



Freddie Mac CFO Discusses Third Quarter 2025 Financial and Business Results

Remarks by
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October 30, 2025

As Prepared for Delivery

Introduction

Good morning and thank you for joining our call to review Freddie Mac's third quarter performance.

Let's start with the headline number. Our third quarter net income of \$2.8 billion lifted the company's net worth to nearly \$68 billion at September 30.

The total mortgage portfolio increased to \$3.62 trillion, as we facilitated the flow of more than \$124 billion of liquidity to U.S. housing. That was up from \$106 billion in the prior quarter.

The \$18 billion in additional liquidity drove a 33 percent increase in the number of American families we helped buy, refinance or rent a home. That total rose to 483,000 in third quarter vs. 363,000 in the second.

Most of the houses and apartments we financed were affordable to middle-class families, including 92 percent of the eligible rental units and 54 percent of the single-family homes. Among the homebuyers purchasing a primary residence, 50 percent were buying a home for the very first time.

That's the American dream, and our work helps make it true for more than a thousand families every day.

Now let's look at the quarterly financial results that support our mission.



Financials

As I mentioned earlier, we earned net income of \$2.8 billion this quarter, a decrease of \$332 million, or 11 percent, year-over-year. This decrease was primarily driven by a \$175 million provision for credit losses this quarter, primarily attributable to new Single-Family acquisitions versus a benefit for credit loss in the prior year quarter, which was primarily driven by lower mortgage interest rates in Single-Family and enhancements in the credit estimation process in Multifamily.

Net interest income in the third quarter was \$5.5 billion, up \$456 million dollars or 9 percent year-over-year. The primary driver for the increase was higher guarantee net interest income driven by continued growth in the Single-Family mortgage portfolio, which increased 2 percent year-over-year. In addition, a Multifamily business strategy change resulted in an increased volume of fully guaranteed securitization. Separately, we benefited from lower funding costs, which were partially offset by lower yields on short-term investments.

Third quarter non-interest income declined \$555 million, or 66 percent year-over-year, to \$284 million. This decline was primarily due to Single-Family investment losses in the third quarter compared to investment gains in third quarter of 2024. The losses this quarter were driven by interest rate and spread changes.

Single-Family Business Segment

Now diving into our individual business segments, the Single-Family business reported net income of \$2.3 billion for the third quarter, down \$226 million, or 9 percent, year-over-year.

Segment net revenues of \$4.9 billion decreased by \$152 million, or 3 percent, from the prior year quarter as higher net interest income was more than offset by lower non-interest income. Net interest income increased \$355 million, or 8 percent, benefiting from continued mortgage portfolio growth and lower funding costs, partially offset by lower yields on short-term investments.



Non-interest loss of \$143 million, compared to non-interest income of \$364 million in the prior year quarter, was primarily driven by interest rate and spread changes, as I mentioned earlier.

Our provision for Single-Family credit losses was an expense of \$118 million this quarter, primarily due to a credit reserve build driven by new acquisitions as we continue to grow our single-family mortgage portfolio. Our single-family mortgage portfolio at the end of the quarter was \$3.1 trillion dollars, up 2 percent year-over-year. In the prior-year quarter, we had a credit loss benefit of \$99 million, which was primarily driven by lower mortgage interest rates.

Our current house price forecast assumes an increase of 0.7 percent over the next 12 months and 0.9 percent over the subsequent 12 months. This is a change from our forecast at the end of last quarter, which assumed 1.3 percent growth over the next 12 months and 0.4 percent growth over the subsequent 12 months.

The credit reserve build this quarter totaled \$148 million, bringing our Single-Family allowance for credit losses at the end of the quarter to \$7.7 billion. This represents 24 basis points as a proportion of total loans outstanding, up from 23 basis points at the end of the prior quarter and 21 basis points at the end of last year.

The credit quality of our mortgage portfolio continues to stay strong. The weighted average current loan-to-value ratio was 53 percent at the end of the third quarter, and the weighted average current credit score was 754. At the end of the quarter, 62 percent of our Single-Family mortgage portfolio had some form of credit enhancement.

Serious delinquencies increased slightly to 57 basis points at the end of the third quarter, up from 55 basis points at the end of the second quarter and from 54 basis points at the end of the third quarter of last year. The year-over-year increase is primarily due to a higher serious delinquency rate for loans originated after 2022.

