Notwithstanding any other law, authority to enter into and to perform and carry out any transactions or matter referred to in this section is conferred on any Federal home loan bank, the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, the National Credit Union Administration, any Federal savings and loan association, any Federal home loan bank member, and any other financial institution the deposits or accounts of which are insured by an agency of the United States to the extent that Congress has the power to confer such authority.

(c) Prior approval of Secretary for new programs - The Corporation may not implement any new program (as such term is defined in section 4502 of this title) before obtaining the approval of the Secretary under section 4542 of this title.

(d) Use of Credit Scores as Condition for Approval of Residential Mortgages

(1) Definition - In this subsection, the term "credit score" means a numerical value or a categorization created by a third party derived from a statistical tool or modeling system used by a person who makes or arranges a loan to predict the likelihood of certain credit behaviors, including default.

(2) Use of Credit Scores - The Corporation shall condition purchase of a residential mortgage by the Corporation under this section on the provision of a credit score for the borrower only if -

(A) the credit score is derived from any credit scoring model that has been validated and approved by the Corporation under this subsection; and

(B) the Corporation provides for the use of the credit score by all of the automated underwriting systems of the Corporation and any other procedures and systems used by the Corporation to purchase residential mortgages that use a credit score.

(3) Validation and Approval Process - The Corporation shall establish a validation and approval process for the use of credit score models, under which the Corporation may not validate and approve a credit score model unless the credit score model -

(A) satisfies minimum requirements of integrity, reliability, and accuracy;

(B) has a historical record of measuring and predicting default rates and other credit behaviors;

(C) is consistent with the safe and sound operation of the corporation;

(D) complies with any standards and criteria established by the Director of the Federal Housing Finance Agency under section 1328(1) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992; and

(E) satisfies any other requirements, as determined by the Corporation.

(4) Replacement of Credit Score Model - If the Corporation has validated and approved 1 or more credit score models under paragraph (3) and the Corporation validates and approves an additional credit score model, the Corporation may determine that -

(A) the additional credit score model has replaced the credit score model or credit score models previously validated and approved; and

(B) the credit score model or credit score models previously validated and approved shall no longer be considered validated and approved for the purposes of paragraph (2).

(5) Public Disclosure - Upon establishing the validation and approval process required under paragraph (3), the Corporation shall make publicly available a description of the validation and approval process.

(6) Application - Not later than 30 days after the effective date of this subsection, the Corporation shall solicit applications from developers of credit scoring models for the validation and approval of those models under the process required under paragraph (3).

(7) Timeframe for Determination; Notice

(A) In general - The Corporation shall make a determination with respect to any application submitted under paragraph (6), and provide notice of that determination to the applicant, before a date established by the Corporation that is not later than 180 days after the date on which an application is submitted to the Corporation.

(B) Extensions - The Director of the Federal Housing Finance Agency may authorize not more than 2 extensions of the date established under subparagraph (A), each of which shall not exceed 30 days, upon a written request and a showing of good cause by the Corporation.

(C) Status notice - The Corporation shall provide notice to an applicant regarding the status of an application submitted under paragraph (6) not later than 60 days after the date on which the application was submitted to the Corporation.

(D) Reasons for disapproval - If an application submitted under paragraph (6) is disapproved, the Corporation shall provide to the applicant the reasons for the disapproval not later than 30 days after a determination is made under this paragraph.

(8) Authority of Director - If the Corporation elects to use a credit score under this subsection, the Director of the Federal Housing Finance Agency shall require the Corporation to periodically review the validation and approval process required under paragraph (3) as the Director determines necessary to ensure that the process remains appropriate and adequate and complies with any standards and criteria established pursuant to section 1328(1) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

(9) Extension - If, as of the effective date of this subsection, a credit score model has not been approved under paragraph (3), the Corporation may use a credit score model that was in use before the effective date of this subsection, if necessary to prevent substantial market disruptions, until the earlier of -

(A) the date on which a credit score model is validated and approved under paragraph (3); or

(B) the date that is 2 years after the effective date of this subsection."

Sec. 306. Obligations and securities of the Corporation (12 U.S.C. § 1455)

(a) Authority to issue; terms and conditions; validity - The Corporation is authorized, upon such terms and conditions as it may prescribe, to borrow, to give security, to pay interest or other return, and to issue notes, debentures, bonds, or other obligations, or other securities, including without limitation mortgage-backed securities guaranteed by the Government National Mortgage Association in the manner provided in section 1721(g) of this title. Any obligation or security of the Corporation shall be valid and binding notwithstanding that a person or persons purporting to have executed or attested the same may have died, become under disability, or ceased to hold office or employment before the issuance thereof.

(b) Prohibitions and restrictions; creation of liens and charges; rank and priority; causes of action to enforce; jurisdiction; service of process - The Corporation may, by regulation or by writing executed by the Corporation, establish prohibitions or restrictions upon the creation of indebtedness or obligations of the Corporation or of liens or charges upon property of the Corporation, including after-acquired property, and create liens and charges, which may be floating liens or charges, upon all or any part or parts of the property of the Corporation, including after-acquired property. Such prohibitions, restrictions, liens, and charges shall have such effect, including without limitation on the generality of the foregoing such rank and priority, as may be provided by regulations of the Corporation or by writings executed by the Corporation, and shall create causes of action which may be enforced by action in the United States District Court for the District of Columbia or in the United States district court for any judicial district in which any of the property affected is located. Process in any such action may run to and be served in any judicial district or any place subject to the jurisdiction of the United States.

(c) Purchase of obligations; funds, maximum amount of purchases, etc.

(1) The Secretary of the Treasury may purchase any obligations issued under subsection (a) of this section. For such purpose, the Secretary may use as a public debt transaction the proceeds of the sale of any securities issued under chapter 31 of title 31, and the purposes for which securities may be issued under such chapter are extended to include such purpose.

(2) The Secretary of the Treasury shall not at any time purchase any obligations under this subsection if the purchase would increase the aggregate principal amount of the outstanding holdings of obligations under this subsection by the Secretary to an amount greater than $2,250,000,000.

(3) Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon terms and conditions established to yield a rate of return determined by the Secretary to be appropriate, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the making of the purchase.

(4) The Secretary of the Treasury may at any time sell, upon terms and conditions and at prices determined by the Secretary, any of the obligations acquired by the Secretary under this subsection.

(5) All redemptions, purchases and sales by the Secretary of the Treasury of obligations under this subsection shall be treated as public debt transactions of the United States.

(d) Validity of provisions; validity of restrictions, prohibitions, liens, or charges - The provisions of this section and of any restriction, prohibition, lien, or charge referred to in subsection (b) of this section shall be fully effective notwithstanding any other law, including without limitation on the generality of the foregoing any law of or relating to sovereign immunity or priority.

(e) Authority to purchase, hold, or invest by person, trust, or organization

(1) Any person, trust, or organization created pursuant to or existing under the laws of the United States or any State shall be authorized to purchase, hold, and invest in mortgages, obligations, or other securities which are or have been sold by the Corporation pursuant to this section or pursuant to section 1454 of this title to the same extent that such person, trust, or organization is authorized under any applicable law to purchase, hold, or invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or Instrumentality thereof. Where State law limits the purchase, holding, or investment in obligations issued by the United States by such a person, trust, or organization, such Corporation mortgages, obligations, and other securities shall be considered to be obligations issued by the United States for purposes of the limitation.

(2) The provisions of paragraph (1) shall not apply with respect to a particular person, trust, or organization or class thereof in any State which, after December 21, 1979, enacts a statute which specifically names the Corporation and either prohibits or provides for a more limited authority to purchase, hold, or invest in such securities by such person, trust, or organization or class thereof than is provided in paragraph (1). The enactment by any State of any statute of the type described in the preceding sentence shall not affect the validity of any contractual commitment to purchase, hold, or invest which was made prior thereto.

(3) Any authority granted by paragraph (1) and not granted by any other Federal statute shall expire as of the end of June 30, 1985. Such expiration shall not affect the validity of any contractual commitment to purchase, hold, or invest which was made prior thereto pursuant to paragraph (1), and shall not affect the validity of any contractual commitment or other action to purchase, hold, or invest pursuant to any other authorization.

(f) Preferred stock - The Corporation may have preferred stock on such terms and conditions as the Board of Directors shall prescribe. Any preferred stock shall not be entitled to vote with respect to the election of any member of the Board of Directors.

(g) Securities exempt from regulation - All securities issued or guaranteed by the Corporation (other than securities guaranteed by the Corporation that are backed by mortgages not purchased by the Corporation) shall, to the same extent as securities that are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of the laws administered by the Securities and Exchange Commission.

(h) Securities backed by mortgages not purchased by Corporation

(1) The Corporation may not guarantee mortgage-backed securities or mortgage related payment securities backed by mortgages not purchased by the Corporation.

(2) The Corporation shall insert appropriate language in all of the obligations and securities of the Corporation issued under this section and section 1454 of this title clearly indicating that such obligations and securities, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than the Corporation.

(i) Prohibition on assessment or collection of fee or charge by United States - Except for fees paid pursuant to sections 1452(c) and 1455(c) of this title and assessments pursuant to section 4516 of this title, no fee or charge may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to the purchase, acquisition, sale, pledge, issuance, guarantee, or redemption of any mortgage, asset, obligation, or other security by the Corporation. No provision of this subsection shall affect the purchase of any obligation by any Federal home loan bank pursuant to section 1452(a) of this title.

(j) Notes, debentures, or substantially identical types of unsecured obligations; issuance, maturities, interest rates, etc.

(1) Any notes, debentures, or substantially identical types of unsecured obligations of the Corporation evidencing money borrowed, whether general or subordinated, shall be issued upon the approval of the Secretary of the Treasury and shall have such maturities and bear such rate or rates of interest as may be determined by the Corporation with the approval of the Secretary of the Treasury.

(2) Any notes, debentures, or substantially identical types of unsecured obligations of the Corporation having maturities of 1 year or less that the Corporation has issued or is issuing as of August 9, 1989, shall be deemed to have been approved by the Secretary of the Treasury as required by this subsection. Such deemed approval shall expire 365 days after August 9, 1989.

(3) Any notes, debentures, or substantially identical types of unsecured obligations of the Corporation having maturities of more than 1 year that the Corporation has issued or is issuing as of August 9, 1989, shall be deemed to have been approved by the Secretary of the Treasury as required by this subsection. Such deemed approval shall expire 60 days after August 9, 1989.

(k) Securities in form of debt obligations or trust certificates of beneficial interest; issuance, maturities, interest rates, etc.

(1) Any securities in the form of debt obligations or trust certificates of beneficial interest, or both, and based upon mortgages held and set aside by the Corporation, shall be issued upon the approval of the Secretary of the Treasury and shall have such maturities and shall bear such rate or rates of interest as may be determined by the Corporation with the approval of the Secretary of the Treasury.

(2) Any securities in the form of debt obligations or trust certificates of beneficial interest, or both, and based upon mortgages held and set aside by the Corporation, that the Corporation has issued or is issuing as of August 9, 1989, shall be deemed to have been approved by the Secretary of the Treasury as required by this subsection.

(l) Temporary authority of Treasury to purchase obligations and securities; conditions

(1) Authority to purchase

(A) General authority - In addition to the authority under subsection (c) of this section, the Secretary of the Treasury is authorized to purchase any obligations and other securities issued by the Corporation under any section of this Act, on such terms and conditions as the Secretary may determine and in such amounts as the Secretary may determine. Nothing in this subsection requires the Corporation to issue obligations or securities to the Secretary without mutual agreement between the Secretary and the Corporation. Nothing in this subsection permits or authorizes the Secretary, without the agreement of the Corporation, to engage in open market purchases of the common securities of the Corporation.

