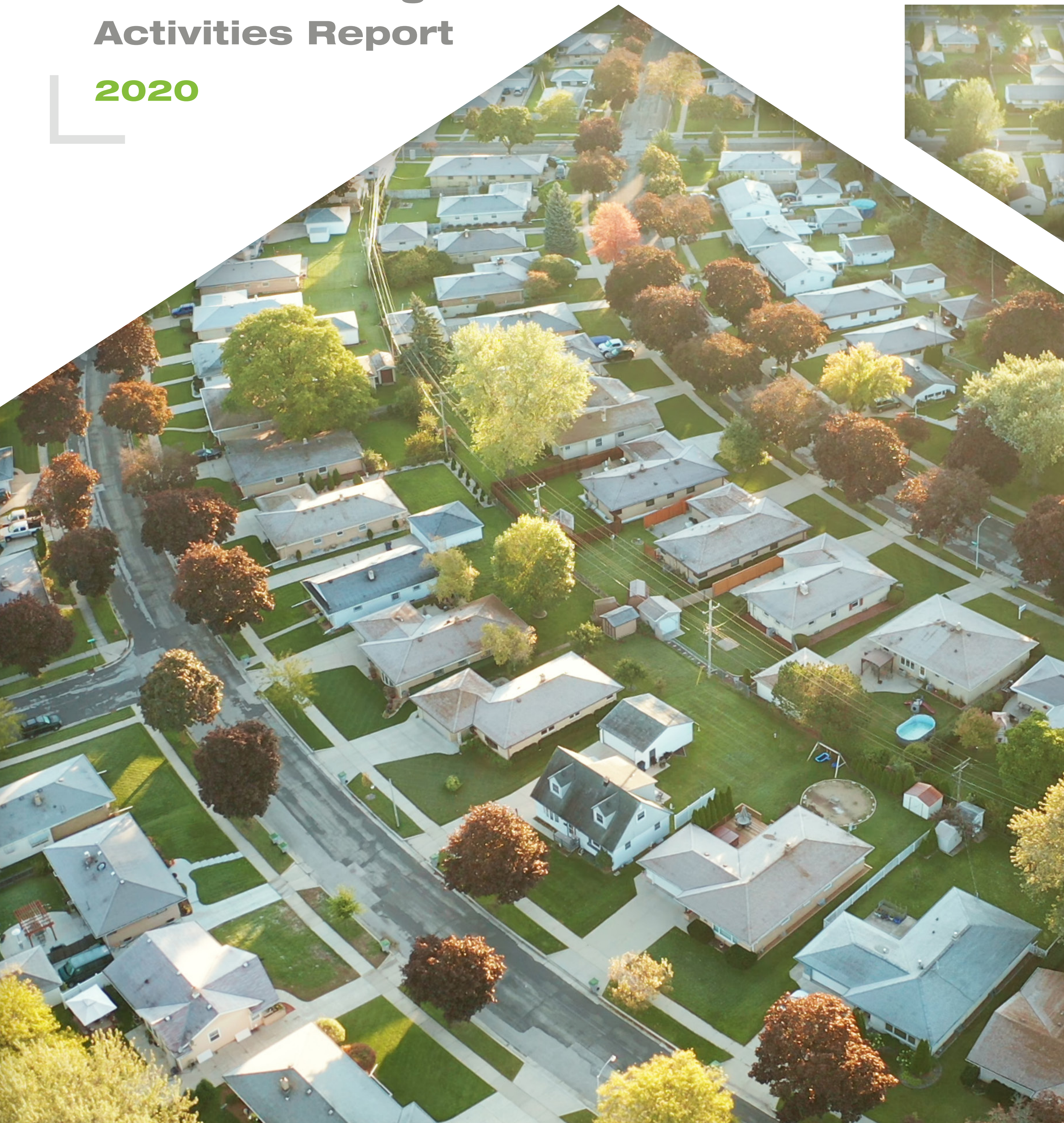
Freddie Mac
We make home possible®

Annual Housing Activities Report

2020



AS THE COUNTRY CONTINUES TO RESPOND TO THE COVID-19 PANDEMIC, Freddie Mac continued to be a stabilizing force in the housing market. In addition to our traditional function of helping to create and preserve affordable housing, we provided much-needed relief for borrowers, renters, and lenders affected by COVID-19.

At FHFA's direction Freddie Mac stood up a single-family forbearance program that temporarily suspended mortgage payments for impacted homeowners. We implemented multifamily forbearance that paused payments for owner/operators in exchange for renter protections. We also implemented a foreclosure and eviction moratorium on occupied single-family and multifamily mortgages in alignment with the CARES Act. And we've taken other steps to ensure families can stay in their homes. For homeowners, we announced a new Payment Deferral option,[1] expanded eligibility for loan modifications and repayment plans, and we structured those programs so borrowers avoid payment shock when their forbearance period ends. Additionally, we are communicating regularly with lenders and servicers to make sure they have the information they need to help borrowers and renters.

Finally, we have created a variety of consumer resources and education campaigns to reach borrowers and renters in need. These efforts include the Freddie Mac Borrower and Renter Help Centers and a comprehensive consumer-facing website with detailed information about forbearance and relief options. We have widely publicized these resources, reaching nearly 50 million consumers to date.

These efforts are just a subset of the actions we have taken in support of homeowners, renters, and the broader market, and they come on top of our standard foreclosure prevention options we extend outside the pandemic context.

Working together with our customers and the housing industry, Freddie Mac makes housing more accessible and affordable for homebuyers and renters nationwide. Since our creation in 1970, we have helped make home possible more than 80 million times. Through our commitment to provide liquidity, stability and affordability to the housing finance system, we help ensure more families have equal access to a place to call home. The pages below detail this work.

March 16, 2021

Submitted to Congress and the Federal Housing Finance Agency under §307(f) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. §1456(f)) and FHFA regulations (12 C.F.R. §1282.63)

In this report:

1 https://freddiemac.gcs-web.com/news-releases/news-release-details/freddie-mac-announces-covid-19-payment-deferral.

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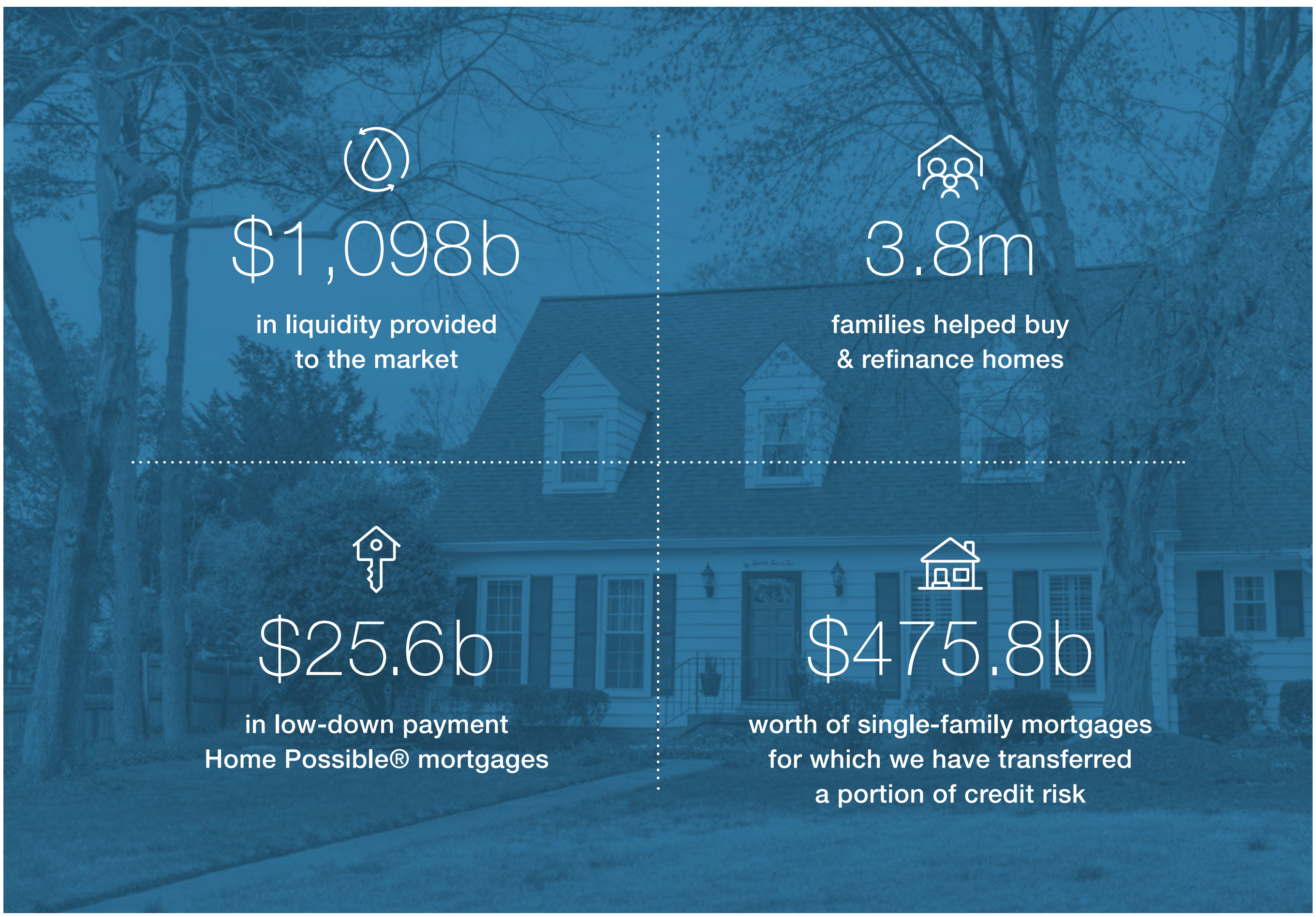
Single-Family Business

