Freddie Mac CFO Discusses Second Quarter 2026 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 second quarter financial results.

Freddie Mac delivered solid second quarter results. We earned $3.8 billion of net income, taking our net worth to nearly $78 billion.

The total mortgage portfolio increased to $3.7 trillion, as we provided about $128 billion of liquidity to the U.S. housing market.

Freddie Mac's support during the second quarter helped 439,000 families buy, refinance, or rent a home.

The majority of the houses and apartments we financed in the quarter were affordable to working families earning 120 percent or less of area median income. These included 91 percent of eligible rental units and 54 percent of single-family homes. Of the homebuyers purchasing a primary residence, 52 percent were first-time homeowners.

Against a still-resilient economic backdrop, we remained focused on disciplined risk management, as well as our mission to promote liquidity, stability and affordability in the U.S. housing finance system.

Now let's look at the quarterly financial results that support this important work.

Financials

I'll begin with our second quarter 2026 results, followed by our Single-Family and Multifamily segments' performance. I'll finish with an update on our net worth and regulatory capital.

Second Quarter 2026 Results

Our net income of $3.8 billion increased 61 percent year-over-year, reflecting higher net revenues from our net interest income, lower non-interest expense and a credit reserve release in the current period. These results reflect solid execution during the quarter.

We grew net revenues 1 percent year-over-year to $6 billion, primarily driven by a $711 million, or 13 percent, increase in net interest income from the prior year quarter.

This increase was driven by higher income from continued growth in our mortgage portfolio, which increased 2 percent year-over-year, coupled with an increase in fully guaranteed Multifamily securitizations following our business strategy change.

Our net interest yield increased 7 basis points year-over-year to 69 basis points, reflecting the positive impact of our scale.

Non-interest income shifted from income of $617 million in second quarter 2025 to a loss of $19 million in second quarter 2026. This was primarily due to net investment losses in second quarter 2026, compared to net investment gains in the prior year quarter, as well as lower guarantee income.

We recorded an $880 million benefit for credit losses in the quarter, compared with a $783 million provision in the prior year quarter.

The benefit resulted primarily from a Single-Family reserve release driven by updates to the company's process for generating future house price scenarios. By comparison, the second quarter 2025 provision primarily reflected a reserve build in Single-Family attributable to lower estimated property market values based on the company's internal house price index and lower forecasted house price growth rates.

Our second quarter non-interest expense was $2.1 billion, down 3 percent year-over-year, reflecting continued focus on operational efficiency.

We grew our total mortgage portfolio to $3.7 trillion as of June 30, driven by 1 and 8 percent increases, respectively, in our Single-Family and Multifamily portfolios year-over-year.

Single-Family Business Segment

Turning to Single-Family, the segment reported strong second quarter net income of $3.3 billion, an increase of 57 percent year-over-year.

This increase reflects a credit loss benefit this quarter, compared with a provision in the prior year quarter.

Segment net interest income for the quarter of $5.4 billion was up 11 percent or $551 million year-over-year driven by a 1 percent increase in our Single-Family mortgage portfolio and lower expense related to debt in hedge accounting relationships. The increase in the net interest income was offset by investment losses in the quarter, primarily driven by impacts from interest rate management activities.

We recorded an $846 million benefit for credit losses in the quarter, compared with a $622 million provision in second quarter 2025. Once again, this benefit is related to updates to the company's process for generating future house price scenarios. House prices rose by 0.7 percent during second quarter 2026, compared with a 0.2 percent decrease in second quarter 2025.

Our current forecast assumes house prices will grow by 1.7 percent over the next 12 months and 2.1 percent over the subsequent 12 months. This was more than our December 2025 forecast, which projected increases of 0.5 percent and 1.4 percent, respectively. In contrast, the second quarter 2025 provision was mainly due to a reserve build attributable to lower estimated property market values based on the company's internal house price index and lower forecasted house price growth rates.

The Single-Family allowance for credit losses coverage ratio was 19 basis points at the end of second quarter 2026. That was down 4 basis points year-over-year and down 3 basis points quarter-over-quarter. Net charge-offs for the quarter totaled $116 million, compared with $73 million in the prior year quarter.

Our Single-Family portfolio credit characteristics remained strong, supported by meaningful credit enhancement coverage and our ongoing focus on sustainable risk management across market cycles. In the second quarter, our Single-Family portfolio had a weighted average current loan-to-value ratio of 53 percent and a weighted average credit score of 755. The serious delinquency rate was 60 basis points as of June 30, 2026. That was a 5-basis point increase over the prior year and flat quarter-over-quarter. The year-over-year increase is primarily due to a higher serious delinquency rate for loans originated during 2022 and later.

During second quarter 2026, we originated $110 billion of new business, driven by strength in refinance activity. Refinance loans accounted for 33 percent of total volume.