(B) Emergency determination required - In connection with any use of this authority, the Secretary must determine that such actions are necessary to -

(i) provide stability to the financial markets;

(ii) prevent disruptions in the availability of mortgage finance; and

(iii) protect the taxpayer.

(C) Considerations - To protect the taxpayers, the Secretary of the Treasury shall take into consideration the following in connection with exercising the authority contained in this paragraph:

(i) The need for preferences or priorities regarding payments to the Government.

(ii) Limits on maturity or disposition of obligations or securities to be purchased.

(iii) The Corporation’s plan for the orderly resumption of private market funding or capital market access.

(iv) The probability of the Corporation fulfilling the terms of any such obligation or other security, including repayment.

(v) The need to maintain the Corporation’s status as a private shareholder-owned company.

(vi) Restrictions on the use of Corporation resources, including limitations on the payment of dividends and executive compensation and any such other terms and conditions as appropriate for those purposes.

(D) Reports to Congress - Upon exercise of this authority, the Secretary shall report to the Committees on the Budget, Financial Services, and Ways and Means of the House of Representatives and the Committees on the Budget, Finance, and Banking, Housing, and Urban Affairs of the Senate as to the necessity for the purchase and the determinations made by the Secretary under subparagraph (B) and with respect to the considerations required under subparagraph (C), and the size, terms, and probability of repayment or fulfillment of other terms of such purchase.

(2) Rights; sale of obligations and securities

(A) Exercise of rights - The Secretary of the Treasury may, at any time, exercise any rights received in connection with such purchases.

(B) Sale of obligation and securities - The Secretary of the Treasury may, at any time, subject to the terms of the security or otherwise upon terms and conditions and at prices determined by the Secretary, sell any obligation or security acquired by the Secretary under this subsection.

(C) Deficit reduction - The Secretary of the Treasury shall deposit in the General Fund of the Treasury any amounts received by the Secretary from the sale of any obligation acquired by the Secretary under this subsection, where such amount shall be -

(i) dedicated for the sole purpose of deficit reduction; and

(ii) prohibited from use as an offset for other spending increases or revenue reductions.

(D) Application of sunset to purchased obligations or securities - The authority of the Secretary of the Treasury to hold, exercise any rights received in connection with, or sell, any obligations or securities purchased is not subject to the provisions of paragraph (4).

(3) Funding - For the purpose of the authorities granted in this subsection, the Secretary of the Treasury may use the proceeds of the sale of any securities issued under chapter 31 of Title 31, and the purposes for which securities may be issued under chapter 31 of Title 31 are extended to include such purchases and the exercise of any rights in connection with such purchases. Any funds expended for the purchase of, or modifications to, obligations and securities, or the exercise of any rights received in connection with such purchases under this subsection shall be deemed appropriated at the time of such purchase, modification, or exercise.

(4) Termination of authority - The authority under this subsection (1), with the exception of paragraphs (2) and (3) of this subsection, shall expire December 31, 2009.

(5) Authority of the Director with respect to executive compensation - The Director shall have the power to approve, disapprove, or modify the executive compensation of the Corporation, as defined under Regulation S-K, 17 C.F.R. 229.

Sec. 307. Immunity of Corporation; audits and reporting requirements; data collection; Housing Advisory Council (12 U.S.C. § 1456)

(a) Rights and remedies of Corporation; State qualifications or similar statutes - All rights and remedies of the Corporation, including without limitation on the generality of the foregoing any rights and remedies of the Corporation on, under, or with respect to any mortgage or any obligation secured thereby, shall be immune from impairment, limitation, or restriction by or under (1) any law (except laws enacted by the Congress expressly in limitation of this sentence) which becomes effective after the acquisition by the Corporation of the subject or property on, under, or with respect to which such right or remedy arises or exists or would so arise or exist in the absence of such law, or (2) any administrative or other action which becomes effective after such acquisition. The Corporation is authorized to conduct its business without regard to any qualification or similar statute in any State.

(b) Government audits; procedure; access to records, etc.; reimbursement of costs

(1) The programs, activities, receipts, expenditures, and financial transactions of the Corporation shall be subject to audit by the Comptroller General of the United States under such rules and regulations as may be prescribed by the Comptroller General. The representatives of the Government Accountability Office shall have access to all books, accounts, financial records, reports, files and all other papers, things, or property belonging to or in use by the Corporation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. A report on each such audit shall be made by the Comptroller General to the Congress. The Corporation shall reimburse the Government Accountability Office for the full cost of any such audit as billed therefor by the Comptroller General.

(2) To carry out this subsection, the representatives of the Government Accountability Office shall have access, upon request to the Corporation or any auditor for an audit of the Corporation under subsection (d) of this section, to any books, accounts, financial records, reports, files, or other papers, things, or property belonging to or in use by the Corporation and used in any such audit and to any papers, records, files, and reports of the auditor used in such an audit.

(c) Financial reports; submission to Director; contents

(1) The Corporation shall submit to the Director of the Federal Housing Finance Agency annual and quarterly reports of the financial condition and operations of the Corporation which shall be in such form, contain such information, and be submitted on such dates as the Director shall require.

(2) Each such annual report shall include -

(A) financial statements prepared in accordance with generally accepted accounting principles;

(B) any supplemental information or alternative presentation that the Director may require; and

(C) an assessment (as of the end of the Corporation's most recent fiscal year), signed by the chief executive officer and chief accounting or financial officer of the Corporation, of -

(i) the effectiveness of the internal control structure and procedures of the Corporation; and

(ii) the compliance of the Corporation with designated safety and soundness laws.

(3) The Corporation shall also submit to the Director any other reports required by the Director pursuant to section 1314 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 [12 U.S.C. 4514].

(4) Each report of financial condition shall contain a declaration by the president, vice president, treasurer, or any other officer designated by the Board of Directors of the Corporation to make such declaration, that the report is true and correct to the best of such officer's knowledge and belief.

(d) Independent audits of financial statements

(1) The Corporation shall have an annual independent audit made of its financial statements by an independent public accountant in accordance with generally accepted auditing standards.

(2) In conducting an audit under this subsection, the independent public accountant shall determine and report on whether the financial statements of the Corporation (A) are presented fairly in accordance with generally accepted accounting principles, and (B) to the extent determined necessary by the Director, comply with any disclosure requirements imposed under subsection (c)(2)(B) of this section.

(e) Mortgage data collection and reporting requirements

(1) The Corporation shall collect, maintain, and provide to the Director of the Federal Housing Finance Agency in a form determined by the Director, data relating to its mortgages on housing consisting of 1 to 4 dwelling units. Such data shall include -

(A) the income, census tract location, race, and gender of mortgagors under such mortgages;

(B) the loan-to-value ratios of purchased mortgages at the time of origination;

(C) whether a particular mortgage purchased is newly originated or seasoned;

(D) the number of units in the housing subject to the mortgage and whether the units are owner-occupied; and

(E) any other characteristics that the Secretary considers appropriate, to the extent practicable.

(2) The Corporation shall collect, maintain, and provide to the Director of the Federal Housing Finance Agency in a form determined by the Director, data relating to its mortgages on housing consisting of more than 4 dwelling units. Such data shall include -

(A) census tract location of the housing;

(B) income levels and characteristics of tenants of the housing (to the extent practicable);

(C) rent levels for units in the housing;

(D) mortgage characteristics (such as the number of units financed per mortgage and the amount of loans);

(E) mortgagor characteristics (such as nonprofit, for-profit, limited equity cooperatives);

(F) use of funds (such as new construction, rehabilitation, refinancing);

(G) type of originating institution; and

(H) any other information that the Secretary considers appropriate, to the extent practicable.

(3)(A) Except as provided in subparagraph (B), this subsection shall apply only to mortgages purchased by the Corporation after December 31, 1992.

(B) This subsection shall apply to any mortgage purchased by the Corporation after the date determined under subparagraph (A) if the mortgage was originated before such date, but only to the extent that the data referred in paragraph (1) or (2), as applicable, is available to the Corporation.

(f) Report on housing activities; contents; public disclosure

(1) The Corporation shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives, the Committee on Banking, Housing, and Urban Affairs of the Senate, and the Director of the Federal Housing Finance Agency a report on its activities under subpart B of part 2 of subtitle A of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 [12 U.S.C. 4561 et seq.].

(2) The report under this subsection shall-

(A) include, in aggregate form and by appropriate category, statements of the dollar volume and number of mortgages on owner-occupied and rental properties purchased which relate to each of the annual housing goals established under such subpart;

(B) include, in aggregate form and by appropriate category, statements of the number of families served by the Corporation, the income class, race, and gender of homebuyers served, the income class of tenants of rental housing (to the extent such information is available), the characteristics of the census tracts, and the geographic distribution of the housing financed;

(C) include a statement of the extent to which the mortgages purchased by the Corporation have been used in conjunction with public subsidy programs under Federal law;

(D) include statements of the proportion of mortgages on housing consisting of 1 to 4 dwelling units purchased by the Corporation that have been made to first-time homebuyers, as soon as providing such data is practicable, and identifying any special programs (or revisions to conventional practices) facilitating homeownership opportunities for first-time homebuyers;

(E) include, in aggregate form and by appropriate category, the data provided to the Director of the Federal Housing Finance Agency under subsection (e)(1)(B) of this section;

(F) compare the level of securitization versus portfolio activity;

(G) assess underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures, that affect the purchase of mortgages for low- and moderate- income families, or that may yield disparate results based on the race of the borrower, including revisions thereto to promote affordable housing or fair lending;

(H) describe trends in both the primary and secondary multifamily housing mortgage markets, including a description of the progress made, and any factors impeding progress, toward standardization and securitization of mortgage products for multifamily housing;

(I) describe trends in the delinquency and default rates of mortgages secured by housing for low- and moderate- income families that have been purchased by the Corporation, including a comparison of such trends with delinquency and default information for mortgage products serving households with incomes above the median level that have been purchased by the Corporation, and evaluate the impact of such trends on the standards and levels of risk of mortgage products serving low- and moderate-income families;

(J) describe in the aggregate the seller and servicer network of the Corporation, including the volume of mortgages purchased from minority-owned, women-owned, and community-oriented lenders, and any efforts to facilitate relationships with such lenders;

(K) describe the activities undertaken by the Corporation with nonprofit and for-profit organizations and with State and local governments and housing finance agencies, including how the Corporation's activities support the objectives of comprehensive housing affordability strategies under section 12705 of title 42; and

(L) include any other information that the Director of the Federal Housing Finance Agency considers appropriate.

(3)(A) The Corporation shall make each report under this subsection available to the public at the principal and regional offices of the Corporation.

(B) Before making a report under this subsection available to the public, the Corporation may exclude from the report information that the Director of the Federal Housing Finance Agency has determined is proprietary information under section 1326 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 [12 U.S.C. 4546].

(g) Affordable Housing Advisory Council

(1) Not later than 4 months after October 28, 1992, the Corporation shall appoint an Affordable Housing Advisory Council to advise the Corporation regarding possible methods for promoting affordable housing for low- and moderate-income families.

(2) The Affordable Housing Advisory Council shall consist of 15 individuals, who shall include representatives of community-based and other nonprofit and for-profit organizations and State and local government agencies actively engaged in the promotion, development, or financing of housing for low- and moderate-income families.