Our Single-Family business supports responsible, sustainable homeownership for borrowers throughout the United States.

In 2020, Freddie Mac helped very low- to moderate-income borrowers achieve homeownership, refinance into a more affordable mortgage, and avoid losing their homes due to the financial uncertainty of COVID-19. We helped nearly 3.8 million families purchase and refinance their homes, with first time homebuyers representing 46% of new loan purchases. Over 94% of borrowers who had fallen more than 60 days behind on their Freddie Mac-backed mortgages during the pandemic enrolled in our forbearance program. Notably, this percentage is even higher across minority populations (96%). We also offer borrowers several options to help them sustain homeownership after their forbearance period ends.



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Multifamily Business

Working with a network of specialized lenders, Freddie Mac Multifamily continued to be a stabilizing force in the housing market during a challenging year for multifamily borrowers and renters. We provided funding for loans on properties ranging from five to hundreds of units, supporting all types of multifamily properties nationwide, including conventional housing, subsidized Targeted Affordable Housing, smaller multifamily buildings, and seniors housing.

True to our mission, we provided debt financing for rental housing that is affordable to millions of low and moderate-income American families. To support this effort, we transfer risk to private investors through our K-Deal® platform and Multi PCs℠. We also developed new Impact Bond offerings to support our most affordable and mission-focused loan product.

$83b

in total liquidity provided to finance rental housing units, including $12B in Targeted Affordable Housing

803k

rental units financed, 96% of which were affordable to families making at or below 120% of area median income

$75b

in multifamily loans securitized, transferring the vast majority of risk to private investors

$500m

of Low-Income Housing Tax Credit equity investment supporting affordable housing in historically underserved markets

The remainder of the report describes in detail our achievements toward the 2020 housing goals.

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Introduction

Pursuant to section 307(f) of the Federal Home Loan Mortgage Corporation Act, as amended, 12 U.S.C. § 1456(f), the Federal Home Loan Mortgage Corporation (Freddie Mac) must submit annually to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Financial Services of the House of Representatives and the Federal Housing Finance Agency (FHFA) 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, as amended, 12 U.S.C. §§ 4561 et seq.

The following constitutes Freddie Mac's 2020 Annual Housing Activities Report to Congress and FHFA under section 307(f) and FHFA regulations at 12 C.F.R. 1282.63.[2]

How Freddie Mac Supports Homeownership and Rental Markets[3]

In 2020, Freddie Mac purchased more than 3.6 million mortgages on single-family owner-occupied properties, and over 5,300 mortgages on multifamily properties.[4]

Exhibit A-1 summarizes our performance for the single-family affordable housing goals, listing for each affordable housing goal the regulatory benchmark, our performance against the benchmark in 2020, the dollar volume of goal-qualifying mortgages that Freddie Mac purchased in 2020, and the number of goal-qualifying mortgages.

EXHIBIT A-1:

Freddie Mac's 2020 Single-Family Affordable Housing Goals Performance

	2020 BENCHMARK	2020 MARKET	2020 PERFORMANCE	VOLUME ($MILLIONS)	OWNER-OCCUPIED MORTGAGES FINANCED
Low-Income Purchase Goal	24%	To be determined by FHFA	28.5%	$54,400	280,561
Very Low-Income Purchase Goal	6%	To be determined by FHFA	6.9%	$9,787	68,216
Low-Income Areas Purchase Goal	18%	To be determined by FHFA	21.8%	$49,518	214,754
Low-Income Areas Subgoal	14%	To be determined by FHFA	17.1%	$40,493	168,434
Low-Income Refinance Goal	21%	To be determined by FHFA	19.7%	$95,057	490,176

Note: Figures calculated by Freddie Mac.

2 The statistical and financial information included in this Report and in the tables referenced in this Report may not be comparable to information provided in Freddie Mac's public disclosure documents, including Monthly Volume Summaries and reports filed with the U.S. Securities and Exchange Commission, as the statistical and financial information included in this report and in the tables has been compiled and aggregated in accordance with specific regulatory guidelines. The information presented in the exhibits (and described in the related discussion) is derived from certain tables included in Freddie Mac's 2020 Annual Mortgage Report (2020 AMR). The 2020 AMR is being delivered to FHFA with this report.

3 § 307(f)(2)(A) requires that this report 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.

4 The vast majority of these single-family and multifamily mortgages funded "eligible housing units" for purposes of the housing goals, and thus was used as the basis for calculating our performance under the housing goals.

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Exhibit A-2 summarizes our performance for the multifamily affordable housing goals, listing for the multifamily goal and subgoals, the regulatory targets, our performance against the targets in 2020, and the dollar volume of goal-qualifying units that Freddie Mac financed in 2020.

EXHIBIT A-2:

Freddie Mac's 2020 Multifamily Affordable Housing Goals Performance

	2020 BENCHMARK (UNITS)	2020 PERFORMANCE (UNITS)	VOLUME ($MILLIONS)
Low-Income Goal	315,000	473,338	$44,415
Very Low-Income Subgoal	60,000	107,105	$8,237
Low-Income Subgoal (5 – 50 Unit Properties)	10,000	28,142	$2,551

Note: Includes UPB amounts related to underlying Multifamily units with and without rental information, as reflected on Table 3A of the 2020 AMR.
Source: Figures calculated by Freddie Mac.

Pursuant to FHFA regulations,[5] Freddie Mac may achieve a single-family housing goal or subgoal by meeting or exceeding either the FHFA benchmark or the share of qualifying loans originated by the market, as calculated from Home Mortgage Disclosure Act (HMDA) data. Freddie Mac may achieve a multifamily housing goal or subgoal by meeting or exceeding the FHFA benchmark.

Based upon our preliminary single-family results, we believe we achieved 4 of the 5 single-family housing goals and subgoals by exceeding the FHFA benchmarks in 2020. We did not meet the FHFA benchmark for the Low-Income Refinance goal.

Each single-family housing goal and subgoal includes the FHFA benchmark level and market level. FHFA calculates the market levels based on data collected under the HMDA and uses that to determine and publish our official performance. Based upon our preliminary multifamily results, we believe we achieved all multifamily goals and subgoals by exceeding the FHFA benchmarks in 2020.

In 2020, Freddie Mac also financed 14,852 low-income rental units in single-family 2-4 unit properties in which a owner-occupant resides in one unit.

