

# Green Bonds Framework

---

November 14, 2024

# Contents

I. Introduction .....	3
II. Green Program Objective .....	3
III. Use of Proceeds .....	4
IV. Process for Project Evaluation and Selection.....	4
V. Management of Proceeds.....	5
VI. Reporting .....	6
Asset-Level Reporting .....	6
Portfolio-Level Reporting .....	6
Investor Reporting .....	7
Second Opinion .....	7
VII. Appendix A – Freddie Mac Overview .....	8
Freddie Mac.....	8
Freddie Mac Multifamily.....	8
VIII. Appendix B – Freddie Mac’s Sustainability Strategy .....	9
IX. Appendix C – Glossary of Defined Terms .....	10

## I. Introduction

Freddie Mac's mission is to provide liquidity, stability and affordability to the U.S. housing market. Supporting affordable housing and access to credit is integral to what we do. The Freddie Mac Multifamily Green Bonds program has made us an important capital provider for environmental improvements in affordable and workforce rental housing. The [Green Bond Principles \(GBP\)](#), as administered by the International Capital Markets Association, are voluntary process guidelines for best practices when issuing Green Bonds. The GBP promote transparency and disclosure, thereby underpinning the Green Bond market. The Freddie Mac Multifamily Green Bonds Framework is aligned with the four core components of the GBP (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting) as described in this Freddie Mac Green Bonds Framework document. For more details on Freddie Mac, see Appendix A, and for a glossary of defined terms in this Framework, see Appendix C.

## II. Green Program Objective

The growing impacts of climate change have increased attention on decarbonization initiatives and interest in financing to create more energy- and water-efficient real estate.

In 2020, nearly one-third (31%) of all multifamily households nationwide report some type of energy insecurity.<sup>1</sup> Aging housing, especially prevalent in underserved communities, is a large cause of energy insecurity.<sup>2</sup> When households are unable to pay their energy bills or are disconnected from their utility service, they may struggle to keep their home at comfortable or habitable temperatures. This can lead to harmful cost-cutting strategies such as forgoing or reducing necessities like food and medicine to pay an energy bill. Savings from green improvements help families reduce their energy consumption costs, allowing them to allocate additional funds to other necessities.

Freddie Mac's climate impact focus is to promote environmental sustainability, reduce climate-related risks and increase housing affordability. Since 2016, Freddie Mac Multifamily Green Up® and Green Up Plus® loans have provided over \$65 billion in financing for properties making energy- and/or water-efficiency improvements. As states and localities seek to increase decarbonization of properties, we recognize the need to continue innovation to support borrowers and renters. We have placed a focus on evaluating how we can also support decarbonization and renewable energy usage. Freddie Mac will continue evaluating best practices to better meet market needs for decarbonization and to increase energy and water efficiency in housing to greater benefit tenants through lowered utility costs, which supports affordability over time.

For more information on our sustainability and climate-related disclosures, reference Appendix B, our [sustainability report](#) or our [annual report](#).

---

<sup>1</sup> [https://www.eia.gov/consumption/residential/data/2020/hc/pdf/HC\\_11.1.pdf](https://www.eia.gov/consumption/residential/data/2020/hc/pdf/HC_11.1.pdf)

<sup>2</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7966972/>

### III. Use of Proceeds

The proceeds of Freddie Mac's Green Bonds are used to finance Eligible Loans<sup>3</sup> described below. More details regarding the selection of these projects can be found in the following section.

Category	Eligibility Criteria
<b>Energy and Water Efficiency</b>	Properties committed to making energy- and/or water-efficiency improvements within the next two years, expected to reduce total property energy and water consumption by at least 30%, and total property energy by at least 15%. For more details about the <a href="#">Green Up loan</a> , see the <a href="#">Green Advantage webpage</a> .
<b>Renewable Energy</b>	Properties with a meaningful portion of energy generated from renewable sources, such as solar, wind and geothermal used at the property.
<b>Decarbonization and/or Electrification</b>	Properties with retrofits aimed at complying with government funding programs or building performance standards and at a minimum reducing whole-building energy consumption by 20% or reducing carbon emissions by one metric ton per unit annually. This may include improvements to reduce emissions and replacing systems with alternatives that run on electricity efficiently instead of fossil fuels and contribute to a property's progress toward net zero.