Sec. 308. Prohibited activities; penalties for violations by organizations, officers and members of organizations, and individuals (12 U.S.C. § 1457)

Except as expressly authorized by statute of the United States, no individual or organization (except the Corporation) shall use the term “Federal Home Loan Mortgage Corporation”, or any combination of words including the words “Federal”, and “Home Loan”, and “Mortgage”, as a name or part thereof under which any individual or organization does any business, but this sentence shall not make unlawful the use of any name under which business is being done on July 24, 1970. No individual or organization shall use or display (1) any sign, device, or insigne prescribed or approved by the Corporation for use or display by the Corporation or by members of the Federal home loan banks, (2) any copy, reproduction, or colorable imitation of any such sign, device, or insigne, or (3) any sign, device, or insigne reasonably calculated to convey the impression that it is a sign, device, or insigne used by the Corporation or prescribed or approved by the Corporation, contrary to regulations of the Corporation prohibiting, or limiting or restricting, such use or display by such individual or organization. An organization violating this subsection shall for each violation be punished by a fine of not more than $10,000. An officer or member of an organization participating or knowingly acquiescing in any violation of this subsection shall be punished by a fine of not more than $5,000 or imprisonment for not more than one year, or both. An individual violating this subsection shall for each violation be punished as set forth in the sentence next preceding this sentence.

Sec. 309. Territorial applicability (12 U.S.C. § 1458)

Notwithstanding any other law, this chapter shall be applicable to the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

Sec. 310. Separability (12 U.S.C. § 1459)

Notwithstanding any other evidences of the intention of Congress, it is hereby declared to be the controlling intent of Congress that if any provision of this chapter, or the application thereof to any person or circumstances, is held invalid, the remainder of this chapter, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Exhibit 10.1

Freddie Mac

PC MASTER TRUST AGREEMENT

THIS PC MASTER TRUST AGREEMENT is entered into as of July 1, 2018, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the PCs offered from time to time pursuant to Freddie Mac's Offering Circular referred to herein.

WHEREAS:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the Freddie Mac Act and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein; and

(b) Freddie Mac may from time to time (i) purchase Mortgages, in accordance with the applicable provisions of the Freddie Mac Act, (ii) as Depositor, transfer and deposit such Mortgages into various trust funds that are established pursuant to this Agreement and that are referred to herein as "PC Pools," (iii) as Administrator, on behalf of the Trustee, create and issue hereunder, on behalf of the related PC Pool, PCs representing undivided beneficial ownership interests in the assets of that PC Pool, (iv) as Trustee, act as trustee for each such PC Pool, (v) as Guarantor, guarantee the payment of interest and principal for the benefit of the Holders of such PCs and (vi) as Administrator, administer the affairs of each such PC Pool.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, the parties to this Agreement, do hereby declare and establish this Agreement and do hereby undertake and otherwise agree as follows with respect to the transfer of the Mortgages to various PC Pools, the issuance of the PCs and the establishment of the rights and obligations of the parties.

Definitions

The following terms used in this Agreement have the respective meanings set forth below.

Accrual Period: As to any PC and any Payment Date, (i) the calendar month preceding the month of the Payment Date for Gold PCs or (ii) the second calendar month preceding the month of the Payment Date for ARM PCs.

Administrator: Freddie Mac, in its corporate capacity, as administrator of the PC Pools created under this Agreement.

Agreement: This PC Master Trust Agreement, dated as of July 1, 2018, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the various PCs, as originally executed, or as modified, amended or supplemented in accordance with the provisions set forth herein. Unless the context requires otherwise, the term "Agreement" shall be deemed to include any applicable Pool Supplement entered into pursuant to Section 1.01 of this Agreement.

ARM: An adjustable rate Mortgage.

ARM PC: A PC with a Payment Delay of 75 days and which is backed by ARMs. ARM PCs include Deferred Interest PCs.

Book-Entry Rules: The provisions from time to time in effect, currently contained in Title 12, Part 1249 of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities on the book-entry system of the Federal Reserve Banks and authorizing a Federal Reserve Bank to act as its agent in connection with such securities.

Business Day: A day other than (i) a Saturday or Sunday and (ii) a day when the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is closed or, as to any Holder, a day when the Federal Reserve Bank that maintains the Holder's account is closed.

Conventional Mortgage: A Mortgage that is not guaranteed or insured by the United States or any agency or instrumentality of the United States.

Custodial Account: As defined in Section 3.05(e) of this Agreement.

Deferred Interest: The amount by which the interest due on a Mortgage exceeds the borrower's monthly payment, which amount is added to the unpaid principal balance of the Mortgage.

Deferred Interest PC: A PC representing an undivided beneficial ownership interest in a PC Pool that includes Mortgages providing for negative amortization.

Depositor: Freddie Mac, in its corporate capacity, as depositor of Mortgages into the PC Pools created under this Agreement.

Eligible Investments: Any one or more of the following obligations, securities or holdings maturing on or before the Payment Date applicable to the funds so invested:

(i) obligations of, or obligations guaranteed as to the full and timely payment of principal and interest by, the United States;

(ii) obligations of any agency or instrumentality of the United States (other than Freddie Mac, except as provided in subsection (ix) below) or taxable debt obligations of any state or local government (or political subdivision thereof) that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch in any case in one of its two highest rating categories for long-term securities or in its highest ratings category for short-term securities;

(iii) time deposits of any depository institution or trust company domiciled in the Cayman Islands or Nassau and affiliated with a financial institution that is a member of the Federal Reserve System, provided that the short-term securities of the depository institution or trust company are rated by S&P, Moody's or Fitch in the highest applicable ratings category for short-term securities;

(iv) federal funds, certificates of deposit, time deposits and bankers' acceptances with a fixed maturity of no more than 365 days of any depository institution or trust company, provided that the short-term securities of the depository institution or trust company are rated by S&P, Moody's or Fitch in the highest applicable ratings category for short-term securities;

(v) commercial paper with a fixed maturity of no more than 270 days, of any corporation that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(vi) debt securities that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch, in any case in one of its two highest ratings categories for long-term securities or in its highest ratings category for short-term securities;

(vii) money market funds that are registered under the Investment Company Act of 1940, as amended, are entitled, pursuant to Rule 2a-7 of the Securities and Exchange Commission, or any successor to that rule, to hold themselves out to investors as money market funds, and are rated by S&P, Moody's or Fitch in one of its two highest ratings categories for money market funds;

(viii) asset-backed commercial paper that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(ix) in the case of funds with respect to PCs issued on or after March 1, 2017, discount notes and other short-term debt obligations (in each case, with a stated final maturity, as of the related issue date, of one year or less) issued by Freddie Mac;

(x) repurchase agreements on obligations that are either specified in any of clauses (i), (ii), (iv), (v), (vi), (viii) or (ix) above or are mortgage-backed securities insured or guaranteed by an entity that is an agency or instrumentality of the United States; provided that the counterparty to the repurchase agreement is an entity whose short-term debt securities are rated by S&P, Moody's or Fitch in its highest ratings category for short-term securities; and

(xi) any other investment without options that is approved by Freddie Mac and is within the two highest ratings categories of the applicable rating agency for long-term securities or the highest ratings category of the applicable rating agency for short-term securities.

The rating requirement will be satisfied if the relevant security, issue or fund at the time of purchase receives at least the minimum stated rating from at least one of S&P, Moody's or Fitch. The rating requirement will not be satisfied by a rating that is the minimum rating followed by a minus sign or by a rating lower than Aa2 from Moody's.

Event of Default: As defined in Section 5.01 of this Agreement.

FHA/VA Mortgage: A Mortgage insured by the Federal Housing Administration or by the Department of Agriculture Rural Development (formerly the Rural Housing Service) or guaranteed by the Department of Veterans Affairs or the Department of Housing and Urban Development.

Final Payment Date: As to any PC, the first day of the latest month in which the related Pool Factor will be reduced to zero. The Administrator publishes the Final Payment Date upon formation of the related PC Pool.

Fitch: Fitch, Inc., also known as Fitch Ratings, or any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation, a corporation created pursuant to the Freddie Mac Act for the purpose of establishing and supporting a secondary market in residential mortgages. Unless the context requires otherwise, the term "Freddie Mac" shall be deemed to refer to Freddie Mac acting in one or more of its corporate capacities, as specified or as provided in context, and not in its capacity as Trustee.

Freddie Mac Act: Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459.

Gold PC: A PC with a Payment Delay of 45 days and which is backed by fixed-rate Mortgages.

Guarantor: Freddie Mac, in its corporate capacity, as guarantor of the PCs issued by each PC Pool.

Guide: Freddie Mac's Single-Family Seller/Servicer Guide, as supplemented and amended from time to time, in which Freddie Mac sets forth its mortgage purchase standards, credit, appraisal and underwriting guidelines and servicing policies.

Holder: With respect to any PC Pool, any entity that appears on the records of a Federal Reserve Bank as a holder of the related PCs.

Monthly Reporting Period: The period, which period the Administrator has the right to change as provided in Section 3.05(d) of this Agreement, during which servicers report Mortgage payments to the Administrator, generally consisting of:

(i) in the case of all payments other than full prepayments on the Mortgages, the one-month period (A) ending on the 15th of the month preceding the related Payment Date for Gold PCs and (B) ending on the 15th of the second month preceding the related Payment Date for ARM PCs; and

(ii) in the case of full prepayments on the Mortgages (including repurchases of the Mortgages pursuant to Section 1.02(c) of this Agreement), the calendar month preceding the related Payment Date for Gold PCs and the second calendar month preceding the related Payment Date for ARM PCs; *provided, however*, that with respect to full prepayments on PCs issued before September 1, 1995, the Monthly Reporting Period generally is from the 16th of a month through the 15th of the next month.

Moody's: Moody's Investors Service, Inc., or any successor thereto.

Mortgage: A mortgage loan or a participation interest in a mortgage loan that is secured by a first or second lien on a one-to-four family dwelling and that has been purchased by the Depositor and transferred by the Depositor to the Trustee for inclusion in the related PC Pool. With respect to each PC Pool, the Mortgages to be included therein shall be identified on the books and records of the Depositor and the Administrator.

Mortgage Coupon: The per annum fixed or adjustable interest rate of a Mortgage.

MultiLender Swap Program: A program under which Freddie Mac purchases Mortgages from one or more sellers in exchange for PCs representing undivided beneficial ownership interests in a PC Pool consisting of Mortgages that may or may not be those delivered by the seller(s).

Negative Amortization Factor: With respect to PCs backed by Mortgages providing for negative amortization, a rounded (or, prior to the Negative Amortization Factors for the month of August 2016, truncated rather than rounded) eight-digit decimal number that reflects the amount of Deferred Interest added to the principal balances of the related Mortgages in the preceding month.

Offering Circular: Freddie Mac's Mortgage Participation Certificates Offering Circular dated July 1, 2018, as amended and supplemented by any Supplements issued from time to time, or any successor thereto, as it may be amended and supplemented from time to time.

Payment Date: The 15th of each month or, if the 15th is not a Business Day, the next Business Day.

Payment Delay: The delay between the first day of the Accrual Period for a PC and the related Payment Date.

PC: With respect to each PC Pool, a Mortgage Participation Certificate issued pursuant to this Agreement, representing a beneficial ownership interest in such PC Pool. The term "PC'' includes a Gold PC or an ARM PC unless the context requires otherwise.