In 2020, Freddie Mac financed 14,852 low-income rental units in single-family 2-4 unit properties in which a owner-occupant resides in one unit.

5 12 CFR §1282.12.

How Freddie Mac Serves a Broad Range of Families[6]

In 2020, Freddie Mac financed housing for over 4.6 million families, including more than 3.8 million single-family owner-occupied and rental units and more than 800,000[7] multifamily rental units.

The following exhibits provide the information required under § 307(f)(2)(B).

EXHIBIT B-1:

Freddie Mac's 2020 Single-Family Owner-Occupied Mortgage Purchases, by Borrower Income

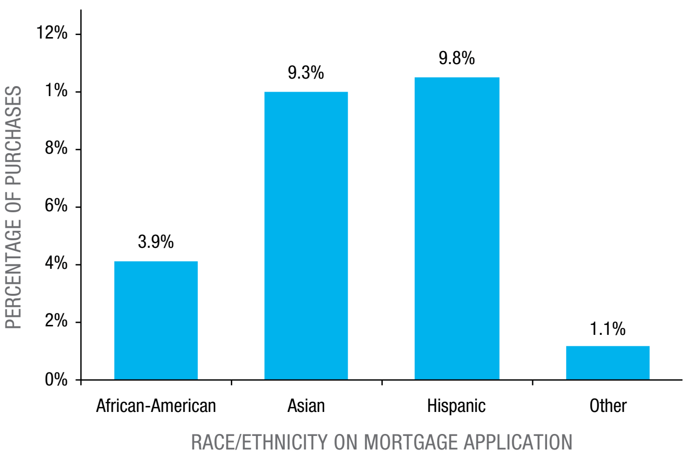
Source: Freddie Mac internal data. Exhibit B-1 represents the vast majority of Freddie Mac's Single-Family purchase-money and refinance mortgage purchase activity by income.

6 § 307(f)(2)(B) requires that this report 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.

7 Additionally, Freddie Mac provided financing for approximately 800 multifamily cooperative units.

EXHIBIT B-2:

Freddie Mac's 2020 Single-Family Owner-Occupied Mortgage Purchases, by Race/Ethnicity of Minority Borrowers

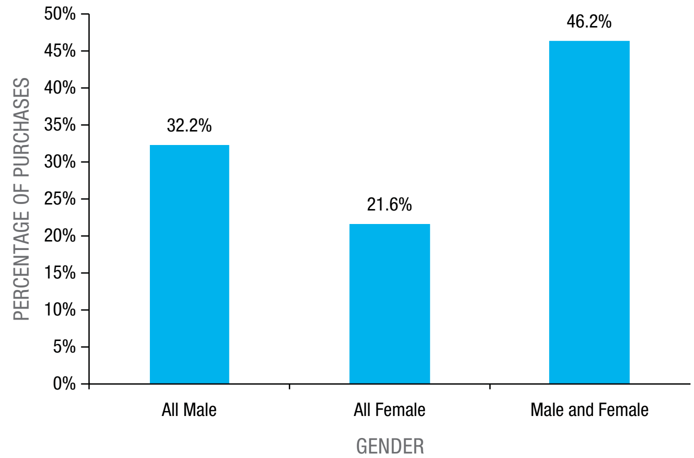


Note: The "Other" category includes American Indian or Alaskan Native, Native Hawaiian or Other Pacific Islander, mortgages that have White and minority co-borrowers, and mortgages where a borrower defines him or herself to be of two or more races. The Hispanic borrower category overlaps with other minority categories, since borrowers may define themselves to be of Hispanic ethnicity and also belong to one or more racial classifications. Minority shares exclude mortgages where (a) ethnicity is non-Hispanic and race is missing, (b) race is White and ethnicity is missing, or (c) both race and ethnicity are missing.

Source: Table 5A & 5B of the 2020 AMR.

EXHIBIT B-3:

Freddie Mac's 2020 Single-Family Owner-Occupied Mortgage Purchases, by Borrower Gender

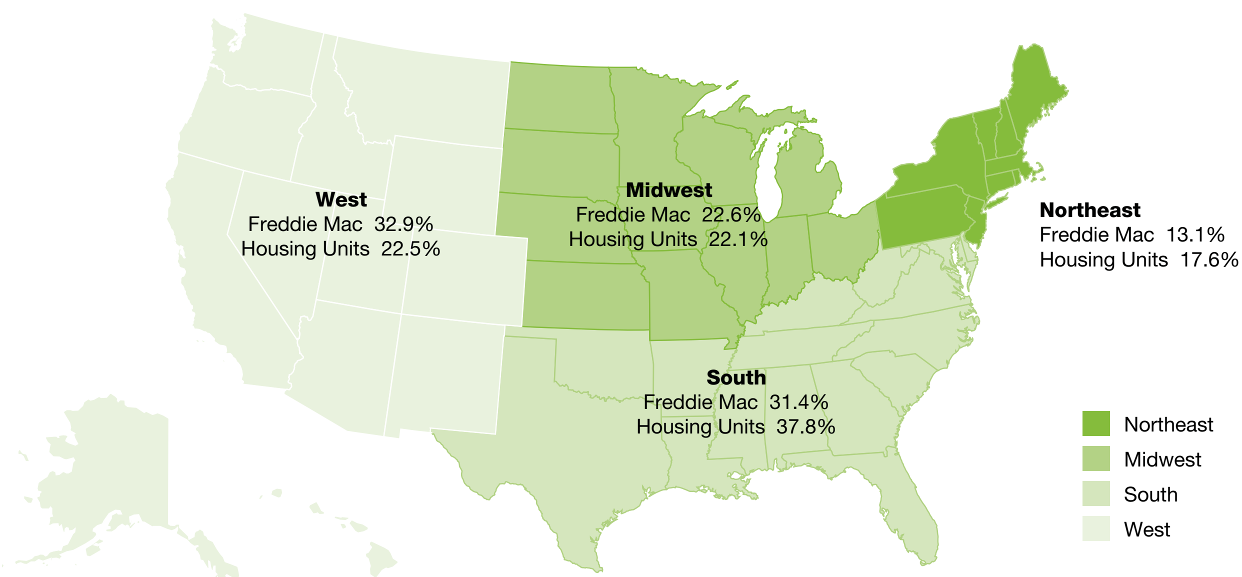


Note: These calculations exclude those mortgages for which we do not have borrower gender information.

Source: Table 6 of the 2020 AMR.

EXHIBIT B-4:

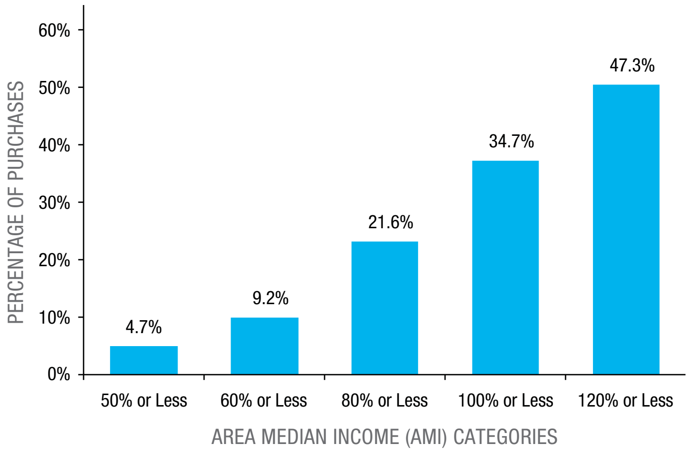
Freddie Mac's 2020 Single-Family Units Compared to 2019 Occupied Single-Family Housing Units, by Census Region



Note: Does not include Puerto Rico, Guam or U.S. Virgin Islands.