Mortgage rates ended the quarter at 6.49 percent after reaching a high of 6.53 during the quarter — the highest since the beginning of the year and up from a low of 5.98 percent we observed during first quarter 2026. While elevated mortgage rates continued to affect market activity, we remained focused on supporting market liquidity and access to affordable, sustainable housing finance.

The credit profile of our Single-Family new business remained strong, with an average estimated loan-to-value ratio of 76 percent — down 1 percentage point year-over-year. The weighted average credit score was 761 as of June 30, up 2 points from a year ago. The weighted average DTI ratio trend also improved year-over-year. These indicators reinforce the quality of our new originations.

During second quarter 2026, we helped approximately 22,000 families remain in their homes through loan workouts. At the end of the second quarter, 61 percent of our Single-Family portfolio had some form of credit enhancement.

Multifamily Business Segment

Moving to Multifamily, the segment delivered second quarter 2026 net income of $561 million, up 90 percent year-over-year. The increase was supported by higher net revenues and a slight benefit for credit losses in the quarter versus a provision in the prior year quarter.

Second quarter net revenues increased 14 percent year-over-year to $891 million, benefiting from higher net interest income. Net interest income increased 40 percent, driven by higher guarantee interest income as our business strategy shifted toward fully guaranteed securitizations, which is expected to enhance the stability of Multifamily earnings over time.

This increase in net interest income was offset by a 13 percent decline in non-interest income as the revenue-mix shifted due to the business strategy change.

On the credit side, we recorded a $34 million benefit for credit losses. In the prior year quarter, we had an expense of $161 million which was attributable to new loan purchase commitment and acquisition activity, coupled with deterioration in the credit performance of certain delinquent loans.

The Multifamily allowance for credit losses coverage ratio was 36 basis points at the end of second quarter 2026, compared with 42 basis points for first quarter 2026 and 52 basis points for second quarter 2025.

Total Multifamily new business activity reached $18 billion in second quarter 2026.

That was an increase of 58 percent from the prior year's quarter, primarily driven by a larger new business pipeline entering 2026, coupled with the execution of Multifamily's competitive strategies. Year-to-date 66 percent of this activity, based on unpaid principal balance, has been mission-driven affordable housing.

During second quarter 2026, we securitized $23 billion of loans. Nearly all of those were fully guaranteed securitizations, in line with our business strategy change, marking a 59 percent increase year-over-year.

The average guarantee fee rate on our total guarantee exposures increased to 59 basis points for the quarter, up 6 basis points from the prior year.

This increase was 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 second quarter 2026 was $505 billion, an increase of 8 percent year-over-year.

The Multifamily delinquency rate at the end of the second quarter was 51 basis points. This was up compared with 47 basis points at the end of second quarter 2025 and 43 basis points last quarter. This increase is primarily due to stress associated with elevated interest rates and small balance loans.

Ninety-one percent of the delinquent loans in the Multifamily mortgage portfolio had credit enhancement coverage, reducing our credit exposure.

At the end of the second quarter, 92 percent of the Multifamily mortgage portfolio was covered by credit enhancements.

Capital

Finally, we delivered strong net worth growth — ending the quarter at $78 billion dollars, up 20 percent year-over-year and further strengthening our capital position. This continued capital build enhances our resilience and long-term capacity to serve the market through changing conditions and advance our mission with discipline.

Under our regulatory capital rule, total capital required at quarter-end was $161 billion, including $60 billion of stress and stability buffers.

We are making progress reducing our capital deficit, which has come down $41 billion since the end of 2022. Excluding buffers, our capital shortfall was $101 billion at the end of the second quarter, largely because the $73 billion of Senior Preferred Stock does not qualify as regulatory capital.

Conclusion

I'll conclude my remarks with one final thought. It was a very successful quarter for many of the nation's largest financial institutions. If you listened to their versions of this call, you would have heard them talk about the macroeconomic or cyclical factors affecting their strong results. That's also true of Freddie Mac. But what you additionally heard was that none of those institutions were satisfied to let those economic factors equal destiny for their firms, and again, that also applies to Freddie Mac.

We are continuously improving our systems and policies to bring loans in the door in all economic environments while maintaining a bedrock commitment to risk management.

This applies to big, highly visible changes, like the introduction of new credit scoring models. And it applies to smaller, incremental changes to reduce our risks, such as moving servicers to near real-time default reporting.

These changes are being driven by motivated Freddie Mac employees committed to deploying the latest technology, including thoughtful use of artificial intelligence, in their day-to-day work.

We are streamlining loan processing, accelerating software development, strengthening fraud detection and helping employees make faster, more informed decisions. Smart use of AI is the key to allowing our employees to further our mission and shape what comes next.