PC Coupon: The per annum fixed or adjustable rate of a PC calculated as described in the Offering Circular or the applicable Pool Supplement, computed on the basis of a 360-day year of twelve 30-day months.

PC Issue Date: With respect to each PC Pool, the date specified in the related Pool Supplement or, if not specified therein, the date on which Freddie Mac issues a PC in exchange for the Mortgages delivered by a dealer or other customer.

PC Pool: With respect to each PC, the corpus of the related trust fund created by this Agreement, consisting of (i) the related Mortgages and all proceeds thereof, (ii) amounts on deposit in the Custodial Account, to the extent allocable to such PC Pool, (iii) the right to receive payments under the related guarantee and (iv) any other assets specified in the related Pool Supplement, excluding any investment earnings on any of the assets of that PC Pool. With respect to each PC Pool, and unless expressly stated otherwise, the provisions of this Agreement will be interpreted as referring only to the Mortgages included in that PC Pool, the PCs issued by that PC Pool and the Holders of those PCs.

Person: Any legal person, including any individual, corporation, partnership, limited liability company, financial institution, joint venture, association, joint stock company, trust, unincorporated organization or governmental unit or political subdivision of any governmental unit.

Pool Factor: With respect to each PC Pool, a rounded (or, prior to the Pool Factors for the month of August 2016, truncated rather than rounded) eight-digit decimal calculated for each month by the Administrator which, when multiplied by the original principal balance of the related PCs, will equal their remaining principal amount. The Pool Factor for any month reflects the remaining principal amount after the payment to be made on the Payment Date in the same month for Gold PCs or in the following month for ARM PCs.

Pool Supplement: Any physical or electronic document or record (which may be a supplement to the Offering Circular or any other supplemental document prepared by Freddie Mac for the related PCs), which, together herewith, evidences the establishment of a PC Pool and modifies, amends or supplements the provisions hereof in any respect whatsoever. The Pool Supplement for a particular PC Pool shall be binding and effective upon formation of the related PC Pool and issuance of the related PCs, whether or not such Pool Supplement is executed, delivered or published by Freddie Mac.

Purchase Documents: The mortgage purchase agreements between Freddie Mac and its Mortgage sellers and servicers, which are the contracts that govern the purchase and servicing of Mortgages and which include, among other things, the Guide and any negotiated modifications, amendments or supplements to the Guide.

Record Date: As to any Payment Date, the close of business on the last day of (i) the preceding month for Gold PCs or (ii) the second preceding month for ARM PCs.

S&P: S&P Global Ratings, or any successor thereto.

Trustee: Freddie Mac, in its capacity as trustee of each PC Pool formed under this Agreement, and its successors and assigns, which will have the trustee responsibilities specified in this Agreement, as amended or supplemented from time to time.

Trustee Event of Default: As defined in Section 6.06 of this Agreement.

ARTICLE I

Conveyance of Mortgages; Creation of PC Pools

Section 1.01. Declaration of Trust; Transfer of Mortgages; Assignment of Principal and Interest and Acceptance of Beneficial Interests. (a) The Depositor, by delivering any Mortgages pursuant to this Agreement, unconditionally, absolutely and irrevocably hereby transfers, assigns, sets over and otherwise conveys to the Trustee, on behalf of the related Holders, all of the Depositor's right, title and interest in and to such Mortgages, including all payments of principal and interest thereon received after the month in which the PC Issue Date occurs. Once Mortgages have been identified as being part of a related PC Pool for which at least one PC has been issued, they shall remain in that PC Pool unless removed in a manner consistent with this Agreement. Concurrently with the Depositor's transferring, assigning, setting over and otherwise conveying the Mortgages to the Trustee for a PC Pool, the Trustee hereby accepts the Mortgages so conveyed and acknowledges that it holds the entire corpus of each PC Pool in trust for the exclusive benefit of the related Holders and shall deliver to, or on the order of, the Depositor, the PCs issued by such PC Pool. The Administrator agrees to administer the related PC Pool and such PCs in accordance with the terms of this Agreement. On the related PC Issue Date and upon payment to the Depositor for any such PC by a Holder, such Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement.

The Trustee shall make an election under Section 860D of the Code as a "real estate mortgage investment conduit" ("REMIC") with respect to beneficial interests in principal and interest payments on all or a portion of the assets comprising each PC Pool issued by Freddie Mac on or after July 1, 2018, except as indicated in the Offering Circular. With respect to any such REMIC election and the assets subject to such REMIC election, the Trustee shall take any action, or cause each PC Pool with beneficial interests in principal and interest payments with respect to such PC Pool subject to such REMIC election to take any action, necessary or appropriate to establish and maintain the REMIC status of any assets with respect to which such REMIC election is made.

A Pool Supplement shall evidence the establishment of a particular PC Pool and shall relate to specific PCs representing the entire beneficial ownership interests in such PC Pool. If for any reason the creation of a Pool Supplement is delayed, Freddie Mac shall create one as soon as practicable, and such delay shall not affect the validity and existence of the PC Pool or the related PCs. With respect to each PC Pool, the collective terms hereof and of the related Pool Supplement shall govern the issuance and administration of the PCs related to such PC Pool, and all matters related thereto, and shall have no applicability to any other PC Pool or PCs. As applied to each PC Pool, the collective terms hereof and of the related Pool Supplement shall constitute an agreement as if the collective terms of those instruments were set forth in a single instrument. In the event of a conflict between the terms hereof and the terms of a Pool Supplement for a PC Pool, the terms of the Pool Supplement shall control with respect to that PC Pool. A Pool Supplement is not considered an amendment to this Agreement requiring approval pursuant to Section 7.05.

(b) The Trustee shall assign, to one or more separate trust funds established by the Depositor, beneficial interests in principal and interest payments on the Mortgages comprising all or a portion of a specified PC Pool, in exchange for beneficial interests in the principal and interest payments on such Mortgages represented by the related REMIC regular interests created pursuant to such separate trust funds.

Section 1.02. Identity of the Mortgages; Substitution and Repurchase.

(a) In consideration for the transfer of the related Mortgages by the Depositor to a PC Pool, the Depositor (i) shall receive the PCs issued by such PC Pool and (ii) may retain such PCs or transfer them to the related Mortgage seller or otherwise, as the Depositor deems appropriate.

(b) After the PC Issue Date but prior to the first Payment Date, the Depositor may, in accordance with its customary mortgage purchase and pooling procedures, adjust the amount and identity of the Mortgages to be transferred to a PC Pool, the PC Coupon and/or the original unpaid principal balance of the PCs and the Mortgages in the PC Pool, provided that any changes to the characteristics of the PCs shall be evidenced by an amendment or supplement to the related Pool Supplement.

(c) Except as provided in this Section 1.02 or in Section 1.03, once the Depositor has transferred a Mortgage to a particular PC Pool, such Mortgage may not be transferred out of such PC Pool, except (x) if a mortgage insurer exercises an option under an insurance contract to purchase such Mortgage or (y) in the case of repurchase by the Guarantor, the Administrator or the related Mortgage seller or servicer, under the following circumstances:

(i) The Guarantor may repurchase from the related PC Pool a Mortgage in connection with a guarantee payment under Section 3.09(a)(ii).

(ii) The Administrator may repurchase from the related PC Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if a repurchase is necessary or advisable (A) to maintain servicing of the Mortgage in accordance with the provisions of the Guide, or (B) to maintain the status of the PC Pool as a grantor trust for federal income tax purposes or, to the extent not inconsistent with this clause (B), to maintain the REMIC status of any assets with respect to which a REMIC election is made.

(iii) The Guarantor may repurchase from the related PC Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if (A) such Mortgage is 120 or more days delinquent, or (B) the Guarantor determines, on the basis of information from the related borrower or servicer, that loss of ownership of the property securing a Mortgage is likely or default is imminent due to borrower incapacity, death or hardship or other extraordinary circumstances that make future payments on such Mortgage unlikely or impossible.

(iv) The Guarantor may repurchase from the related PC Pool a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.

(v) The Administrator may require or permit a Mortgage seller or servicer to repurchase from the related PC Pool any Mortgage or (within six months of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is (A) a material breach of warranty by the Mortgage seller or servicer, (B) a material defect in documentation as to such Mortgage or (C) a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and, if applicable, other Purchase Documents.

(vi) The Administrator shall repurchase from the related PC Pool any Mortgage or (within two years of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if (A) a court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business determines that Freddie Mac's purchase of such Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense or (B) such court or government agency requires repurchase of such Mortgage.

(vii) To the extent a PC Pool includes convertible ARMs or Balloon/Reset Mortgages (each, as defined in the Offering Circular), the Administrator shall repurchase from the related PC Pool or require or allow the Mortgage seller or servicer to repurchase such Mortgages (a) when the borrower exercises its option to convert the related interest rate from an adjustable rate to a fixed rate, in the case of a convertible ARM; and (b) shortly before such Mortgage reaches its scheduled balloon repayment date, in the case of a Balloon/Reset Mortgage.

(d) The purchase price of a Mortgage repurchased by a Mortgage seller or servicer shall be equal to the then unpaid principal balance of such Mortgage, less any principal on such Mortgage that the Mortgage seller or servicer advanced to the Depositor or the Administrator. The purchase price of a Mortgage repurchased by the Administrator or the Guarantor under this Agreement shall be equal to the then unpaid principal balance of such Mortgage, less any outstanding advances of principal on such Mortgage that the Administrator, on behalf of the Trustee, distributed to Holders. The Administrator, on behalf of the Trustee, agrees to release any Mortgage from the PC Pool upon payment of the applicable purchase price.

(e) In determining whether a Mortgage shall be repurchased from the related PC Pool as described in this Section 1.02, the Guarantor and the Administrator may consider such factors as they deem appropriate, including the reduction of administrative costs (in the case of the Administrator) or possible exposure as Guarantor under its guarantee (in the case of the Guarantor).

Section 1.03. Post-Settlement Purchase Adjustments

(a) The Administrator shall make any post-settlement purchase adjustments necessary to reflect the actual aggregate unpaid principal balance of the related Mortgages or other Mortgage characteristics as of the date of their purchase by the Depositor or their delivery to the Administrator, on behalf of the Trustee, in exchange for PCs, as the case may be.

(b) Post-settlement adjustments may be made in such manner as the Administrator deems appropriate, but shall not adversely affect any Holder's rights to monthly payments of interest at the PC Coupon, any Holder's pro rata share of principal or any Holder's rights under the Guarantor's guarantees. Any reduction in the principal balance of the Mortgages held by a PC Pool shall be reflected by the Administrator as a corresponding reduction in the principal balance of the related PCs with a corresponding principal payment to the related Holders, on a pro rata basis.

Section 1.04. Custody of Mortgage Documents. With respect to each PC Pool, the Administrator, a custodian acting as its agent (which may be a third party or a trust or custody department of the related seller or servicer), or the originator or seller of the Mortgage may hold the related Mortgage documents, including Mortgage notes and participation certificates evidencing the Trustee's legal ownership interest in the Mortgages. The Administrator may adopt and modify its policies and procedures for the custody of Mortgage documents at any time, provided such modifications are prudent and do not materially and adversely affect the Holders' interests.