EXHIBIT B-5:

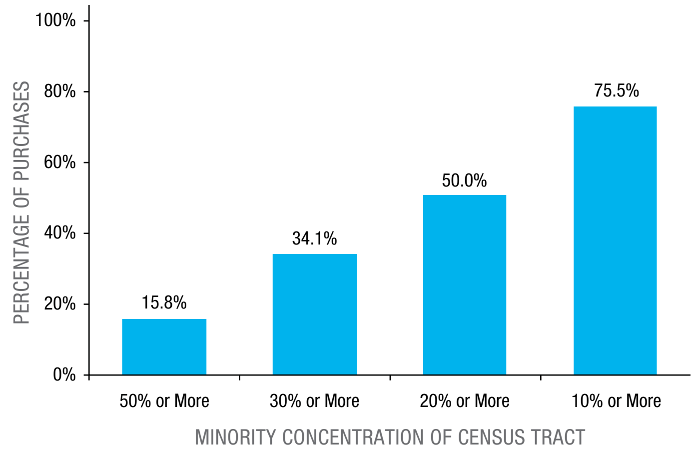
Freddie Mac's 2020 Single-Family Owner-Occupied Mortgage Purchases, by Borrower Income Relative to Area Median Income



Note: These calculations exclude those mortgages for which we do not have borrower income information.
Source: Table 2 of the 2020 AMR.

EXHIBIT B-6:

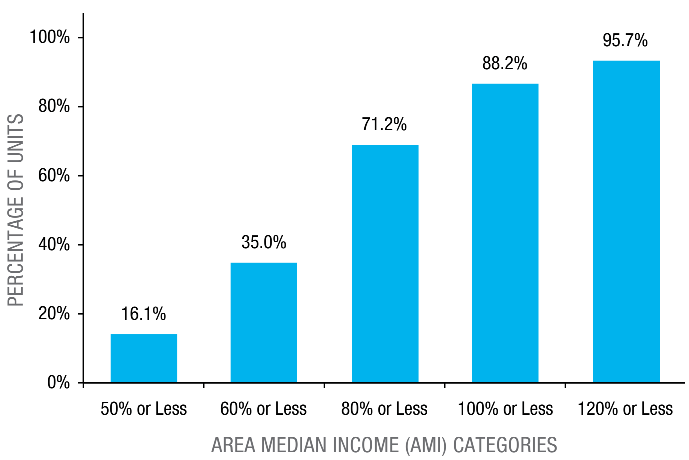
Freddie Mac's 2020 Single-Family Owner-Occupied Mortgage Purchases, by Minority Concentration of Census Tract



Source: Table 7 of the 2020 AMR.

EXHIBIT B-7:

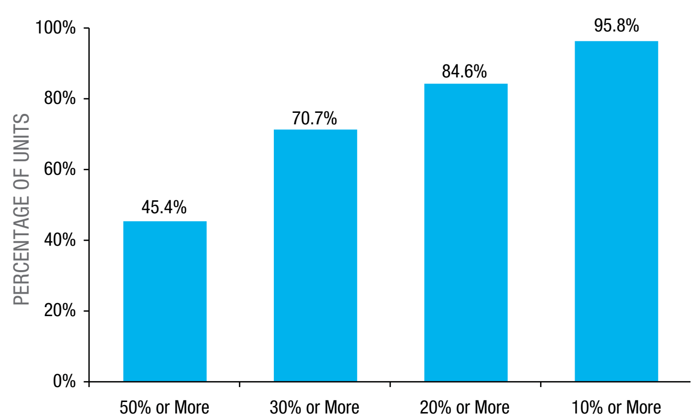
Freddie Mac's 2020 Multifamily Rental Units, by Affordability Relative to Area Median Income



Source: Table 3A of the 2020 AMR.

EXHIBIT B-8:

Freddie Mac's 2020 Multifamily Rental Units, by Minority Concentration of Census Tract



Note: These calculations exclude those rental units for which we do not have rent information or single-family re rentals.
Source: Table 8A of the 2020 AMR.

How Freddie Mac Leverages Investments Made by Other Federal Housing Programs[8]

In 2020, Freddie Mac purchased or guaranteed over $234 million in single-family mortgages (financing approximately 1,250 mortgages) and approximately $16.4 billion in multifamily mortgages (financing approximately 186,400 units)[9] that had been used in conjunction with various federal public subsidy programs including the following:

- the Federal Housing Administration (FHA) program;
- the Department of Veterans Affairs (VA) program;
- the U.S. Department of Agriculture's Guaranteed Rural Housing program;
- Mortgage Revenue Bonds (MRBs) issued by various state and local housing finance agencies (HFAs);
- Low Income Housing Tax Credits (LIHTC); and
- Section 8 and Section 236 programs.

In addition, Freddie Mac securitizes pools of multifamily mortgage revenue bonds under its Tax-Exempt Bond Securitization (TEBS) execution and credit enhances tax-exempt multifamily mortgage revenue bonds through its bond credit enhancement program. These multifamily transactions totaled almost $2.1 billion in 2020, financing approximately 15,000 units. Freddie Mac also purchases tax-exempt loans (TELs) from HFAs. In 2020, these TEL multifamily transactions totaled roughly $1.2 billion, financing approximately 12,000 units.

In 2020, Freddie Mac purchased almost 454,000 mortgages of first-time homebuyers, representing 46.1% of our owner-occupied, purchase money mortgages.

8 § 307(f)(2)(C) requires that this report 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.

9 Approximately 93,000 of these units were Section 8, LIHTC, and Section 236 supported units.

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How Freddie Mac Expanded Access to Credit for First-Time and Underserved Families[10]

In 2020, Freddie Mac purchased almost 454,000 mortgages of first-time homebuyers, representing 46.1% of our owner-occupied, purchase money mortgages for which information on the borrower's ownership history is available.[11]

Freddie Mac facilitated homeownership opportunities for first-time homebuyers through its Single-Family products, programs, and services. In particular, Freddie Mac's Single-Family Client and Community Engagement organization continues to focus its efforts on meeting the needs of first-time and underserved homebuyers through responsible offerings, the development of strong relationships and a heightened focus on broadening access to credit. For example, Freddie Mac's affordable Home Possible® and HFA Advantage® mortgage products are well established, providing financing for first-time homebuyers. In 2020, 80.2% of all mortgages from our Home Possible suite were attributable to first-time homebuyers. Additionally, Freddie Mac continues to engage non-profit organizations, lenders and housing professionals in educational and outreach initiatives designed to inform and prepare homebuyers and homeowners on how to build and maintain better credit, make sound financial decisions, and understand the steps to successful long-term homeownership.

In 2020, 80.2% of all mortgages from our Home Possible suite were attributable to first-time homebuyers.

These actions complement the outreach and business-related activities Freddie Mac is continuously engaged in with our Single-Family lenders and State and Local Housing Finance Agencies. For more information on these and other areas that Freddie Mac is engaged in support of affordable housing, please see Section K below.

10 § 307(f)(2)(D) requires that this report 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.