### IV. Process for Project Evaluation and Selection

Freddie Mac Multifamily securitizations are backed by newly acquired mortgages underwritten to Freddie Mac's industry-leading underwriting standards. Freddie Mac conducts underwriting and credit reviews and underwrites securitized loans to the same standards as loans held in our investment portfolio.

All loans designated for inclusion in Green Bonds must satisfy the underwriting criteria in the [term sheet](#) for the relevant product and must also satisfy the requirements documented in the [Freddie Mac Multifamily Seller/Service Guide](#) (Guide).

The MF Impact Team reviews loans to determine eligibility for Green Bonds, ensuring each loan meets the eligible projects requirements detailed in the Use of Proceeds Section, as well as reviewing the following:

- 1. Energy and Water Efficiency** – Borrowers must obtain either a Green Assessment® or Green Assessment Plus® report, which provides a property analysis with recommended property improvements that can reduce water and energy consumption. Borrowers select improvements from the Green Assessment or Green Assessment Plus report, as applicable, that will meet the required savings thresholds. For detailed requirements, see the [Chapter 65](#) of the Guide.

---

<sup>3</sup> See Appendix C – Glossary of Defined Terms

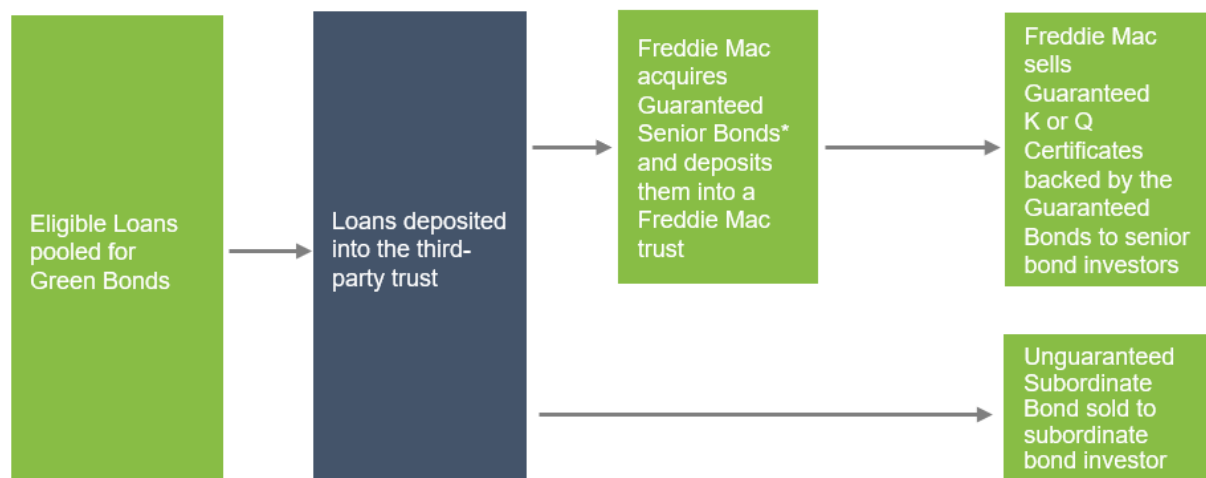
Report	Description
<b>Green Assessment</b>	A report detailing proposed property-level improvements to promote utility consumption efficiency at the property. It uses the ASHRAE Level 1 standard plus additional specific and rigorous inspection and consumption data requirements. The report describes projected savings in terms of utility consumption and dollars saved per improvement item.
<b>Green Assessment Plus</b>	A report that requires a more detailed energy analysis based on the ASHRAE level 2 standard.