Section 1.05. Interests Held or Acquired by Freddie Mac. Freddie Mac shall have the right to purchase and hold for its own account any PCs. Subject to Section 7.06, PCs held or acquired by Freddie Mac from time to time and PCs held by other Holders shall have equal and proportionate benefits, without preference, priority or distinction. In the event that Freddie Mac retains any interest in a Mortgage, the remaining interest in which is part of a PC Pool, Freddie Mac's interest in such Mortgage shall rank equally with that of the related PC Pool, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

Section 1.06. Intended Characterization. It is intended that the conveyance, transfer, assignment and setting over of the Mortgages by the Depositor to the Trustee pursuant to this Agreement be a true, absolute and unconditional sale of the related Mortgages by the Depositor to the Trustee, and not a pledge of the Mortgages to secure a debt or other obligation of the Depositor, and that the Holders of the related PCs shall be the beneficial owners of such Mortgages. Notwithstanding this express intention, however, if the Mortgages are determined by a court of competent jurisdiction or other competent authority to be the property of the Depositor, then it is intended that: (a) this Agreement be deemed to be a security agreement within the meaning of Articles 8 and 9 of the Uniform Commercial Code; (b) the conveyances provided for in Section 1.01 shall be deemed to be (1) a grant by the Depositor to the Trustee on behalf of the related Holders of a security interest in all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the related Mortgages, any and all general intangibles consisting of, arising from or relating to any of the foregoing, and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Custodial Account and allocable to such Mortgages, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Depositor to the Trustee on behalf of the related Holders of any security interest in any and all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clause (1); and (c) notifications to Persons holding such property, and acknowledgments, receipts or confirmations from Persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, financial intermediaries, bailees or agents (as applicable) of the Administrator, on behalf of the Trustee of the related Holders, for the purpose of perfecting such security interest under applicable law.

Section 1.07. Encumbrances. Except as may otherwise be provided expressly in this Agreement, neither Freddie Mac nor the Trustee, shall directly or indirectly, assign, sell, dispose of or transfer all or any portion of or interest in any PC Pool, or permit all or any portion of any PC Pool to be subject to any lien, claim, mortgage, security interest, pledge or other encumbrance of any other Person. This Section shall not be construed as a limitation on Freddie Mac's rights with respect to PCs held by it in its corporate capacity.

ARTICLE II

Administration and Servicing of the Mortgages

Section 2.01. The Administrator as Primary Servicer. With respect to each PC Pool, the Administrator shall service or supervise servicing of the related Mortgages and administer, on behalf of the Trustee, in accordance with the provisions of the Guide and this Agreement, including management of any property acquired through foreclosure or otherwise, all for the benefit of the related Holders. The Administrator shall have full power and authority to do or cause to be done any and all things in connection with such servicing and administration that the Administrator deems necessary or desirable. The Administrator shall seek from the Trustee, as representative of the related Holders any consents or approvals relating to the control, management and servicing of the Mortgages included in any PC Pool and that are required hereunder.

Section 2.02. Servicing Responsibilities. With respect to each PC Pool, the Administrator shall service or supervise servicing of the related Mortgages in a manner consistent with prudent servicing standards and in substantially the same manner as the Administrator services or supervises the servicing of unsold mortgages of the same type in its portfolio. In performing its servicing responsibilities hereunder, the Administrator may engage servicers, subservicers and other independent contractors or agents. The Administrator may discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. Except as provided in Articles V and VI and Sections 7.05 and 7.06 of this Agreement, Freddie Mac, as Administrator shall not be subject to the control of the Holders in the discharge of its responsibilities pursuant to this Article. Except with regard to its guarantee obligations pursuant to Section 3.09 with respect to a PC Pool, the Administrator shall have no liability to any related Holder for the Administrator's actions or omissions in discharging its responsibilities under this Article II other than for any direct damage resulting from its failure to exercise that degree of ordinary care it exercises in the conduct and management of its own affairs. In no event shall the Administrator have any liability for consequential damages.

Section 2.03. Realization Upon Defaulted Mortgages. With respect to each PC Pool, unless the Administrator deems that another course of action (e.g., charge-off) would be in the best economic interest of the Holders, the Administrator (or its authorized designee or representative) shall, as soon as practicable, foreclose upon (or otherwise comparably convert the ownership of) any real property securing a Mortgage which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or conversion, the Administrator (or its authorized designee or representative) shall follow such practices or procedures as it deems necessary or advisable and consistent with general mortgage servicing standards.

Section 2.04. Automatic Acceleration and Assumptions.

(a) With respect to each PC Pool, to the extent provided in the Guide, the Administrator shall enforce the terms of each applicable Mortgage that gives the mortgagee the right to demand full payment of the unpaid principal balance of the Mortgage upon sale or transfer of the property securing the Mortgage regardless of the creditworthiness of the transferee (a right of "automatic acceleration''), subject to applicable state and federal law and the Administrator's then-current servicing policies.

(b) With respect to each PC Pool, the Administrator shall permit the assumption by a new mortgagor of an FHA/VA Mortgage upon the sale or transfer of the underlying property, as required by applicable regulations. Any such assumption shall be in accordance with applicable regulations, policies, procedures and credit requirements and shall not result in loss or impairment of any insurance or guaranty.

Section 2.05. Prepayment Penalties. Unless otherwise provided in the Pool Supplement for a PC Pool, the related Holders shall not be entitled to receive any prepayment penalties, assumption fees or other fees charged on the Mortgages included in such PC Pool, and either the related servicer or the Administrator shall retain such amounts.

Section 2.06. Mortgage Insurance and Guarantees.

(a) With respect to each PC Pool, if a Conventional Mortgage is insured by a mortgage insurer and the mortgage insurance policy is an asset of such PC Pool, the related Holders acknowledge that the insurer shall have no obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives regarding the mortgagee's rights, benefits and obligations under the related insurance contract.

(b) With respect to each PC Pool, each FHA/VA Mortgage shall have in full force and effect a certificate or other satisfactory evidence of insurance or guaranty, as the case may be, as may be issued by the applicable government agency from time to time. None of these agencies has any obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance or guaranty relating to each FHA/VA Mortgage included in such PC Pool.

ARTICLE III

Distributions to Holders; Guarantees

Section 3.01. Monthly Reporting Period. For purposes of this Agreement with respect to any PC Pool, any payment or any event with respect to any Mortgage included in such PC Pool that is reported to the Administrator by the related servicer as having been made or having occurred within a Monthly Reporting Period shall be deemed to have been received by the Administrator or to have in fact occurred within such Monthly Reporting Period used by the Administrator for such purposes. Payments reported by servicers include all principal and interest payments made by a borrower, insurance proceeds, liquidation proceeds and repurchase proceeds. Events reported by servicers include foreclosure sales, payments of insurance claims and payments of guarantee claims.

Section 3.02. Holder's Undivided Beneficial Ownership Interest. With respect to each PC Pool, the Holder of a PC on the Record Date shall be the owner of record of a pro rata undivided beneficial ownership interest in the remaining principal balance of the Mortgages in the related PC Pool as of such date and shall be entitled to interest at the PC Coupon on such pro rata undivided beneficial ownership interest, in each case on the related Payment Date. Such pro rata undivided beneficial ownership interest shall change accordingly if any Mortgage is added to or removed from such PC Pool in accordance with this Agreement. A Holder's pro rata undivided beneficial ownership interest in the Mortgages included in a PC Pool is calculated by dividing the original unpaid principal balance of the Holder's PC by the original unpaid principal balance of all the Mortgages in the related PC Pool.

Section 3.03. Distributions of Principal. With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of principal collections with respect to the Mortgages in such PC Pool, including, if applicable, each Holder's pro rata share of the aggregate amount of any Deferred Interest that has been added to the principal balance of the related Mortgages; *provided, however*, that with respect to guarantee payments, the Guarantor's obligations herein shall be subject to its subrogation rights pursuant to Section 3.10. The Administrator may retain from any prepayment or delinquent principal payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. For Mortgages purchased by the Depositor in exchange for PCs under its MultiLender Swap Program, the Depositor shall retain principal payments made on such Mortgages in the amount of any difference between the aggregate unpaid principal balance of the Mortgages as of delivery by the seller and the aggregate unpaid principal balance as of the PC Issue Date, and the Depositor shall purchase additional Mortgages with such principal payments; such additional Mortgages may or may not be included in the related PC Pool represented by the PCs received by the seller.

Section 3.04. Distributions of Interest. With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of interest collections with respect to the Mortgages included in such PC Pool, at a rate equal to the PC Coupon (excluding, if applicable, each Holder's pro rata share of any Deferred Interest that has been added to the principal balance of the related Mortgages). Interest shall accrue during the applicable Accrual Periods. The Administrator may retain from any delinquent interest payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. With respect to each PC Pool, a partial month's interest retained by Freddie Mac or remitted to the related Holders with respect to prepayments shall constitute an adjustment to the fee payable to the Administrator and the Guarantor pursuant to Section 3.08(a) for such PC Pool.

Section 3.05. Payments.

(a) With respect to each PC Pool, distributions of principal and interest on the related PCs shall begin in the month after issuance for Gold PCs and in the second month after issuance for ARM PCs. The Administrator, on behalf of the Trustee, shall calculate, or cause to be calculated, for each PC the distribution amount for the current calendar month.

(b) On or before each Payment Date, the Administrator, on behalf of the Trustee, shall instruct the Federal Reserve Banks to credit payments on PCs from the Custodial Account to the appropriate Holders' accounts. The related PC Pool's payment obligations shall be met upon transmittal of the Administrator's payment order to the Federal Reserve Banks provided sufficient funds are then on deposit in the Custodial

Account. A Holder shall receive the payment of principal, if applicable, and interest on each Payment Date on each PC held by such Holder as of the related Record Date.

(c) The Administrator relies on servicers' reports of mortgage activity to prepare the Pool Factors. There may be delays or errors in processing mortgage information, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. In these situations the Administrator's calculation of scheduled principal to be made on Gold PCs may not reflect actual payments on the related Mortgages. The Administrator shall account for and reconcile any differences as soon as practicable.

(d) The Administrator reserves the right to change the period during which a servicer may hold funds prior to payment to the Administrator, as well as the period for which servicers report payments to the Administrator, including adjustments to the Monthly Reporting Period. Either change may change the time at which prepayments are distributed to Holders. Any such change, however, shall not impair Holders' rights to payments as otherwise provided in this Section.

(e) The Administrator shall maintain one or more accounts (together, the "Custodial Account"), segregated from the general funds of Freddie Mac, in its corporate capacity, for the deposit of collections of principal (including full and partial principal prepayments) and interest received from or advanced by the servicers in respect of the Mortgages. Mortgage collections in respect of the PC Pools established by Freddie Mac under this Agreement or trust funds established by Freddie Mac pursuant to any other trust agreements may be commingled in the Custodial Account, provided that the Administrator keeps, or causes to be kept, separate records of funds with respect to each such PC Pool and other trust fund. Collections due to Freddie Mac, in its corporate capacity as owner of mortgages held in its portfolio, may also be commingled in the Custodial Account, provided that the Administrator may withdraw such amounts for remittance to Freddie Mac from time to time. Funds on deposit in the Custodial Account may be invested by the Administrator in Eligible Investments. Investment earnings on deposits in the Custodial Account shall be for the benefit of the Administrator, and any losses on such investments shall be paid by the Administrator. On each Payment Date, amounts on deposit in the Custodial Account shall be withdrawn upon the order of the Administrator, on behalf of the Trustee, for the purpose of making distributions to the related Holders, in accordance with this Agreement.

Section 3.06. Pool Factors.