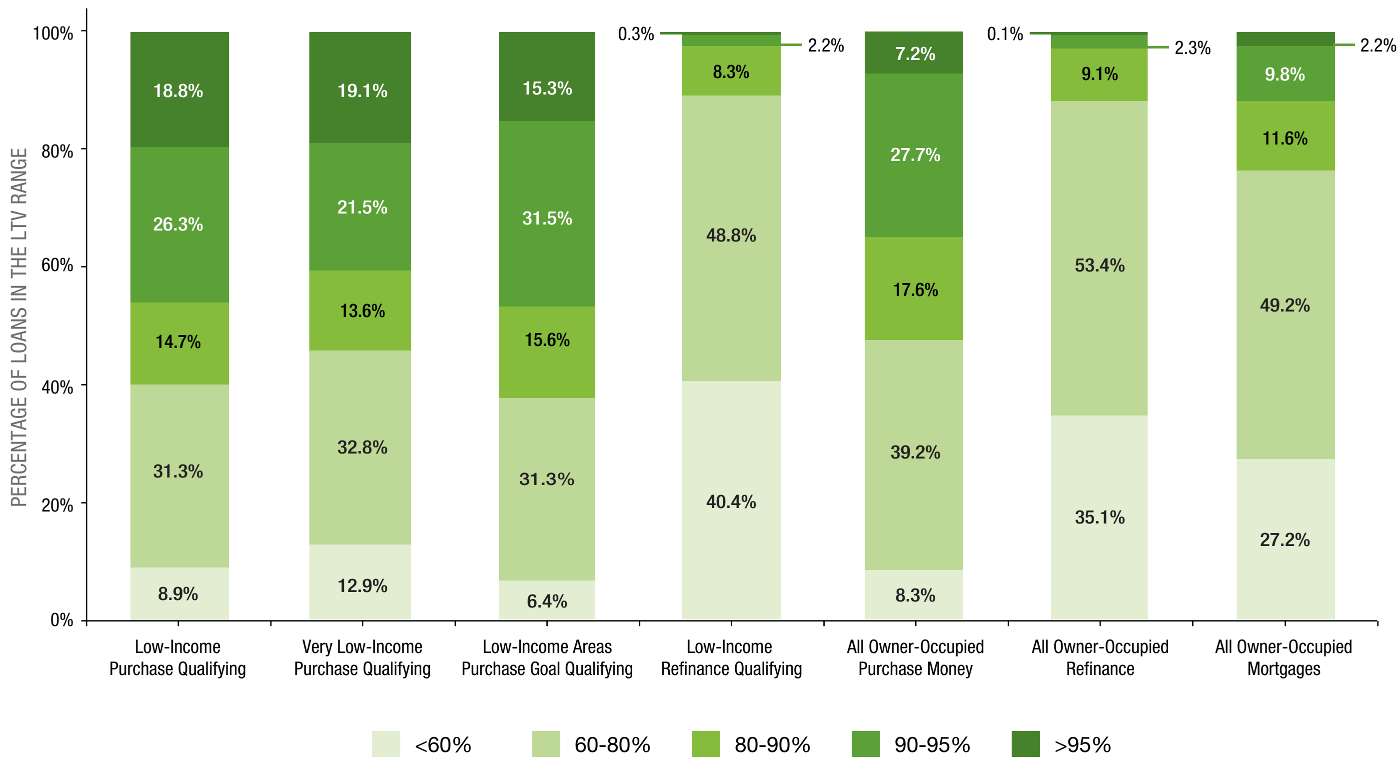
11 We do not have information on the borrower's ownership history for 0.05% (498) of the single-family, owner-occupied, purchase money mortgages we purchased in 2020. Therefore, we excluded those mortgages from the calculations underlying the information presented in this section.

How Freddie Mac Serves Families with Range of Incomes[12]

Exhibit E compares the loan-to-value (LTV) distribution on the goal-qualifying, single-family owner-occupied mortgages acquired by Freddie Mac in 2020 to the LTV distribution on all single-family owner-occupied mortgages acquired by Freddie Mac in 2020, as measured at the time of origination.

EXHIBIT E:

Distribution of Freddie Mac Single-Family Owner-Occupied Mortgage Purchases by LTV



Note: These calculations exclude those mortgages for which we do not have LTV information.
Source: Table 11 of the 2020 AMR.

12 § 307(f)(2)(E) requires that this report include, in aggregate form and by appropriate category, the data provided to the Director of FHFA under subsection (e)(1)(B) [loan-to-valueratios of purchased mortgages at the time of origination].

How Freddie Mac Promotes Access to Credit for All Market Segments[13]

During 2020, Freddie Mac securitized approximately $1.1 trillion in single-family and multifamily mortgage loans. We had total portfolio acquisitions of $909 billion. In 2020, Freddie Mac's portfolio decreased by $30 billion.

How Freddie Mac Promotes Sustainable Homeownership[14]

Freddie Mac regularly evaluates market conditions, the credit environment and the performance of our mortgage purchases to help align our underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures with our mission to provide liquidity and stability to the conforming mortgage market and to promote affordable housing, access to credit and fair lending.

During 2020, Freddie Mac continued to take steps consistent with prudent risk management to manage the risk of our credit terms, provide mortgage leadership in the marketplace, and help lenders make mortgage financing available for homeowners on terms intended to sustain successful homeownership. In doing so, Freddie Mac made credit policy changes and enhancements in 2020 to help serve very low-, low- and moderate-income households, including the following:

CHOICERenovation® Mortgage Enhancements

The CHOICERenovation mortgages are designed for borrowers looking for convenience and cost savings by financing their home purchase or refinancing along with renovation costs in one single loan. CHOICERenovation helps address the aging housing supply, aging-in-place housing, and the effects of natural disasters, while also supporting the shortage of affordable housing.

We enhanced our current CHOICERenovation offering by:

- Providing flexibility to allow concurrent transfers of servicing to expand our offering to serve a broader market of lenders;
- Permitting a "no cash-out" refinance transaction for properties previously owned free-and-clear, provided the funds are used for eligible renovations; and
- Providing clarification that eligible renovations are not limited to renovations made to an existing dwelling, but rather, to a property with an existing dwelling.

13 § 307(f)(2)(F) requires that this report compare the level of securitization versus portfolio activity.
14 § 307(f)(2)(G) requires that this report 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. As implemented by § 81.43(a) of the U.S. Department of Housing and Urban Development's regulations, 24 C.F.R. § 81.43(a) (2005).

Home Possible® Mortgage Enhancements & Adjustments

The Home Possible® mortgage offers more options and credit flexibilities to help very low-to low-income borrowers attain the dream of owning a home, with a down payment requirement of as little as 3%.

We enhanced our current Home Possible offering by:

- providing flexibility when borrower personal funds include cash on hand if documentation can be provided confirming a positive total monthly residual income; and
- at FHFA's direction, we reduced the maximum LTV ration to 85% for certain Home Possible mortgages secured by 2- to 4-unit properties. The maximum total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV ratios for these mortgages remains at 95%.

Manufactured Housing Mortgage Enhancements

Manufactured housing mortgages expand homeownership opportunities to more borrowers with mortgages secured by manufactured homes.

- We enhanced manufactured housing offering by required minimum indicator scores for manually underwritten manufactured housing Home Possible mortgages from 720 to 680 to align with changes that were made earlier in the year for manufactured housing minimum indicator scores.

CHOICEHome℠ Mortgage Enhancements

CHOICEHome is an affordable mortgage for manufactured homes that are titled as real property and have characteristics of a site-built home. This offering extends the availability of financing for manufactured housing and helps expand affordable housing opportunities.

- We enhanced ChoiceHome offerings by revising the property design and living area requirements.

Accessory Unit with Manufactured Housing Policy Enhancements

We enhanced our current requirements by:

- Adding details for evaluating accessory unit property characteristics;
- Identifying manufactured homes as an eligible accessory unit type including adding policy language allowing a manufactured home to be an accessory unit for a CHOICEHome℠ manufactured home; and.
- Detailing the appraisal reporting requirements for properties with an accessory unit.

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Resale Restriction Enhancements—Community Land Trusts

Community land trusts (CLTs) provide permanently affordable homeownership opportunities for households with very low-, low-, and moderate -incomes through a shared equity model. CLTs are typically established and managed by nonprofits, or by state or local governments. CLTs help improve communities through investment, empowerment, and lasting affordability.

We updated CLT mortgage requirements by:

- Re-titling of sections to allow more accurate searching through AllRegs.;
- Expanding the definition of eligible entities; and
- Clarifying the seasoning requirements for cash-out refinances.

We updated the right of first refusal time period requirements for mortgages secured by properties subject to resale restrictions.

COVID-19 Temporary Flexibilities Provided for Affordable Offerings

GreenCHOICE Mortgages℠ Flexibility (temporary):

The GreenCHOICE Mortgage® facilitates the financing of energy efficient home improvements and energy efficient homes, helping more families attain and maintain home affordability. The GreenCHOICE Mortgage finances energy efficient improvements with financing terms up to 30 years to provide greater affordability for borrowers and can combine with the Home Possible mortgage to offer borrowers additional affordable financing opportunities.

- Permitting flexibility to allow a letter from the borrower with further evidence of completion in lieu of the appraiser completing Form 442.