2. **Renewable Energy** – Borrowers must receive a third-party report to confirm feasibility of solar, wind or geothermal energy (direct emissions threshold must be 100 gCO<sub>2</sub>/kWh or lower) at the property as well as detailing the projected cost, utility cost savings, energy reduction and emissions reduction. The property must benefit from a meaningful portion of the renewable energy generation. There must be sufficient documentation of renewable energy systems through engineering reports, invoices or other eligible documentation.
3. **Decarbonization and/or Electrification** – The intention of the program should be aligned with governmental or local municipality funding requirements for decarbonization or aid compliant with a building performance standard. These funding requirements and building performance standards must support retrofits reducing property emissions and/or replacing systems with alternatives that run on electricity efficiently instead of fossil fuels. At a minimum, the program must reduce whole building energy consumption by 20% or reduce carbon emissions by one metric ton per unit annually. Additionally, the improvements must contribute to a property's progress toward net zero. The emissions or energy targets set by the applicable program or building performance standard must be met. The borrower must receive a third-party report, as stipulated by the applicable program, to recommend improvements needed to electrify and decarbonize the property. In the report there must be sufficient documentation of selected improvements, projected costs, and projected energy and emissions reduction.

## V. Management of Proceeds

Eligible loans are selected for Green Bonds issuances and designated through one of Freddie Mac Multifamily's securitizations and managed within the applicable securitization.

For K-Deals® and Q-Deals, the eligible loans are sold to a third-party depositor who deposits the loans into a third-party trust. Proceeds are managed within the trust. Sample structure is below:



\* Guaranteed Bonds include senior amortizing bonds as well as interest-only bonds derived from senior and subordinate P&I bonds

Multi PCs® are direct pass-through securitizations backed by an eligible loan and are fully guaranteed by Freddie Mac. Green Bonds proceeds are reported monthly by the trustee as part of the standard [Investor Reporting Package](#).

## VI. Reporting

Freddie Mac is committed to reporting to investors the asset-level and portfolio-level performance for properties backing Green Bonds. The reports are intended to be consistent with the core principles and recommendations in “Harmonised Framework for Impact Reporting (June 2022)”.<sup>4</sup>

### Asset-Level Reporting

Freddie Mac collects and reports on property-level performance data associated with the applicable loan product supporting energy- and/or water-efficiency, renewable energy or decarbonization and electrification improvements.

### Portfolio-Level Reporting

Freddie Mac evaluates the portfolio-level performance data associated with properties backing Green Bonds. Portfolio-level evaluation focuses on the evolution of our green lending platform and the financial, environmental and social impacts to sustainability.

Where feasible, environmental impacts are evaluated and may include aggregate energy consumption and water savings figures. We also explore potential impacts of loans in drought areas, energy-

<sup>4</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf)

constrained areas and greenhouse gas emissions reduction/avoidance. Social impacts include an analysis of tenant benefits and associated cost savings. The applicable products can be used as a tool to improve housing affordability by helping to reduce tenant utility costs. We disclose these and additional characteristics as applicable based on the scope of the project.

## Investor Reporting

Green Bonds information is available through the Multifamily Securities Investor Access tool or through the Security Lookup tool, both available on the [Freddie Mac website](#).

We also publish an annual Impact Bonds Report summarizing the environmental and social impacts of our Green, Social and Sustainability Bonds offerings.<sup>5</sup> The annual Impact Bonds Report provides a breakout of eligible Green Bonds investments and allocations to each investment category and highlights the programmatic activities and impacts tied to Green Bonds. In our Impact Bonds Report, we disclose metrics relevant to each use of proceeds category such as emissions reductions, efficiency improvements and cost savings. Along with the Impact Bonds Report, we publish a supplemental dataset highlighting the environmental and social impacts of our Green Bonds on the loan level.

## Second Opinion

Freddie Mac is engaging an independent third party, S&P Global Ratings, to evaluate our Green Bonds Framework. We intend to publish this opinion on our Freddie Mac Multifamily [Impact Bonds webpage](#), and in applicable offering documents.