In the third quarter, we completed about \$6 billion worth of loan workouts, helping approximately 22,000 families remain in their homes.



New business activity was \$99 billion this quarter, up \$5 billion from the second quarter, mainly driven by higher purchase activity. First-time homebuyers represented half of our new single-family home purchase loans secured by primary residences.

Refinance activity continues to be limited as mortgage rates remained elevated, despite a slight decline during the quarter. In the third quarter, refinance activity accounted for about 18 percent of our total new business activity. The 30-year mortgage rate peaked at 6.75 percent early in the quarter and ended the quarter at 6.30 percent. That was down from 6.77 percent at the end of the second quarter and up from 6.08 percent at the end of the prior year quarter.

Credit quality of our new acquisitions also remains strong with a weighted average original loan-to-value ratio of 77 percent for third quarter acquisitions and a weighted average credit score of 756. The average estimated guarantee fee rate on new business was 54 basis points.

Multifamily Business Segment

Moving on to Multifamily, the segment reported net income of \$426 million, a decrease of \$106 million, or 20 percent, from the prior year quarter.

Multifamily net revenues increased by 7 percent, or \$53 million, to \$835 million year-over-year. This uptick primarily was driven by higher net interest income.

Net interest income (NII) increased \$101 million, or 33 percent, to \$408 million. It was primarily driven by a change in the segment's business strategy that resulted in increased volume of fully guaranteed securitizations.

The increase in NII was partially offset by lower non-interest income of \$427 million, which fell \$48 million, or 10 percent. The decrease in non-interest income was primarily driven by lower revenues from held-for-sale loan purchase and securitization activities due to the business strategy change. Impacts from interest-rate risk management activities partially offset the decrease.

The provision for Multifamily credit losses in the third quarter was \$57 million, compared to a \$92 million benefit for credit losses in the prior year quarter. This quarter's provision for credit losses was primarily driven by a credit reserve build attributable to new loan



purchase commitment and acquisition activity and deterioration in the credit performance of certain delinquent loans. The benefit in third quarter 2024 was primarily due to a credit reserve release due to enhancements in the credit loss estimation process.

Our Multifamily new business activity increased to \$25 billion in the third quarter, up from \$12 billion in the prior quarter, and up from \$15 billion in the third quarter last year. This year-over-year increase was primarily driven by a larger multifamily originations market, coupled with the execution of our competitive strategies. The business provided financing for 195,000 rental units this quarter, with 67 percent of eligible units affordable to low-income families.

Strong new business activity drove a 6 percent year-over-year increase in our Multifamily mortgage portfolio to \$480 billion at the end of the third quarter.

Ninety percent of the Multifamily mortgage portfolio was covered by credit enhancements at the end of the quarter.

The Multifamily delinquency rate at the end of the quarter was 51 basis points, up 12 basis points from the end of September 2024. This increase was primarily driven by increased delinquency in our floating rate loans and small balance loans. Ninety percent of these delinquent loans had some form of credit enhancement coverage.

Capital

On the capital front, we grew our net worth to \$68 billion at the end of the quarter, which represented a 20 percent increase year-over-year.

Conclusion

I'll end with two thoughts on our ongoing effort to make finding or financing a home a better experience.

First, we believe we can help support efforts to expand the homes and apartments available for sale or rent. Last quarter, U.S. Federal Housing announced a doubling of Freddie Mac Multifamily's annual Low Income Housing Tax Credit equity cap from \$1 billion to \$2 billion. Since re-entering that market in 2018, we've invested more than \$5



billion in LIHTC equity, which has helped build or renovate over 33,000 affordable rental homes across the nation.

And on the Single-Family side, we expanded our conventional financing options to include modern single-section factory-built homes.

Taken together, these actions can contribute to solving the nationwide shortage of affordable homes, though there remains much to do.

Second, our commitment to steadily enhancing our digital tools continues to wring costs out of the mortgage process. Our recent Cost to Originate Study shows that lenders making full use of Freddie Mac's suite of digital tools save about \$1,700 per loan on average. That was \$200 more in savings than just two years ago.

These enhancements are among the many incremental changes we are making every day to improve the lives of lenders, borrowers and renters while building a safer, sounder Freddie Mac.