CHOICERenovation® Flexibility (temporary):

- Permitting a seller to request an extension in the event renovations cannot be completed in the required timeframe due to COVID-19;
- Permitting continuation of draw distributions during the forbearance period for borrowers who have entered into forbearance plans;
- Providing flexibility, instructions, and clarification for removal of recourse for CHOICERenovation mortgages previously in forbearance; and
- Allowing, after completion of renovations, a seller to sell a CHOICERenovation mortgage to Freddie Mac, provided the settlement date is no more than 12 months after the note date.

Additional Mortgage Financing Enhancements

Uniform Residential Loan Application Dataset and Affordable Seconds

- Providing information and instruction regarding handling of affordable seconds with no required payment before the 61st payment without necessitating a work-around.

Updating the Rural Housing Services Glossary Definition to include Rural Development

- Clarifying “rural development” in the Rural Housing Services definition in the Glossary to help eliminate confusion due to changes in the Uniform Residential Loan Application and transmittal summary which created a disconnect with the Freddie Mac Seller/Servicer Guide language.

How Freddie Mac Supports the Affordable Housing Rental Market[15]

National Trends in the Primary and Secondary Multifamily Mortgage Markets

Apartment completions are an indication of the supply of rental housing. Net absorption, which is a measurement of the rate at which available apartments are occupied, is an indication of demand for rental housing.

Completions in 2020 were at their lowest level over the past several years due to the COVID-19 pandemic slowing construction. While low absorption levels resulted in higher vacancy rates of 5.2%, these rates remain below the long-term average (between 2000 and 2020) of 5.4%. However, vacancy rates may continue to increase in the future as the COVID-19 relief programs, including federal stimulus packages, expire.

Effective rent growth (i.e., the average rent paid by the renter over the term of the lease, adjusted for concessions by the landlord and costs borne by the renter) was negative 3.0% at a national level and declined significantly in 2020 due to the COVID-19 pandemic, falling below the long-term average (between 2000 and 2020) of 2.8%.

Despite lower effective rent growth and higher vacancy rates, multifamily property prices grew at an 8.3% annualized growth rate in 2020, as investors continue to believe there is a need for additional rental housing in the U.S. and the overall investment environment remains attractive given historically low interest rates.

Prior to March 2020, multifamily market fundamentals were driven by a healthy job market, population growth, high propensity to rent among young adults, and rising single-family house prices. Since then, the effects of the COVID-19 pandemic have slowed the economy significantly, impacting these market drivers.

Our share of total multifamily mortgage debt origination volume grew during 2020, as we performed our countercyclical role in a period during which other market participants reduced their presence. We did this while remaining within our multifamily volume cap. The loan purchase cap was $100.0 billion for the five-quarter period from 4Q 2019 through 4Q 2020 and applied to all multifamily business activity, with no exclusions. At least 37.5% of new multifamily business was required to be mission-driven, affordable housing over the same five-quarter period.

Our multifamily delinquency rate is based on the unpaid principal balance (UPB) of loans in our multifamily mortgage portfolio that are two monthly payments or more past due or in the process of foreclosure. We report multifamily loans in forbearance as current as long as the borrowers are in compliance with their forbearance agreement, including the agreed upon repayment plan. Loans in forbearance are therefore not included in our multifamily delinquency rate if the borrowers are in compliance with the forbearance agreement.

Our multifamily delinquency rate remains relatively low. In 2020, it increased slightly to sixteen basis points as of December 31, 2020 compared to eight basis points as of December 31, 2019, due largely to the effects of the COVID-19 pandemic.

Multifamily delinquency rates could increase further in the near term due to the continuing effects of the COVID-19 pandemic. However, we currently do not expect to experience significant credit losses as a large portion of the credit risk exposure on our multifamily mortgage portfolio is reduced by first loss credit protection provided by subordination from our securitizations.

15 § 307(f)(2)(H) requires that this report 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.

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As of December 31, 2020, 2.01% of the loans in our multifamily mortgage portfolio, based on UPB, were enrolled in our forbearance program, approximately 95% of which were in their repayment period. Approximately 82% of the total loans in our forbearance program are included in securitizations with first loss credit protection provided by subordination, which reduces our credit risk exposure to those loans

Freddie Mac Multifamily Financing and Initiatives

As of December 31, 2020, our cumulative (over the relevant five-quarter period) new business activity subject to the FHFA volume cap was $100.0 billion. Approximately 39% of this activity was mission-driven, affordable housing. The 2021 purchase cap for the multifamily business will be $70 billion as instructed by FHFA.

Our 2020 new business activity was slightly higher than 2019 due to ongoing demand for multifamily financing driven by the low interest-rate environment resulting in continued growth in overall multifamily mortgage debt outstanding.

The portion of our new mortgage loan purchase activity that was classified as held-for-sale and intended for our securitization pipeline increased slightly to 88% in 2020 from 87% in 2019. The purchase activity that remained in our securitization pipeline as of December 31, 2020, combined with market demand for our securities, will be a driver for our primary securitizations in the first two quarters of 2021.

Outstanding commitments, including index lock commitments and commitments to purchase or guarantee multifamily assets, were $18.7 billion and $14.6 billion as of December 31, 2020 and December 31, 2019, respectively.

Approximately 39% of cumulative new multifamily business activity was mission-driven, affordable housing.

Standardization and Securitization

Our primary business model is to acquire multifamily loans for aggregation and then securitization. The returns we generate from these activities are primarily derived from (i) the net interest income we earn on the loans prior to their securitization, (ii) the price received upon securitization of the loans versus the price we paid to acquire the loans, and (iii) the ongoing guarantee fee we receive in exchange for providing our guarantee primarily on the issued senior securities. We evaluate these factors collectively to assess the profitability of any given transaction and to maximize our returns.

Through our Optigo network of approved lenders, we offer borrowers a variety of loan products for the acquisition, refinance, and/or rehabilitation of multifamily properties. While our Optigo lenders originate the loans that we purchase, we use a prior approval underwriting approach, in contrast to the delegated underwriting approach used in our Single-Family Guarantee segment and Fannie Mae's Delegated Underwriting and Servicing (DUS) program. Under this approach, we maintain credit discipline by completing our own underwriting, credit review, and legal review for each loan prior to issuing a loan purchase commitment, including reviewing third-party appraisals and performing cash flow analysis. We also price every loan or transaction based on the specific terms, structure, and type of execution.

Our securitization activities in 2020 generally (i) provided us with a mechanism to finance our loan product offerings, (ii) reduced our credit risk, interest-rate risk, and liquidity risk exposure on the loans that we purchase, and (iii) reduced our conservatorship capital required under Conservatorship Capital Framework. For multifamily loans that we do not intend to securitize, we may pursue other strategies, including the execution of other credit risk transfer offerings designed to transfer to third parties all or a portion of the loan's credit risk.

Our primary credit risk transfer securitization offerings are K Certificate and SB Certificate transactions, which transfer substantially all of the interest-rate risk, liquidity risk, and credit risk of the underlying collateral. Our other securitization offerings involve the issuance of pass-through securities that represent beneficial interests in trusts that hold pools of multifamily loans. During 2020, our total securitization UPB was $75.0 billion and as of December 31, 2020, we had cumulatively transferred a substantial amount of the expected and stressed credit risk on the multifamily guarantee portfolio primarily through subordination in our securitizations. In addition, nearly all of our securitization activities shifted substantially all of the interest-rate and liquidity risk associated with the underlying collateral away from Freddie Mac to third-party investors.

Since 2009, we have transferred a portion of the credit risk related to $460.0 billion in UPB of multifamily loans through our securitizations, primarily K Certificates and SB Certificates, and other credit risk transfer offerings.

Trends in Delinquency and Default Rates for Low and Moderate Income Families[16]

Two measures contrast the delinquency and default performance of mortgages serving low- and moderate-income (LMI) borrowers to the performance of mortgages serving borrowers who are above the area median income (non-LMI). In **Exhibit I** (on the following page), the chart compares Early 90-day delinquencies (occurring within the first 12 months of acquisition) and defaults.[17]

16 § 307(f)(2)(I) requires that this report 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.

