Freddie Mac CFO Discusses Third Quarter 2026 Financial and Business Results

Remarks by

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October 29, 2026

As Prepared for Delivery

Introduction

Good morning and thank you for joining us as I review Freddie Mac's third quarter financial results. To accompany today's discussion, we've published our earnings release, presentation, financial supplement and Form 10-Q. Together, these materials provide additional detail on our financial performance, business results and capital position.

I'll start with the key highlights of our earnings presentation. Freddie Mac's support during the third quarter helped 420,000 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 their area median income. These included 91 percent of eligible rental units and 56 percent of single-family homes. Of those purchasing a primary residence, 51 percent were first-time homebuyers. These outcomes demonstrate how our financial strength enables us to provide liquidity and advance affordability across the housing market.

Freddie Mac reported $3.2 billion of net income, taking our net worth to $81 billion. Our results reflect the strength of our core guarantee business, disciplined risk management and continued execution against our strategic priorities. The net worth we are building further strengthens our ability to support the housing market across economic cycles.

The total mortgage portfolio increased 2 percent year-over-year to nearly $3.7 trillion, as we provided $114 billion of liquidity to the U.S. housing market.

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

Financials

I'll begin with our third 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.

Third Quarter 2026 Results

We'll start with our third quarter 2026 financial performance. Our net income of $3.2 billion increased 17 percent year-over-year, reflecting higher net revenues from both non-interest and net interest income. These results continue to reflect strong execution during the quarter.

We grew net revenues 19 percent year-over-year to $6.8 billion. The increase was primarily driven by higher non-interest income, as well as a $422 million, or 8 percent, increase in net interest income from the prior-year quarter. The growth in net interest income reflects the evolving mix of our Multifamily business and continued growth of our mortgage portfolio, which increased 2 percent year-over-year. Our net interest yield increased 3 basis points year-over-year to 67 basis points, reflecting the positive impact of our scale.

We recorded $933 million of non-interest income in the quarter, up $649 million from the prior-year quarter. Non-interest income can vary quarter to quarter, particularly due to investment gains and losses, which are impacted by market conditions, mainly the movement in spreads and interest rates. Impacts from interest rate risk management activities drove this quarter's increase.

We recorded an $800 million provision for credit losses in the quarter, compared with a $175 million provision in the prior-year quarter.

The provision primarily reflected a Single-Family credit reserve build, resulting from an increase in projected future mortgage interest rates, as well as new acquisitions, while

current portfolio performance remained stable. Higher projected mortgage rates increase the period over which we are exposed to potential credit losses by extending the expected life of the loans due to lower prepayments. By comparison, the third quarter 2025 credit reserve build in Single-Family was attributable mainly to new acquisitions.

Our third quarter non-interest expense was nearly $2.0 billion, down 6 percent year-over-year, reflecting continued focus on operational efficiency and expense discipline.

We remain focused on simplifying how we operate and using technology to improve productivity, while continuing to invest in capabilities that strengthen our business and support the housing market over the long-term horizon.

We grew our total mortgage portfolio to nearly $3.7 trillion as of September 30, driven by 1 percent and 6 percent increases, year-over-year in our Single-Family and Multifamily portfolios respectively.

Single-Family Business Segment

Turning to Single-Family results, the segment reported strong third quarter net income of $2.7 billion, an increase of 16 percent year-over-year. This improvement reflects higher net revenues and lower non-interest expense, partially offset by a larger provision for credit losses compared with the prior-year quarter.

Segment net interest income for the quarter of $5.3 billion was up $247 million, or 5 percent, year-over-year driven by continued mortgage portfolio growth. The increase in non-interest income was primarily driven by changes in interest rates in each respective period. In third quarter 2026, gains on derivatives used in interest-rate risk management activities were offset by losses on investment securities, while in the third quarter 2025, losses on derivatives used in interest-rate risk management activities were offset by gains on investment securities.

We recorded a $685 million provision for credit losses in the quarter, compared with a $118 million provision in third quarter 2025. Once again, this provision is due to a credit reserve build driven by an increase in projected future mortgage interest rates, as well

as new acquisitions. In contrast, the third quarter 2025 provision was mainly driven by a credit reserve build attributable to new acquisitions.

The Single-Family allowance for credit losses coverage ratio was 22 basis points at the end of third quarter 2026. That was down 2 basis points year-over-year and up 3 basis points quarter-over-quarter. Net charge-offs for the quarter totaled $132 million, compared with $80 million in the prior year quarter.

House prices rose by 0.5 percent during third quarter 2026, compared with a 0.2 percent increase in the third quarter 2025. Mortgage rates ended the quarter at 7.03 percent, the highest level since the beginning of the year, continuing to weigh on market activity. Despite elevated rates, the market remained supported by modest house price growth, and continued demand for housing. Our current forecast assumes house prices will grow by 1.3 percent over the next 12 months and 1.5 percent over the subsequent 12 months.