(a) The Administrator, on behalf of the Trustee, shall calculate and make payments to Holders on each Payment Date based on the monthly Pool Factors (including Negative Amortization Factors) until such time as the Administrator determines that a more accurate and practicable method for calculating such payments is available and implements that method. Pursuant to Section 7.05(e), the Administrator may modify the Pool Factor methodology from time to time, without the consent of Holders. With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall do the following:

(i) The Administrator shall publish or cause to be published for each month a Pool Factor with respect to each PC Pool. Beginning in the month after formation of a PC Pool, Pool Factors shall be published on or about the fifth Business Day of the month, which Pool Factors may reflect prepayments reported to the Administrator after the end of the related Monthly Reporting Period and before the publication of the applicable Pool Factors. However, the Administrator may, in its own discretion, publish Pool Factors on any other Business Day. The Pool Factor for the month in which the PC Pool is established is 1.00000000 and need not be published.

(ii) The Administrator shall distribute principal each month to a Holder of a Gold PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the Gold PC by the difference between its Pool Factors for the preceding and current months.

(iii) The Administrator shall distribute principal each month to a Holder of an ARM PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the ARM PC by the difference between its Pool Factors for the two preceding months.

(iv) The Administrator shall distribute interest each month in arrears to a Holder (assuming no Deferred Interest) in an amount equal to 1/12th of the applicable PC Coupon multiplied by such Holder's pro rata share of principal, calculated by multiplying the original principal balance of such Holder's PC by the preceding month's Pool Factor for Gold PCs or by the second preceding month's Pool Factor for ARM PCs.

(v) For any month that Deferred Interest has accrued on a Deferred Interest PC, the Administrator shall distribute principal (if any is due) to a Holder in an amount equal to such Holder's pro rata share of principal, calculated by (A) subtracting the preceding month's Pool Factor from the second preceding month's Pool Factor, (B) adding to the difference the Negative Amortization Factor for the preceding month and (C) multiplying the resulting sum by the original PC principal balance. The interest payment on the Deferred Interest PC in that month shall be (i) 1/12th of the PC Coupon multiplied by (ii) the original principal balance of the Holder's PC multiplied by (iii) the preceding month's Pool Factor minus the preceding month's Negative Amortization Factor.

(b) With respect to each PC Pool, a Pool Factor shall reflect prepayments reported for the applicable Monthly Reporting Period. The Administrator, on behalf of the Trustee, may also, in its discretion, reflect in a Pool Factor any prepayments reported after the end of the applicable Monthly Reporting Period. To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to the Guarantor's guarantee of timely payment of scheduled principal on Gold PCs) does not reflect the actual unpaid principal balance of the related Mortgages, the Administrator shall account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(c) In the case of a PC Pool that is comprised of ARMs, a Pool Factor shall be based upon the unpaid principal balance of the related Mortgages that servicers report to the Administrator for the Monthly Reporting Period that ended in the second month preceding the month in which the Pool Factor is published. The Administrator, on behalf of the Trustee, may also, in its discretion, include as part of the aggregate principal payment in any month any prepayments received after the Monthly Reporting Period that ended in the second month preceding the month in which the Pool Factor is published. To the extent a given Pool Factor does not reflect the actual aggregate unpaid principal balance of the Mortgages, the Administrator shall account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(d) The Pool Factor method for a PC Pool may affect the timing of receipt of payments by related Holders but shall not affect the Guarantor's guarantee with respect to such PC Pool, as set forth in Section 3.09. The Guarantor's guarantee shall not be affected by the implementation of any different method for calculating and paying principal and interest for any PC Pool, as permitted by this Section 3.06.

Section 3.07. Servicing Fees; Retained Interest.

(a) To the extent provided by contractual arrangement with the Administrator, with respect to each PC Pool, the related servicer of each Mortgage included in such PC Pool shall be entitled to retain each month, as a servicing fee, any interest payable by the borrower on a Mortgage that exceeds the servicer's required remittance with respect to such Mortgage. Each servicer is required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement for those expenses, except as provided in Section 3.08(c). If a servicer advances any principal and/or interest on a Mortgage to the Administrator prior to the receipt of such funds from the borrower, the servicer may retain (i) from prepayments or collections of delinquent principal on such Mortgage any payments of principal so advanced, or (ii) from collections of delinquent interest on such Mortgage any payments of interest so advanced. To the extent permitted by its servicing agreement, the servicer is entitled to retain as additional compensation certain incidental fees related to Mortgages it services.

(b) With respect to a PC Pool, pursuant to the related Purchase Documents, a seller may retain each month as extra compensation a fixed amount of interest on a Mortgage included in such PC Pool. In such event, the related servicer shall retain each month as a servicing fee the excess of any interest payable by the borrower on such Mortgage (less the seller's retained interest amount) over the servicer's required remittance with respect to such Mortgage.

Section 3.08. Administration Fee; Guarantee Fee.

(a) Subject to any adjustments required by Section 3.04, with respect to any PC Pool, the Administrator and the Guarantor shall be entitled to receive from monthly interest payments on each related Mortgage a fee (to be allocated between the Administrator and the Guarantor as they may agree) equal to the excess of any interest received by the Administrator from the servicer over the amount of interest payable to the related Holders; *provided, however,* that the aggregate fee amount shall be automatically adjusted with respect to each PC Pool to the extent a Pool Factor does not reflect the unpaid principal balance of the Mortgages. Any such adjustment shall equal the difference between (i) interest at the applicable PC Coupon computed on the aggregate unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by the Administrator and (ii) interest at the applicable PC Coupon computed on the remaining balance of the Mortgages included in the PC Pool derived from the Pool Factor. The Administrator shall (i) withdraw the aggregate fee amount from the Custodial Account prior to distributions to the related Holders, (ii) retain its portion of the fee for the Administrator's own account and (iii) remit the remaining portion of the fee to the Guarantor as the guarantee fee. In addition, the Administrator is entitled to retain as additional compensation certain incidental fees on the Mortgages as provided in Section 2.05 and certain investment earnings as provided in Section 3.05(e).

(b) The Depositor shall pay all expenses incurred in connection with the transfer of the Mortgages, the establishment and administration of each PC Pool and the issuance of the PCs. Any amounts (including attorney's fees) expended by the Trustee or the Administrator (or the servicers on the Administrator's behalf) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages, shall be expenses to be borne pro rata by the Administrator and the Holders in accordance with their interests in each Mortgage. The Administrator, on behalf of the Trustee, may retain an amount sufficient to pay the portion of such expenses borne pro rata by the Depositor and the Holders from payments otherwise due to Holders, which may affect the timing of receipt of payments by Holders but shall not affect the Guarantor's obligations under Section 3.09.

(c) The Administrator shall reimburse a servicer for any amount (including attorney's fees) it expends (on the Administrator's behalf and with its approval) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Such expenses shall be reimbursable to the servicer from the assets of the related PC Pool, to the extent provided in the Guide.

(d) Any fees and expenses described above shall not affect the Guarantor's guarantee with respect to any PC Pool, as set forth in Section 3.09.

Section 3.09. Guarantees.

(a) With respect to each PC Pool, the Guarantor guarantees to the Trustee and to each Holder of a PC:

(i) the timely payment of interest at the applicable PC Coupon;

(ii) the full and final payment of principal on the underlying Mortgages on or before the Payment Date that falls (A) in the month of its Final Payment Date, for Gold PCs, or (B) in the month after its Final Payment Date, for ARM PCs; and

(iii) for Gold PCs only, the timely payment of scheduled principal on the underlying Mortgages.

In the case of Deferred Interest PCs, the Guarantor's guarantee of principal includes, and its guarantee of interest excludes, any Deferred Interest added to the principal balances of the related Mortgages. The Guarantor shall make payments of any guaranteed amounts by transfer to the Custodial Account for distribution to the related Holders, in accordance with Sections 3.03 and 3.04. The guarantees pursuant to this Section will inure to the benefit of each PC Pool and its related Holders, and shall be enforceable by the Trustee of that PC Pool and by such Holders, as provided in Article V of this Agreement.

(b) The Guarantor shall compute guaranteed scheduled monthly principal payments on any Gold PC, subject to any applicable adjustments, in accordance with procedures adopted by the Guarantor from time to time. With respect to each PC Pool, any payment the Guarantor makes to the Administrator, on behalf of the Trustee, on account of the Guarantor's guarantee of scheduled principal payments shall be considered to be a payment of principal for purposes of calculating the Pool Factor for such PC Pool and the Holder's pro rata share of the remaining unpaid principal balance of the related Mortgages.

(c) The Guarantor's guarantees shall continue to be effective or shall be reinstated (i) in the event that any principal or interest payment made to a Holder is for any reason returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this Agreement and (ii) notwithstanding any provision hereof permitting fees, expenses, indemnities or other amounts to be paid from the assets of any PC Pool.

Section 3.10. Subrogation. With respect to each PC Pool, the Guarantor shall be subrogated to all the rights, interests, remedies, powers and privileges of each related Holder in respect of any Mortgage included in such PC Pool on which it has made guarantee payments of principal and/or interest to the extent of such payments. Nothing in this Section shall impair the Guarantor's right to receive distributions in its capacity as Holder, if it is a Holder of any PCs.

Section 3.11. Termination Upon Final Payment. Each PC Pool is irrevocable and will terminate only in accordance with the terms of this Agreement. Except as provided in Sections 3.05(e), 6.06 and 7.01, with respect to each PC Pool, Freddie Mac's and the Trustee's obligations and responsibilities under this Agreement shall terminate as to a PC Pool and its Holders upon (i) the full payment to such Holders of all principal and interest due to the Holders based on the Pool Factors or by reason of the Guarantor's guarantees or (ii) the payment to the Holder of all amounts held by Freddie Mac and the Trustee, respectively, and required to be paid hereunder; *provided, however*, that in no event shall any PC Pool created hereby continue beyond the expiration of 21 years from the death of the survivor of the descendants of Joseph P. Kennedy, the late ambassador of the United States to the Court of St. James's, living on the date hereof.

Section 3.12. Effect of Final Payment Date. The actual final payment on a PC may occur prior to the Payment Date specified in Section 3.09(a)(ii) due to prepayments of principal, including prepayments made in connection with the repurchase of any Mortgage from the related PC Pool.

Section 3.13. Payment Error Corrections. In the event of a principal or interest payment error, the Administrator, in its sole discretion, may effect corrections by the adjustment of payments to be made on future Payment Dates or in such other manner as it deems appropriate.

ARTICLE IV

PCs

Section 4.01. Form and Denominations. With respect to each PC Pool, the principal balances, PC Coupons and other characteristics of the PCs to be issued shall be specified in the related Pool Supplement. Delivery of the PCs of a PC Pool shall constitute the issuance of the PCs for that PC Pool. PCs shall be issued, held and transferable only on the book-entry system of the Federal Reserve Banks in minimum original principal amounts of $1,000 and additional increments of $1. PCs shall at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules. A Federal Reserve Bank will maintain a book-entry recordkeeping system for all transactions in PCs with respect to Holders.

Section 4.02. Transfer of PCs. PCs may be transferred only in minimum original principal amounts of $1,000 and additional increments of $1. PCs may not be transferred if, as a result of the transfer, the transferor or the new Holder would have on deposit in its account PCs of the same issue with an original principal amount of less than $1,000. The transfer, exchange or pledge of PCs shall be governed by the fiscal agency agreement between Freddie Mac and a Federal Reserve Bank, the Book-Entry Rules and such other procedures as shall be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. A Federal Reserve Bank shall act only upon the instructions of the Holder in recording transfers of a PC. A charge may be made for any transfer of a PC and shall be made for any tax or other governmental charge imposed in connection with a transfer of a PC. Freddie Mac hereby assigns to the Administrator, on behalf of the Trustee, Freddie Mac's rights under each fiscal agency agreement with respect to PCs issued by any PC Pool.