17 The information presented in this section and in Exhibit I is based upon an analysis of unseasoned, conforming, conventional, owner-occupied primary residences, forward amortizing, first lien, non-Graduated Equity Mortgages/Graduated Payment Mortgages, excluding Relief Refinance mortgages and HAMP modifications. Delinquency is defined as the borrower ever being 90 or more days delinquent on the mortgage within 12 months of Freddie Mac's acquisition. Default is defined as a foreclosure, deed-in-lieu of foreclosure, or third-party sale occurring at any point since Freddie Mac acquired the mortgage. With respect to the delinquency rate, we analyzed only the performance during the first year so that we could present a trend over time that avoided commingling mortgages of different ages. The analysis presented here does not control for other risk factors, such as LTV or credit history.

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EXHIBIT I:

Relative Early 90-Day Delinquency and Default Rates between Freddie Mac Single-Family Loans Serving Low- and Moderate-Income Families and Loans Serving Families with Income above the Median Level, by Year

ACQUISITION YEAR	INCOME GROUP	AVERAGE RATE OF SERIOUS EARLY 90-DAY DELINQUENCY	PERCENT DIFFERENCE	AVERAGE RATE OF DEFAULT	PERCENT DIFFERENCE
2004	Above Median Income	0.17%		3.49%	
	Low-Mod Income	0.39%	131%	6.79%	94%
2005	Above Median Income	0.29%		7.21%	
	Low-Mod Income	0.50%	72%	10.53%	46%
2006	Above Median Income	0.60%		13.00%	
	Low-Mod Income	0.77%	28%	14.76%	14%
2007	Above Median Income	1.93%		17.42%	
	Low-Mod Income	2.21%	14%	20.50%	18%
2008	Above Median Income	1.39%		7.38%	
	Low-Mod Income	1.93%	39%	11.73%	59%
2009	Above Median Income	0.11%		0.83%	
	Low-Mod Income	0.23%	112%	2.20%	165%
2010	Above Median Income	0.04%		0.46%	
	Low-Mod Income	0.11%	145%	1.48%	223%
2011	Above Median Income	0.03%		0.29%	
	Low-Mod Income	0.10%	226%	1.00%	252%
2012	Above Median Income	0.03%		0.17%	
	Low-Mod Income	0.07%	159%	0.55%	233%
2013	Above Median Income	0.03%		0.19%	
	Low-Mod Income	0.08%	165%	0.57%	195%
2014	Above Median Income	0.06%		0.31%	
	Low-Mod Income	0.13%	123%	0.72%	130%
2015	Above Median Income	0.05%		0.23%	
	Low-Mod Income	0.11%	103%	0.50%	122%
2016	Above Median Income	0.08%		0.19%	
	Low-Mod Income	0.14%	78%	0.43%	120%
2017	Above Median Income	0.36%		0.16%	
	Low-Mod Income	0.38%	8%	0.37%	129%
2018	Above Median Income	0.14%		0.09%	
	Low-Mod Income	0.26%	90%	0.21%	142%
2019	Above Median Income	1.89%		0.01%	
	Low-Mod Income	2.06%	9%	0.04%	191%

Source: Internal Freddie Mac delinquency study.

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Freddie Mac's Broad and Diverse Partnership Network[18]

Freddie Mac purchases mortgages from a network of over 1,500 Single-Family lenders, benefiting borrowers across the U.S. and its territories. Freddie Mac purchases mortgages from many lenders. Some of these firms sell mortgages to Freddie Mac on a regular basis, while others sell to Freddie Mac only occasionally.

Of the total Single-Family seller network, 1,110 Single-Family lenders sold mortgages to Freddie Mac in 2020, and approximately 79% of the total Single-Family lender network are considered community-oriented lenders. In 2020, Freddie Mac purchased approximately $87 billion in Single-Family mortgages from community-oriented lenders, approximately $250 billion in Single-Family mortgages from regional lenders, and approximately $58 billion and $15 billion in Single-Family mortgages from lenders which identified themselves as minority-owned and or women-owned, respectively.

Freddie Mac's ongoing efforts to facilitate relationships with minority-owned, women-owned, and community-oriented lenders supported our continued ability to source mortgages from these lender institutions. The impact of our efforts is reflected in a 434% two-year growth rate in business volume with minority-owned lenders, which is inclusive of women-owned lenders as a sub-set. Freddie Mac's Regional Lending and Community Lending segments serve small to medium size community banks, credit unions and independent mortgage bankers. In addition, our Client Care team serves small and very small institutions. In those segments, minority-owned and women-owned lenders are actively engaged by account executives, client relationship managers and sales management.

Freddie Mac purchased approximately $87 billion in Single-Family mortgages from community-oriented lenders, approximately $250 billion in Single-Family mortgages from regional lenders, and approximately $58 billion and $15 billion in Single-Family mortgages from lenders which identified themselves as minority-owned and or women-owned, respectively.

We also continued our alliances with the mortgage lender cooperatives Capital Markets Cooperative and The Mortgage Collaborative. These alliances are mutually beneficial arrangements through which Freddie Mac accesses hundreds of small lenders.

In 2020, 170 Single-Family lenders participated in our alliance programs, which provide additional services to our lender customers, including customized training opportunities and involvement in local and regional strategic market initiatives. Approximately 8.8% of Single-Family dollar volume was from community and regional lenders participating in our alliance programs.

Freddie Mac purchases mortgages from a network of 48 active Multifamily lenders.

18 § 307(f)(2)(J) requires that this report 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.

During 2020, of the total active Multifamily lender network, 26 lenders sold the large majority of Multifamily mortgages to Freddie Mac[19] and six lenders participated in one-time structured transactions. The remaining 16 active Multifamily lenders participated in one-time structured transactions or sold mortgages pursuant to the Single-Family Rental pilot program (such pilot program has concluded as directed by FHFA)[20] in previous years. Of the total active Multifamily lender network, seven such lenders identified themselves as community-oriented lenders and one such lender identified themselves as a woman-owned lender.

Freddie Mac's Partnership with Non-Profit and Not-for Profit Organizations and with State and Local Governments and Housing Finance Agencies[21]

Freddie Mac undertakes numerous activities in support of affordable housing with state and local governments, housing finance agencies, our lender customers, and a wide variety of non-profit and for-profit organizations. The following sections describe some of these affordable activities Freddie Mac continued to take in 2020 that should also support the objectives of the Cranston-Gonzalez National Affordable Housing Act.

HFA Activities

Freddie Mac recognizes the vital role HFAs play in providing financing and programs that create housing opportunities for low to moderate income borrowers and believes working collaboratively with HFAs is critical to advancing affordable, sustainable homeownership. To that end, Freddie Mac continues to explore and identify opportunities to partner with HFAs.

Consistent and Sustainable Liquidity Source: Our HFA Advantage® mortgage product was specifically created to support state and local HFAs' affordable lending efforts. HFA Advantage allows 97% maximum loan-to-value (LTV) and 105% maximum total LTV ratios, enables HFAs to apply their own mission-driven income limits, and allows their preferred homebuyer education programs. In order to better target our support for affordable loans with HFAs, Freddie Mac changed the pricing structure for HFA Advantage in 2020. Effective May 1, 2020 charter-level mortgage insurance (MI) coverage requirements and $0 delivery fees are available only to borrowers earning ≤ 80% AMI. HFA Advantage loans delivered to Freddie Mac on behalf of borrowers earning > 80% AMI are subject to delivery fees and standard MI coverage.

In 2020, 86% of HFA Advantage mortgages were made to first-time homebuyers, and 73.6% of the HFA loans delivered to Freddie Mac qualified for at least one single-family affordable housing goal. Freddie Mac funded loans from state and local HFAs in 33 states and the District of Columbia.

Outreach and Training: Despite having to quickly pivot to a virtual environment in 2020, approximately 3,700 housing industry professionals, including key personnel from HFA-approved participating lenders and realtor partners, participated in 75 Freddie Mac-hosted HFA Advantage training sessions nationwide.

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19 These lenders include our Conventional, Targeted Affordable Housing, Seniors Housing and Small Balance Loan lenders. This list is available at http://www.freddiemac.com/multifamily/lenders/

20 https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/SFR-Decision-8212018.pdf.