As of September 30, 2026, the serious delinquency rate for our Single-family portfolio was 61 basis points, up 4 basis points over the prior-year quarter and up 1 basis point quarter-over-quarter. The year-over-year increase was primarily driven by higher serious delinquency rates for loans originated during 2022 through 2024. In third quarter 2026, we helped approximately 21,000 families remain in their homes through loan workouts. At quarter-end, 60 percent of our Single-Family portfolio had some form of credit enhancement. The portfolio’s weighted average current loan-to-value ratio was 54 percent, and its weighted average current credit score was 755.

During the third quarter of 2026, we acquired $98 billion of new business. Purchase loans accounted for 81 percent of originations while refinance loans accounted for 19 percent of the total volume.

The credit profile of our Single-Family new business remained strong, with an average estimated loan-to-value ratio of 77 percent, flat year-over-year, and weighted average original credit score of 759, compared with 756 in the prior-year quarter.

In April 2026, we announced a limited rollout to accept loans delivered with VantageScore 4.0 from approved sellers. Effective September 2026, we expanded the

availability of VantageScore 4.0 to all sellers. All sellers may now use VantageScore 4.0 without prior written approval when originating and selling eligible mortgages to Freddie Mac. This quarter, 6 percent of the loans we acquired were assessed using VantageScore 4.0 for pricing. Its broader use supports a more modern and competitive credit-scoring system, with the potential to lower costs and advance housing affordability for borrowers.

The weighted average DTI ratio trend remained flat year-over-year. These indicators reinforce the quality of our new originations.

Multifamily Business Segment

Turning to Multifamily results, rent growth remains positive, but subdued, while occupancy has remained relatively steady this year. New supply has moderated during the year, and demand has stayed relatively stable. Multifamily property prices have declined throughout much of the year, and cap rates have increased.

The segment delivered third quarter 2026 net income of $521 million, up 22 percent year-over-year. The increase was supported by higher net revenues, partly offset by a higher credit provision.

Third quarter net revenues increased 17 percent year-over-year to $1.0 billion, benefiting from higher net interest income.

Net interest income increased 43 percent, driven by higher guarantee interest income as our business strategy shifted toward fully guaranteed securitizations. This shift is expected to enhance the stability of Multifamily earnings over time. The increase in net interest income was partially offset by a 7 percent decline in non-interest income.

On the credit side, we recorded a $115 million provision for credit losses, mainly due to the Multifamily mortgage portfolio’s overall credit performance deterioration. This was partly offset by a reserve release resulting from updates to our credit loss estimation process. In the prior-year quarter, we had a provision expense of $57 million dollars, 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 30 basis points at the end of third quarter 2026, compared with 36 basis points for second quarter 2026 and 43 basis points for third quarter 2025.

Total Multifamily new business activity reached $16 billion in third quarter 2026, down from $25 billion in the third quarter of 2025, primarily driven by the elevated mortgage interest rate environment. Year-to-date, 66 percent of new business activity, based on unpaid principal balance, was mission-driven affordable housing.

During third quarter 2026, we securitized nearly $17 billion of loans. Nearly all this volume consisted of fully guaranteed securitizations, which increased 31 percent year-over-year, consistent with our business strategy shift toward fully guaranteed securitizations.

At September 30, 2026, the average guarantee fee rate charged on our total guarantee exposures increased to 60 basis points, up 6 basis points from the prior-year quarter. 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 third quarter 2026 was $510 billion, an increase of 6 percent year-over-year.

The Multifamily delinquency rate was 58 basis points at the end of the third quarter, up from 51 basis points at the end of both the third quarter 2025 and second quarter 2026. This increase reflects stress associated with the elevated interest-rate environment.

Ninety-two percent of delinquent loans in the Multifamily mortgage portfolio had credit enhancement coverage.

In addition, 89 percent of the Multifamily mortgage portfolio was covered by credit enhancements at quarter-end.

Capital

Finally, we delivered strong net worth growth, ending the quarter at nearly $81 billion, up 20 percent year-over-year, further strengthening our financial foundation and capacity to support the housing market.

Under our regulatory capital rule, total capital required at quarter-end was $162 billion, including $60 billion of stress and stability buffers. Retained earnings continue to strengthen our capital position and increased our available capital by $45 billion dollars since the end of 2022. Excluding buffers, our capital shortfall was $98 billion at the end of third quarter 2026, largely because the $73 billion of Senior Preferred Stock does not qualify as regulatory capital.

Conclusion

I'll close with this thought. Our third quarter results demonstrate the strength of our business and the progress we're making toward a stronger Freddie Mac.

We are growing our financial strength, applying disciplined decision-making and risk management, and continuing to invest in the capabilities that can make the housing system work better. That includes simplifying our processes, improving the tools available to lenders and borrowers, and using technology to operate more efficiently and make better decisions.

Ultimately, financial strength matters because of what it enables us to do. It gives us greater capacity to provide liquidity throughout the economic cycle, support sustainable homeownership and help make housing finance more efficient and affordable. We remain focused on delivering against those priorities and building on the progress we made this quarter.