Section 4.03. Record Date. The Record Date for each Payment Date shall be the close of business on the last day of the preceding month for Gold PCs and the second preceding month for ARM PCs. A Holder of a PC on the books and records of a Federal Reserve Bank on the Record Date shall be entitled to payment of principal and interest on the related Payment Date. A transfer of a PC made on or before the Record Date in a month shall be recognized as effective as of the first day of such month.

ARTICLE V

Remedies

Section 5.01. Events of Default. With respect to each PC Pool, an "Event of Default'' means any one of the following events:

(a) Default by the Guarantor or the Administrator in the payment of interest or principal to the related Holders as and when the same shall become due and payable as provided in this Agreement, and the continuance of such default for a period of 30 days.

(b) Failure by the Guarantor or the Administrator to observe or perform any other covenants of this Agreement relating to their respective obligations, and the continuance of such failure for a period of 60 days after the date of receipt by such party of written notice of such failure and a demand for remedy by the affected Holders representing not less than 65 percent of the remaining principal balance of any affected PC Pool.

(c) The entry by any court having jurisdiction over the Guarantor or the Administrator of a decree or order for relief in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of its property, or for the winding up or liquidation of its affairs, if such decree or order remains unstayed and in effect for a period of 60 consecutive days.

(d) Commencement by the Guarantor or the Administrator of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent by the Guarantor or the Administrator to the entry of an order for relief in an involuntary case under any such law, or its consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of their respective properties, or any general assignment made by the Guarantor or the Administrator for the benefit of creditors, or failure by the Guarantor or the Administrator generally to pay their debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over the Guarantor or the Administrator, whether or not such party consents to such appointment, shall not constitute an Event of Default.

Section 5.02. Remedies.

(a) If an Event of Default occurs and is continuing with respect to a PC Pool, the Holders of PCs representing a majority of the remaining principal balance of such PC Pool may, by written notice to Freddie Mac, remove Freddie Mac as Administrator and nominate its successor under this Agreement with respect to such PC Pool. The nominee shall be deemed appointed as Freddie Mac's successor as Administrator unless Freddie Mac objects within 10 days after such nomination. Upon such objection:

(i) The Administrator may petition any court of competent jurisdiction for the appointment of its successor; or

(ii) Any bona fide Holder that has been a Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of the Administrator's successor.

(b) If a successor Administrator is appointed, the Administrator shall submit to its successor a complete written report and accounting of the Mortgages in the affected PC Pool and shall take all other steps necessary or desirable to transfer its interest in and administration of such PC Pool to its successor.

(c) Subject to the Freddie Mac Act, a successor may take any action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to the designation of a successor, the Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool may waive any past or current Event of Default.

(d) Appointment of a successor shall not relieve Freddie Mac, in its capacity as Guarantor, of its guarantee obligations as set forth in this Agreement.

Section 5.03. Limitation on Suits by Holders.

(a) With respect to any PC Pool, except as provided in Section 5.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise or seek any other remedy whatsoever against Freddie Mac or the Trustee with respect to this Agreement or the related PCs or Mortgages, unless:

(i) Such Holder previously has given the Trustee written notice of an Event of Default and the continuance thereof;

(ii) The Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool have made a written request to the Trustee to institute an action or proceeding in its own name and have offered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred;

(iii) The Trustee has failed to institute any such action or proceeding for 60 days after its receipt of the written notice, request and offer of indemnity described above; and

(iv) The Trustee has not received from such Holders any direction inconsistent with the written request described above during the 60-day period.

(b) No Holder shall have any right under this Agreement to prejudice the rights of any other Holder, to obtain or seek preference or priority over any other Holder or to enforce any right under this Agreement, except for the ratable and common benefit of all Holders of PCs representing interests in any affected PC Pool.

(c) For the protection and enforcement of the provisions of this Section, Freddie Mac, the Trustee and each and every Holder shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing, no Holder's right to receive payment (or to institute suit to enforce payment) of principal and interest as provided herein on or after the due date of such payment shall be impaired or affected without the consent of the Holder.

ARTICLE VI

Trustee

Section 6.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing with respect to a PC Pool, the Trustee shall exercise the rights and powers vested in it by this Agreement and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee.

(c) The Trustee and its directors, officers, employees and agents may not be protected from liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of reckless disregard of obligations and duties under this Agreement, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any action taken, or not taken, by the Trustee in good faith pursuant to this Agreement or for errors in judgment; and

(iii) the Trustee shall not be required to take notice or be deemed to have notice or knowledge of any default or Event of Default, unless the Trustee obtains actual knowledge or written notice of such default or Event of Default. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that there is no default or Event of Default.

(d) Every provision of this Agreement shall be subject to the provisions of this Section and Section 6.02.

(e) The Trustee shall not be liable for indebtedness evidenced by or arising under this Agreement, including principal of or interest on the PCs, or interest on any money received by it except as the Trustee may agree in writing.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law or the terms of this Agreement.

(g) No provision of this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) The Trustee, or the Administrator on its behalf, may, but shall not be obligated to, undertake any legal action that it deems necessary or desirable in the interest of Holders. The Trustee, or the Administrator on its behalf, may be reimbursed for the legal expenses and costs of such action from the assets of the related PC Pool.

Section 6.02. Certain Matters Affecting the Trustee.

(a) The Trustee, and any director, officer, employee or agent of the Trustee may rely in good faith on any certificate, opinion or other document of any kind which, prima facie, is properly executed and submitted by any appropriate Person respecting any matters arising hereunder. The Trustee may rely on any such documents believed by it to be genuine and to have been signed or presented by the proper Person and on their face conforming to the requirements of this Agreement. The Trustee need not investigate any fact or matter stated in such documents.

(b) Before the Trustee acts or refrains from acting, it may require an officer's certificate or an opinion of counsel, which shall not be at the expense of the Trustee. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an officer's certificate or opinion of counsel. The right of the Trustee to perform any discretionary act enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its willful misfeasance, bad faith or gross negligence in the performance of such act.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, that the Trustee's conduct does not constitute willful misfeasance, bad faith or gross negligence. In no event shall the Trustee have any liability for consequential damages.

(e) The Trustee may consult with and rely on the advice of counsel, accountants and other advisors and shall not be liable for errors in judgment or for anything it does or does not do in good faith if it so relies. Any opinion of counsel with respect to legal matters relating to this Agreement and the PCs shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with any opinion of such counsel.

(f) Any fees, expenses and indemnities payable from the assets of any PC Pool to Freddie Mac, in its capacity as Trustee, in the performance of its duties and obligations hereunder shall not affect Freddie Mac's guarantee with respect to that PC Pool, as set forth in Section 3.09.

Section 6.03. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Agreement, the assets of the PC Pool or the PCs.

Section 6.04. Trustee May Own PCs. Subject to Section 7.06, the Trustee in its individual or any other capacity may become the owner or pledgee of PCs with the same rights as it would have if it were not the Trustee.

Section 6.05. Indemnity. Each PC Pool shall indemnify the Trustee and the Trustee's employees, directors, officers and agents, as provided in this Agreement, against any and all claims, losses, liabilities or expenses (including attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties under this Agreement (to the extent not previously reimbursed above), including, without limitation, the execution and filing of any federal or state tax returns and information returns and being the mortgagee of record with respect to the related Mortgages. The Trustee shall notify the Administrator promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Administrator shall not relieve the related PC Pool of its obligations hereunder. A PC Pool shall not be required to reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misfeasance, bad faith or gross negligence.

The Trustee's rights pursuant to this Section shall survive the discharge of this Agreement.

Section 6.06. Replacement of Trustee. The Trustee may resign at any time. Any successor Trustee shall resign if it ceases to be eligible in accordance with the provisions of Section 6.09. In either case, the resignation of the Trustee shall become effective, and the resigning Trustee shall be discharged from its obligations with respect to the PC Pools created under this Agreement by giving 90 days' written notice of the resignation to the Depositor, the Guarantor and the Administrator and upon the effectiveness of an appointment of a successor Trustee, which may be as of a date prior to the end of the 90-day period. Upon receiving such notice of resignation, the Depositor shall promptly appoint one or more successor Trustees by written instrument, one copy of which is delivered to the resigning Trustee and one copy of which is delivered to the successor Trustee. The successor Trustee need not be the same Person for all PC Pools. If no successor Trustee has been appointed for a PC Pool, or one that has been appointed has not accepted the appointment within 90 days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Prior to an Event of Default, or if an Event of Default has occurred and has been cured with respect to a PC Pool, Freddie Mac cannot be removed as Trustee with respect to that PC Pool. If an Event of Default has occurred and is continuing while Freddie Mac is the Trustee, at the direction of Holders of PCs representing a majority of the remaining principal balance of such PC Pool, Freddie Mac shall resign or be removed as Trustee, and to the extent permitted by law, all of the rights and obligations of the Trustee with respect to the related PC Pool only, will be terminated by notifying the Trustee in writing. Holders of PCs representing a majority of the remaining principal balance of the PC Pool will then be authorized to name and appoint one or more successor Trustees. Notwithstanding the termination of the Trustee, its liability under this Agreement and arising prior to such termination shall survive such termination.

If a successor Trustee is serving as the Trustee, the following events are "Trustee Events of Default" with respect to a PC Pool:

(i) the Trustee fails to comply with Section 6.09;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

If at any time a Trustee Event of Default has occurred and is continuing, the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) may, and if directed by Holders of PCs representing a majority of the remaining principal balance of such PC Pool, shall, remove the Trustee as to such PC pool and appoint a successor Trustee by written instrument, one copy of which shall be delivered to the Trustee so removed and one copy of which shall be delivered to the successor Trustee, and the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) shall give written notice of the successor Trustee to the Holders affected by the succession. Notwithstanding the termination of the Trustee, its liability under this Agreement arising prior to such termination will survive such termination.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Depositor shall promptly appoint a successor Trustee that satisfies the eligibility requirements of Section 6.09.

The retiring Trustee agrees to cooperate with the Depositor and any successor Trustee in effecting the termination of the retiring Trustee's responsibilities and rights hereunder and shall promptly provide such successor Trustee all documents and records reasonably requested by it to enable it to assume the Trustee's functions hereunder.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Depositor, the Guarantor and the Administrator. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Agreement with respect to such PC Pool. The successor Trustee shall mail a notice of its succession to the related Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Depositor may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 6.07. Successor Trustee By Merger. If a successor Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee; provided, that such corporation or banking association shall be otherwise qualified and eligible under Section 6.09.

Section 6.08. Appointment of Co-Trustee or Separate Trustee.

(a) Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of a PC Pool may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of such PC Pool and to vest in such Person or Persons, in such capacity and for the benefit of the related Holders, such title to such PC Pool, or any part thereof, and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.09 and no notice to the related Holders of the appointment of any co-trustee or separate trustee shall be required under Section 6.06 hereof.