---

<sup>5</sup> [https://mf.freddiemac.com/docs/2023\\_impact\\_bonds\\_report.pdf](https://mf.freddiemac.com/docs/2023_impact_bonds_report.pdf)

## VII. Appendix A – Freddie Mac Overview

### Freddie Mac

Freddie Mac is a government-sponsored enterprise chartered by Congress in 1970, with a mission to provide liquidity, stability and affordability to the U.S. housing market. We do this primarily by purchasing single-family and multifamily residential mortgage loans originated by lenders. In most instances, we package these loans into guaranteed mortgage-related securities, which are sold in the global capital markets, and transfer interest rate and liquidity risks to third-party investors. In addition, we transfer a portion of our mortgage credit risk exposure to third-party investors through our credit risk transfer programs, which include securities- and insurance-based offerings. We also invest in mortgage loans and mortgage-related securities. We do not originate mortgage loans or lend money directly to mortgage borrowers.

We support the U.S. housing market and the overall economy by enabling American families to access mortgage loan funding with better terms and by providing consistent liquidity to the single-family and multifamily mortgage markets. We have helped many distressed borrowers keep their homes or avoid foreclosure and have helped many distressed renters avoid eviction.

Since 2008, Freddie Mac has been operating in conservatorship, with the Federal Housing Finance Agency (FHFA) as conservator. FHFA is also our regulator. We are working with FHFA, our customers and the industry to build a better housing finance system for the nation.

### Freddie Mac Multifamily

Freddie Mac's Multifamily division provides liquidity and support to the multifamily mortgage market through a variety of activities that include the purchase, securitization and guarantee of multifamily loans originated by our Optigo® lender network. Our support of the multifamily mortgage market occurs through all economic cycles and is especially important during periods of economic stress. During those periods, we serve a critical countercyclical role by providing liquidity when many other capital providers exit the market. Central to our mission is our commitment to support greater access to quality, affordable and sustainable rental housing, particularly in underserved markets.

Since 1993, we have provided over \$989 billion in financing for approximately 110,000 multifamily properties, representing nearly 13.5 million apartment units. As of September 30, 2024, our multifamily mortgage portfolio of \$452 billion comprises \$419 billion of securitized mortgage loans, \$22 billion of unsecuritized mortgage loans and \$11 billion of other mortgage-related guarantees.

In 2016, the Green Advantage® loan program was developed by Freddie Mac's Multifamily cross-divisional Green committee, comprising representatives from various Multifamily divisions: production, underwriting, credit policy, asset management, capital markets and legal. Members of this committee have deep expertise in all aspects of financing multifamily development and experience with energy- and water-efficiency retrofits, energy and water audits, industry standards, and property benchmarking. In 2019, we launched the Freddie Mac Multifamily Green Bonds program backed by loans financing projects resulting in 30% energy- and water-efficiency improvements with a minimum of 15% energy reduction. Through this program, we have also been an important capital provider for environmental improvements



in workforce rental housing.

## VIII. Appendix B – Freddie Mac’s Sustainability Strategy

At Freddie Mac, our sustainability priorities reflect our role as a GSE chartered by Congress to support the U.S. housing finance system, helping ensure a reliable and affordable supply of mortgage funds across the country. We achieve that mission through our corporate strategy, which is supported by a focus on our most significant sustainability-related risks and opportunities. To that end, Freddie Mac has implemented a company-wide sustainability strategy that supports the continued success and longevity of our business.

This includes addressing long-standing issues of inequity in housing; promoting environmentally sustainable housing to reduce climate risks and increase affordability; promoting greater diversity, equity and inclusion (DEI) in the housing market; and upholding a commitment to responsible business practices and behavior.

In 2020, Freddie Mac established its Corporate Sustainability Office (CSO) to serve as an integration point for sustainability-related initiatives across the company. The CSO is charged with leading the development and management of our corporate sustainability strategy in alignment with our overarching corporate strategy and mission. As our sustainability priorities and governance continue to evolve and mature, we remain committed to sharing our progress.

