Freddie Mac CFO Discusses Fourth Quarter and Full-Year 2025 Financial and Business Results

Remarks by

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As Prepared for Delivery

Introduction

Good morning and thank you for joining our call to review Freddie Mac's fourth quarter and full-year 2025 financial results.

The company delivered a strong financial performance for the year, with net income of $10.7 billion and comprehensive income of $10.8 billion on net revenue of $23.3 billion. It was our third consecutive year of net income and comprehensive income above $10 billion and revenue above $21 billion. Since we started adding earnings to our balance sheet six years ago, we've built up more than $70 billion of net worth.

Our financial strength, supported by a focus on risk management and commitment to investing in technology, has enabled us to make home possible for a growing number of homebuyers and renters.

In 2025, we provided $465 billion of liquidity to support more than 1.7 million American families. That included close to 400,000 first-time homebuyers, representing more than 51 percent of the single-family primary residences we helped finance. This was the third straight year in which first-time homebuyers were more than half of all our primary home purchases.

In line with U.S. Federal Housing's goals, we maintained a focus on making home affordable as well as possible for American families. Approximately 53 percent of all single-family homes and 93 percent of multifamily units we helped finance in 2025 were affordable to low- and moderate-income families.

And we want to do even more.

In Single-Family, we're using our technology to increase efficiency, reduce friction and help lenders lower the cost of originating and servicing a home loan. In fact, we've improved our automated underwriting tool with new products and features that have qualified more than 250,000 additional borrowers, originated loans that are $1,700 less costly on average and saved lenders millions of dollars by avoiding performing loan repurchases. And, more than ever, we're working to expand the availability of less expensive housing options by financing the purchase of manufactured housing and homes with accessory dwelling units, such as in-law suites.

We're supporting supply in Multifamily as well. We financed $4.2 billion in Forward Commitments, which gives borrowers and construction lenders certainty that Freddie Mac will purchase loans in the future with terms locked-in today. We also expanded the program to include conventional loans. Multifamily invested $1.2 billion in LIHTC equity, which helped create and preserve affordable rental housing units nationwide.

Clearly, we made a lot of progress in 2025. Now let's look at the financial results we've achieved along the way.

Financials

Today, I will cover three key areas: Our full-year and fourth quarter 2025 results, an overview of our Single-Family and Multifamily segments' performance, and an update on Capital.

Full-Year 2025 Results

As I mentioned, this morning we reported full-year 2025 net income of $10.7 billion and comprehensive income of $10.8 billion, compared with $11.9 billion for each in 2024. We generated net revenues of $23.3 billion for full-year 2025, compared with $23.9 billion in 2024.

Net interest income for the full-year 2025 was $21.4 billion, an 8 percent increase from the prior year. This was driven primarily by continued growth in our mortgage portfolio – which increased 2 percent year-over-year – as well as lower funding costs.

Noninterest income was $1.9 billion for full-year 2025, down 55 percent year-over-year, primarily driven by a shift to net investment losses for full-year 2025 from net investment gains for full year 2024.

Reduced revenues from held-for-sale loan purchase and securitization activities and impacts from interest rate risk management in Multifamily also played a role.

The provision for credit losses was $1.3 billion for full-year 2025, an increase of $814 million year-over-year. This was primarily driven by a credit reserve build attributable to new acquisitions across both businesses, changes in forecasted and observed house prices in Single-Family and deteriorating credit performance on certain delinquent Multifamily loans. The provision for credit losses for 2024 was primarily driven by a credit reserve build in Single-Family, attributable to new acquisitions.

Our non-interest expenses were $8.6 billion, down $38 million year-over-year. We grew our total mortgage portfolio by 2 percent year-over-year to $3.7 trillion at year-end 2025, driven by 2 and 6 percent increases in our Single-Family and Multifamily portfolios, respectively.

Fourth Quarter Results

Turning to our fourth quarter 2025 results, our net income was $2.8 billion, compared with $3.2 billion in 2024. The year-over-year change was primarily due to lower net revenues of $565 million. While our net interest income increased year-over-year by 10 percent, it was offset by net investment losses of $283 million, versus a gain of $879 million in the prior-year quarter. The net investment losses in the quarter were primarily driven by interest rate and spread changes in our Single-Family business and lower revenue from held-for-sale loan purchases coupled with interest-rate risk management activities in our Multifamily business.

Provision for credit losses was an expense of $52 million for the fourth quarter of 2025, down $40 million over prior year quarter. The provision this quarter primarily reflected a reserve build in our Multifamily business, partially offset by a credit reserve release in Single-Family, which was mainly due to changes in estimated property market values and forecasted house prices.

Single-Family Business Segment

Turning to our individual business segments, Single-Family reported full-year net income of $9.2 billion, compared with $9.4 billion in the prior year.

The business reported full-year 2025 net revenue of $19.9 billion, up $40 million from 2024. Full-year 2025 net interest income was $19.8 billion, an increase of 7 percent, driven by higher core single-family guarantee income fueled by continued growth in the Single-Family portfolio and lower funding costs. This increase in net interest income was partially offset by lower non-interest income due to investment losses driven by interest-rate and spread related changes.

Provision for credit losses increased to $758 million in 2025 from $374 million in 2024. This was primarily driven by a credit reserve build related to new acquisitions, changes in estimated market values based on our internal house price index, and updated house price growth forecasts. In contrast, the 2024 provision was driven mainly by a reserve build associated with new acquisitions.

House prices increased 0.7 percent in 2025 compared with a 4.2 percent increase in 2024. Our current forecast assumes house prices will grow by 0.5 percent over the next 12 months and 1.4 percent over the subsequent 12 months. Our December 2024 forecast assumed an increase of 2.7 percent in the next 12 months followed by 3.3 percent growth in the subsequent 12 months.