(b) With respect to each PC Pool, every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the related PC Pool or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.09. Eligibility; Disqualification. Freddie Mac is eligible to act as the Trustee and is initially the Trustee for the PC Pools created under this Agreement. Any successor to Freddie Mac (i) at the time of its appointment as Trustee, must be reasonably acceptable to Freddie Mac and (ii) must be organized as a corporation or association doing business under the laws of the United States or any State thereof, be authorized under such laws to exercise corporate trust powers, have combined capital and surplus of at least $50,000,000 and be subject to supervision or examination by federal or state financial regulatory authorities. If any successor Trustee shall cease to satisfy the eligibility requirements set forth in (ii) above, that successor Trustee shall resign immediately in the manner and with the effect specified in Section 6.06.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. Annual Statements. Within a reasonable time after the end of each calendar year, the Administrator (or its agent) shall furnish to each Holder on any Record Date during such year information that the Administrator deems necessary or desirable to enable Holders and beneficial owners of PCs to prepare their United States federal income tax returns, if applicable.

Section 7.02. Limitations on Liability. Neither Freddie Mac, in its corporate capacity, nor any of its directors, officers, employees, authorized designees, representatives or agents ("related persons'') shall be liable to Holders for any action taken, or not taken, by them or by a servicer in good faith pursuant to this Agreement or for errors in judgment. This provision shall not protect Freddie Mac or any related person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement. In no event shall Freddie Mac or any related person be liable for any consequential damages. Freddie Mac and any related person may rely in good faith on any document or other communication of any kind properly executed and submitted by any Person with respect to any matter arising under this Agreement. Freddie Mac has no obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service or supervise the servicing of the Mortgages in accordance with this Agreement and which in its opinion may involve any expense or liability for Freddie Mac. Freddie Mac may, in its discretion, undertake or participate in any action it deems necessary or desirable with respect to any Mortgage, this Agreement, the PCs or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any resulting liability shall be expenses for the protection, preservation and maintenance of the Mortgages borne pro rata by Freddie Mac and Holders as provided in Section 3.08(b).

Section 7.03. Limitation on Rights of Holders. The death or incapacity of any Person having an interest in a PC shall not terminate this Agreement or any PC Pool. Such death or incapacity shall not entitle the legal representatives or heirs of such Person, or any Holder for such Person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of the related PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 7.04. Control by Holders. With respect to any PC Pool, except as otherwise provided in Articles V and VI and Sections 7.05 and 7.06, no Holder shall have any right to vote or to otherwise control in any manner the operation and management of the Mortgages included in such PC Pool, or the obligations of the parties hereto. This Agreement shall not be construed so as to make the Holders from time to time partners or members of an association. Holders shall not be liable to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

Section 7.05. Amendment.

(a) Freddie Mac and the Trustee may amend this Agreement (including any related Pool Supplement) from time to time without the consent of any Holders to (i) cure any ambiguity or correct or supplement any provision in this Agreement, *provided, however,* that any such amendment shall not have a material adverse effect on any Holder; (ii) maintain the classification of any PC Pool as a grantor trust for federal income tax purposes, as it may then be in effect, or, in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments on all or a portion of the assets comprising any PC Pool, to maintain the REMIC status of any assets with respect to which such REMIC election is made; or (iii) avoid the imposition of any state or federal tax on a PC Pool; it being understood that any amendment permitting the repurchase of a Mortgage by Freddie Mac due to a delinquency of less than 120 days, other than in the circumstances described in Section 1.02(c)(iii), may not be adopted under this clause (a).

(b) Except as provided in Section 7.05(c), Freddie Mac and the Trustee may amend this Agreement as to any PC Pool, with the consent of Holders representing not less than a majority of the remaining principal balance of the affected PC Pool.

(c) Freddie Mac and the Trustee may not amend this Agreement, without the consent of a Holder, if such amendment would impair or affect the right of such Holder to receive payment of principal and interest on or after the due date of such payment or to institute suit for the enforcement of any such payment on or after such date.

(d) To the extent that any provisions of this Agreement differ from the provisions of any Freddie Mac Mortgage Participation Certificates Agreement or PC Master Trust Agreement dated prior to the date of this Agreement, this Agreement shall be deemed to amend such provisions of the prior agreement, but only to the extent that Freddie Mac, under the terms of such prior agreement, could have effected such change as an amendment of such prior agreement without the consent of Holders of PCs thereunder;

provided, however, that the trust declarations and related provisions set forth in Section 7.05(d) of the PC Master Trust Agreement dated as of December 31, 2007 are hereby reaffirmed with respect to each PC Pool created before December 31, 2007.

(e) Notwithstanding any other provision of this Section, (i) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to reflect any modification in the Administrator's methodology of calculating payments to Holders, including any modifications described in Section 3.05(d) and Section 3.06(a) and the manner in which it distributes prepayments to Holders, (ii) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to cure any inconsistency between this Agreement and the provisions of the Guide and (iii) the Depositor (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend any Pool Supplement to make the adjustments described in Section 1.02(b) to the characteristics of the Mortgages to be transferred to a PC Pool or to the related PCs.

Section 7.06. Voting Rights.

If Freddie Mac is acting as Administrator or Trustee and an Event of Default has occurred and is continuing, any PCs held by Freddie Mac for its own account shall be disregarded and deemed not to be outstanding for purposes of exercising the remedies set forth in Section 5.02 and the second paragraph of Section 6.06.

Section 7.07. Persons Deemed Owners. With respect to each PC Pool, Freddie Mac, the Trustee, the Administrator and a Federal Reserve Bank (or any agent of any of them) may deem and treat the related Holder(s) as the absolute owner(s) of a PC and the undivided beneficial ownership interests in the Mortgages included in the related PC Pool for the purpose of receiving payments and for all other purposes, and none of Freddie Mac, the Trustee, the Administrator or a Federal Reserve Bank (nor any agent of any of them) shall be affected by any notice to the contrary. All payments made to a Holder, or upon such Holder's order, shall be valid, and, to the extent of the payment, shall satisfy and discharge the related PC Pool's payment obligations with respect to the Holder's PC. None of Freddie Mac, the Trustee, the Administrator or any Federal Reserve Bank shall have any direct obligation to any beneficial owner unless it is also the Holder of a PC.

Section 7.08. Governing Law. THIS AGREEMENT AND THE PARTIES' RIGHTS AND OBLIGATIONS WITH RESPECT TO PCs, SHALL BE GOVERNED BY THE LAWS OF THE UNITED STATES. INSOFAR AS THERE MAY BE NO APPLICABLE PRECEDENT, AND INSOFAR AS TO DO SO WOULD NOT FRUSTRATE THE PURPOSES OF THE FREDDIE MAC ACT OR ANY PROVISION OF THIS AGREEMENT OR THE TRANSACTIONS GOVERNED HEREBY, THE LOCAL LAWS OF THE STATE OF NEW YORK SHALL BE DEEMED REFLECTIVE OF THE LAWS OF THE UNITED STATES.

Section 7.09. Grantor Trust and REMIC Status. No provision in this Agreement shall be construed to grant Freddie Mac, the Trustee or any other Person authority to act in any manner which (i) would cause a PC Pool not to be treated as a grantor trust for federal income tax purposes, or(ii) in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments on all or a portion of the assets comprising any PC Pool, would affect the status of such assets as a REMIC for federal income tax purposes.

Section 7.10. Payments Due on Non-Business Days. If the date fixed for any payment on any PC is a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day, with the same force and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

Section 7.11. Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, including any successor by operation of law, and permitted assigns.

Section 7.12. Headings. The headings in this Agreement are for convenience only and shall not affect the construction of this Agreement.

Section 7.13. Notice and Demand.

(a) Any notice, demand or other communication required or permitted under this Agreement to be given to or served upon any Holder may be given or served (i) in writing by deposit in the United States mail, postage prepaid, and addressed to such Holder as such Holder's name and address may appear on the books and records of a Federal Reserve Bank or (ii) by transmission to such Holder through the communication system of the Federal Reserve Banks. Any notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

(b) Any notice, demand or other communication which is required or permitted to be given to or served under this Agreement may be given in writing addressed as follows (i) in the case of Freddie Mac in its corporate capacity, to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Executive Vice President - General Counsel and Secretary and (ii) in the case of the Trustee, to: Freddie Mac (as Trustee), 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Executive Vice President - General Counsel and Secretary.

(c) Any notice, demand or other communication to or upon Freddie Mac or the Trustee shall be deemed to have been sufficiently given or made only upon its actual receipt of the writing.

Section 7.14. Counterparts. This Agreement may be executed in any number of counterparts, each of which counterpart shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Agreement.

THE SALE OF A PC AND RECEIPT AND ACCEPTANCE OF A PC BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH PC OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT (INCLUDING THE RELATED POOL SUPPLEMENT) AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE.

FEDERAL HOME LOAN MORTGAGE CORPORATION, as Trustee

/s/ Amy M. Baumgardner
Authorized Signatory

FEDERAL HOME LOAN MORTGAGE CORPORATION, in its corporate capacity as Depositor, Administrator and Guarantor

/s/ Mark D. Hanson
Authorized Signatory

Exhibit 12.1

RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

			Year Ended December 31,				
(Dollars in millions)	YTD 2018	YTD 2017	2017	2016	2015	2014	2013
Net income before income tax (expense) benefit and cumulative effect of changes in accounting principles	$ 3,145	$ 5,822	$ 16,834	$ 11,639	$ 9,274	$ 11,002	$ 25,363
Add:							
Total interest expense[1]	14,299	26,706	53,643	50,786	52,144	55,217	56,234
Interest factor in rental expenses	1	1	3	3	2	5	4
Earnings, as adjusted	$ 17,445	$ 32,529	$ 70,480	$ 62,428	$ 61,420	$ 66,224	$ 81,601
Fixed charges:							
Total interest expense[1]	$ 14,299	26,706	$ 53,643	50,786	52,144	55,217	56,234
Interest factor in rental expenses	1	1	3	3	2	5	4
Total fixed charges	$ 14,300	$ 26,707	$ 53,646	$ 50,789	$ 52,146	$ 55,222	$ 56,238
Senior preferred stock and preferred stock dividends[2]	—	10,013	33,167	7,437	5,510	19,610	47,591
Total fixed charges including preferred stock dividends	$ 14,300	$ 36,720	$ 86,813	$ 58,226	$ 57,656	$ 74,832	$ 103,829
Ratio of earnings to fixed charges[3]	1.22	1.22	1.31	1.23	1.18	1.20	1.45
Ratio of earnings to combined fixed charges and preferred stock dividends[4]	1.22	—	—	1.07	1.07	—	—

(1) YTD 2017 data has been revised to conform to the current presentation.

(2) Senior preferred stock and preferred stock dividends represent pre-tax earnings required to cover any senior preferred stock and preferred stock dividend requirements computed using our effective tax rate.

(3) Ratio of earnings to fixed charges is computed by dividing earnings, as adjusted by total fixed charges.

(4) Ratio of earnings to combined fixed charges and preferred stock dividends is computed by dividing earnings, as adjusted by total fixed charges including preferred stock dividends. For the ratio to equal 1.00, earnings, as adjusted must increase by $4.2 billion, $16.3 billion, $8.6 billion and $22.2 billion for YTD 2017 and for the years ended December 31, 2017, 2014, and 2013, respectively.

Exhibit 31.1

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, Donald H. Layton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of the Federal Home Loan Mortgage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2018

/s/ Donald H. Layton

Donald H. Layton
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, James G. Mackey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of the Federal Home Loan Mortgage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2018

/s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of the Federal Home Loan Mortgage Corporation (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Donald H. Layton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2018

/s/ Donald H. Layton

Donald H. Layton

Chief Executive Officer

Exhibit 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of the Federal Home Loan Mortgage Corporation (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James G. Mackey, Executive Vice President – Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2018

/s/ James G. Mackey

James G. Mackey
Executive Vice President — Chief Financial Officer