21 § 307(f)(2)(K) requires that this report describe the activities undertaken by the Corporation with non-profit and for-profit organizations and with State and local governments and housing finance agencies, including how the Corporation's activities support the objective of comprehensive housing affordability strategies under section 12705 of Title 42.

These educational sessions provided operational and technological support, consultation on Freddie Mac loan products and program design, and discussion of housing market trends. Freddie Mac's numerous touchpoints with HFAs help us understand the evolving needs of our HFA clients.

Collaboration, Input and Thought Leadership: Freddie Mac's dedicated internal HFA teams focus on enhancing our relationships with state and local HFAs. We seek HFAs' insight on certain innovative affordable housing activities in which they regularly engage. Additionally, our HFA partners actively participate in key corporate advisory groups and initiatives. In 2020, Freddie Mac continued to pursue two HFA-related initiatives: developing an industry standard database and user interface to capture, retain, and provide information for affordable down payment assistance (DPA) programs nationwide, and development of a standard note and security instrument for subordinate affordable DPA program mortgages. Both initiatives focus on broader access to DPA programs, reducing production costs and potential errors related to originating, documenting, and delivering loans, and improving the borrower's experience and understanding of their second loan obligations.

Housing Finance Agency Initiative

On behalf of the U.S. Department of the Treasury, Freddie Mac continues to effectively manage the administration of the HFA Initiative – New Issue Bond Program (NIBP). As part of the Homeowner Affordability and Stability Plan, the HFA Initiative was an interim solution designed in 2009 to assist state and local HFAs' lending programs and support their infrastructure. To ensure effective and proper governance of the NIBP program, Freddie Mac employees from Single-Family, Multifamily, Counterparty Credit Risk, and Legal continue to support Freddie Mac's administration of the NIBP jointly with Fannie Mae.

The Temporary Credit and Liquidity Program (TCLP), another component of the HFA Initiative, was successfully closed on December 31, 2015.

Neighborhood Stabilization

In support of FHFA's Neighborhood Stabilization Initiative (NSI), an effort to stabilize communities that had been hardest hit by the housing crisis, Freddie Mac continued its Block-by-Block Initiative (BbB) designed to revitalize struggling urban neighborhoods. Through collaboration with neighborhood organizations, local residents, and key stakeholders, the initiative is intended to help facilitate sustainable neighborhood growth.

Chicago's Block-by-Block Initiative was impacted significantly by the coronavirus pandemic. By April 2020, the program shifted its priorities to focus on the immediate needs of the community, including locating food resources, PPE, and rental/mortgage assistance, rather than homeowner education and homebuyer pipeline development to resident services.

Home sales in the target area continue at a faster pace than adjacent neighborhoods. While delinquencies in rental properties are beginning to increase, this has not yet been the case on owner-occupied properties, which could be due to forbearance agreements. Residents have been proactive in reaching out to the BbB lead organization, Neighborhood Housing Services of Chicago, with COVID-19 relief option questions due to a decrease in household incomes.

The BbB homeownership and financial webinars resumed late 3Q in a virtual environment. Resident engagement resumed as well with activities focused on addressing food insecurities, public safety, and block clean-up. In this virtual environment, more than 1,100 consumers received financial capability education, approximately 100 consumers received homebuyer education, and more than 40 consumer events were held.

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Similar to Chicago, the Block-by-Block initiative in Baltimore was significantly impacted by COVID-19. The initiative's participating non-profit acquired and renovated five properties in the target neighborhood. Four of the renovated properties are under contract for sale, being sold to employees at the University of Maryland BioPark. Each buyer is taking advantage of the BioPark Live Near Your Work down payment assistance program, promoted in the homebuyer education workshops. To date, this initiative has educated more than 2,000 individuals on homebuying and financial capability and provided approximately 400 housing professionals with information on affordable housing.

Borrower Help Centers/Borrower Help Network

Freddie Mac continues to maintain its Borrower Help Centers & Borrower Help Network (BHC/N)[22] with selected HUD approved non-profit organizations in several metropolitan areas, as a single source of mortgage-related help with professional and tenured housing counselors. Along with the BHC/N, we work with national non-profit intermediaries to support Freddie Mac's ongoing commitment of preparing prospective buyers for responsible homeownership and helping struggling borrowers avoid foreclosure. Given the impact of the coronavirus pandemic, the BHC/N has been working with many clients affected directly or indirectly by the virus. Freddie Mac has worked to make sure these organizations were adequately trained on our COVID-19 relief options by conducting 25 webinars, educating more than 2,400 housing counselors. Although there was an increased need for foreclosure prevention counseling, the demand for front-end homebuyer education remained high.

In 2020, the BHC/N and other partners provided approximately 50,000 individuals with one-on-one pre-purchase counseling, homebuyer education to more than 50,000 consumers, financial capability education to more than 230,000 individuals, referred more than 16,000 potential homebuyers to lenders for homeownership opportunities, and provided foreclosure avoidance education and counseling to more than 35,000 households.

Other Initiatives with Non-Profits

Freddie Mac continues to engage non-profit organizations, lenders, and housing professionals in educational and outreach initiatives designed to inform and prepare homebuyers and homeowners on how to build and maintain better credit, make sound financial decisions, and understand the steps to successful long-term homeownership. The educational tools used to support these initiatives include CreditSmart®,[23] a multilingual financial education curriculum offering training opportunities three times per year, CreditSmart Español, offering training opportunities two times per year. Freddie Mac values the importance of educating potential borrowers on the homebuying process. To support this belief, we created and rolled out our first homebuyer education course, CreditSmart Homebuyer U.[24] This course offers six educational modules, each focusing on a key learning principle relating to money management, credit, getting a mortgage, the homebuying process, and preserving homeownership. The successful completion of this free, online course satisfies the homebuyer education requirement for our low down payment products. Approximately 70,000 potential homebuyers completed this course in 2020. CreditSmart Homebuyer U was launched on a platform that makes it user friendly on mobile phones, and other electronic devices. CreditSmart Homebuyer U en Espanol launched in 1Q of 2021.

22 http://www.freddiemac.com/singlefamily/housingpros/help_centers.html.
23 http://www.freddiemac.com/creditsmart/.
24 https://sf.freddiemac.com/working-with-us/creditsmart/courses.

Regional and Local Initiatives

Freddie Mac also undertakes numerous outreach initiatives designed to expand homeownership opportunities specifically in minority and underserved communities in states and localities across the country. These initiatives include financial capability, homebuyer education and counseling, access to bilingual homeownership information and counseling, outreach to military service members, outreach to women, and outreach to individuals and families with disabilities. Due to the coronavirus pandemic, our face-to-face local housing industry workshops have been put on hold indefinitely.

Affordable Housing Advisory Council (AHAC)

The AHAC is a group of affordable housing professionals that Freddie Mac convenes to discuss, review and confirm various aspects of our affordable housing approach, policies, and initiatives. The group meets via conference call on a quarterly basis and in person annually. In response to COVID-19, we hosted five conference calls and expanded the attendee list to over 100 industry professionals. We shared credit and servicing flexibilities, consumer resources, and our economic forecast from both Single-Family and Multifamily perspectives. We also had regular contact with AHAC members to provide informational support related to forbearance options and the eviction and foreclosure moratoria during the pandemic.

In November, the AHAC met virtually for a two-day event to discuss key topics facing the affordable housing industry with approximately 31 representatives from housing finance agencies, lenders, housing intermediaries, housing advocates, housing related associations, and other industry stakeholders attending. We brought together expert perspectives and dialogue relating to our theme, Driving Equality in Housing. The objective of our annual meeting was to provide clarity on Freddie Mac's efforts in strengthening the affordable market. We shared economic data, demographics, innovative solutions, and moderated a panel discussion focused on the challenges and opportunities in minority communities. As an integral part of this meeting, four council members presented initiatives they are advancing to address issues of affordability, accessibility and equality, which are some of today's most significant homeownership barriers. These different perspectives within the housing ecosystem were designed to inspire action, collaboration, and partnership among council members.

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