The Single-Family allowance for credit losses was $7.5 billion at year end, compared with $6.7 billion at the end of 2024. This reflects a coverage ratio of 23 basis points at the end of 2025, compared with 21 basis points from the prior year. Net charge-offs for the year totaled $329 million, down $67 million from 2024.

Our Single-Family portfolio credit characteristics remained strong, with a weighted average current loan-to-value ratio of 53 percent and a weighted average credit score of

754. The Single-Family serious delinquency rate was 59 basis points as of December 31, 2025, unchanged from the prior year.

Freddie Mac was the leading player in the Single-Family market, with 54 percent of total GSE market share for the year. Full-year new business activity totaled $389 billion, an increase of 12 percent from 2024 as both refinance and purchase activity strengthened over the course of the year. In the fourth quarter of 2025, we had $118 billion of new business, driven by strength in refinance activity, which accounted for 35 percent of total volume, the highest quarterly refinance share we have seen in the past three years.

Mortgage rates declined steadily throughout 2025, with the average 30-year fixed rate ending the year at 6.15 percent. This represents the lowest level observed during the year and a notable decline from the peak of 7.04 percent observed in the first quarter.

The credit characteristics of our new business remained strong with an average estimated loan-to-value ratio of 77 percent and a weighted average credit score of 757.

During the year, we helped approximately 94,000 families remain in their homes through loan workouts.

At the end of the year, 61 percent of our Single-Family portfolio had some form of credit enhancement.

Multifamily Business Segment

Before going into to our Multifamily results, I want to highlight an important change in our Multifamily business strategy. Historically, we primarily used senior-subordinate securitization structures in our Multifamily Business. We have now shifted to focusing predominantly on fully guaranteed securitizations. Under this approach, Multifamily initially retains the credit risk on the underlying loans and subsequently transfers that risk through *Multifamily Credit Insurance Pool* and *Multifamily Structured Credit Risk Note* transactions. This strategic shift is expected to reduce market- and fair-value-driven earnings volatility while generating a more stable and higher stream of guarantee net interest income over time.

Moving to the results, the Multifamily business reported 2025 full-year net income of $1.5 billion, versus $2.5 billion in the prior year. The year-over-year change was primarily driven by lower net revenues and a higher provision for credit losses in 2025.

Full-year net revenues totaled $3.4 billion, compared with $4.1 billion in 2024, driven largely by lower noninterest income. Net interest income increased 33 percent, reflecting higher guarantee fee income consistent with the business strategy shift toward fully guaranteed securitizations. This increase in net interest income was offset by a $1.1 billion decline in noninterest income, primarily due to lower revenues from held-for-sale loan purchases and securitization activities following the strategic business shift, along with impacts from interest-rate risk management activities.

The provision for credit losses for 2025 was an expense of $532 million, compared with $102 million in 2024. Provision for credit losses this year was driven by a credit reserve build attributable to new loan purchase commitment and acquisition activities due to the change in the Multifamily business strategy and deterioration in the credit performance of certain delinquent loans.

The Multifamily allowance for credit losses was $956 million at year end, compared with $548 million in 2024. This reflects a coverage ratio of 46 basis points, unchanged from 2024. Net charge-offs totaled $124 million in 2025.

We were also the leading agency financier in the Multifamily market in 2025, capturing 51 percent of the GSE new-business market. Total Multifamily new business activity reached $76 billion, an increase of 17 percent from the prior year, driven by strong demand for multifamily financing and the execution of our competitive strategies. Approximately 66 percent of this activity in 2025, based on unpaid principal balance, was mission-driven affordable housing, exceeding U.S. Federal Housing’s minimum requirement of 50 percent. Of the $76 billion, $73 billion was counted towards the U.S. Federal Housing cap.

In 2025, we securitized $67 billion of loans, $12 billion higher than in the prior year.

The average guarantee fee rate on our new total guarantee exposures increased to 56 basis points for the year, up 5 basis points from the prior year, primarily due to continued growth in our fully guaranteed securitization issuances, for which we charge higher guarantee fee rates.

Our Multifamily mortgage portfolio at the end of 2025 was $496 billion, an increase of 6 percent year over year.

The Multifamily delinquency rate at the end of the year was 44 basis points, compared with 40 basis points at the end of 2024. Ninety-seven percent of the delinquent loans in the Multifamily mortgage portfolio had credit enhancement coverage, reducing our credit exposure.

At year-end, 89 percent of the Multifamily mortgage portfolio was covered by credit enhancements.

Capital

Our net worth increased to $70.4 billion at the end of the year, representing an 18 percent increase from 2024.

The total capital required under our regulatory capital rule at end of the year was $158 billion which constituted $59 billion of buffers. The capital shortfall to regulatory capital, excluding buffers, was $106 billion, because the $73 billion of Senior Preferred Stock does not qualify as regulatory capital.

Conclusion

In conclusion, 2025 was a good year for Freddie Mac. We delivered strong financial results. We managed our risks well and further strengthened our risk focus. We continued to invest in the professional growth and development of our management talent and staff.

Guided by the leadership of U.S. Federal Housing, we improved operational efficiency and reduced unnecessary costs both operationally and throughout the loan cycle. This allowed us to better serve American families and made it easier to do business with us. And we have met or exceeded the expectations of our existing customers and earned many new ones in the process.

We achieved these accomplishments through the success of our business lines, investments in technology and improvements in the company’s operations. Expect us to remain on this path, driving toward further improvements throughout 2026.