### **Our Sustainability Framework**

In a changing world, our sustainability efforts help ensure we can continue to Make Home Possible equitably and responsibly. This understanding guides the development and implementation of our sustainability strategy and helps to ensure we are doing all we can to meet the housing needs of families across the nation — especially those of low and moderate incomes, living in underserved markets, or looking to buy their first home.

Affordability issues, changing economic conditions, and natural disasters have created uncertainty for housing. Our mission to provide stability, liquidity and affordability to the housing finance system requires mitigation of that uncertainty.

In 2023, in keeping with best practices, we undertook a refresh of our materiality assessment to ensure that we remain focused on the most critical sustainability-related risks and opportunities for our business. The results of that assessment led to a refined sustainability strategic framework, including long-term goals and shorter-term focus areas. The process to develop this framework included months of engagement with internal stakeholders and leadership across the company — including the board of directors — leveraging the results of our materiality assessment refresh, conducting industry benchmarking, and analyzing external reporting frameworks and sustainability standards.

### **Long-term goals:**

- Protect the Future of Housing
- Promote Inclusive Communities
- Uphold Responsible Operations

**Focus areas:**

- Climate Impact
- Sustainable Housing
- DEI and Human Capital
- Sustainable Operations

In 2021, Freddie Mac Multifamily created the Multifamily Impact team within Capital Markets to oversee implementation of the Green Bonds strategy and ensure the strict criteria and strong impact standards of our Green Bonds program are upheld. All Green Bonds are reviewed by the Multifamily Impact team to ensure the bonds meet the criteria outlined in the frameworks. Additionally, the Mission and Housing Sustainability Committee of the Board was created in 2Q 2022 to oversee the developing, planning, implementation, performance and execution of Freddie Mac's strategies and significant initiatives related to delivering on its commitment to promote affordability, equity and sustainability in housing. For more information on our sustainability strategy or framework, see our [sustainability report](#).

## IX. Appendix C – Glossary of Defined Terms

**ASHRAE Level 1 Audit**

An energy audit standard comprises a simple audit, screening audit or walk-through audit, including interviews with on-site personnel, a review of building utility bills, and cursory calculations and analysis in order to identify measures for improving energy efficiency.

**ASHRAE Level 2 Audit**

An energy audit standard meeting the ASHRAE Level 1 audit standard with a more detailed building survey of energy demand, consumption and analysis to produce a more refined recommendation for energy-efficiency measures.

**Eligible Loans**

Eligible Loans are any loan product meeting the criteria defined in the Use of Proceeds and Process for Project Evaluation and Selection sections of this Framework.

**Freddie Mac Optigo Network**

Freddie Mac buys loans from a network of approved Multifamily lenders that have over 150 branches nationwide, substantial experience and established performance records. The small size of the network promotes quality originations and a high level of service to borrowers. Optigo lenders must comply with our standards for both origination and servicing of multifamily loans, which includes meeting minimum financial requirements and undergoing satisfactory annual audits. More information can be found on the [Freddie Mac website](#).

**MF Impact Team**

The MF Impact Team was created in 2021 and is responsible for the strategy and creation of the Green, Social and Sustainability Bonds Frameworks. All Green, Social and Sustainability Bonds are reviewed by the MF Impact team to ensure the bonds meet the criteria outlined in the frameworks. The team is also responsible for the ongoing impact reporting.

*This product overview is not an offer to sell or a solicitation of an offer to buy any Freddie Mac securities. Offers for any given security are made only through applicable offering circulars and related supplements, which incorporate Freddie Mac's Annual Report on Form 10-K and certain other reports filed with the Securities and Exchange Commission. This document contains information related to, or referenced in the offering documentation for, certain Freddie Mac mortgage securities. This information is provided for your general information only, is current only as of its date and does not constitute an offer to sell or a solicitation of an offer to buy securities. The information does not constitute a sufficient basis for making a decision with respect to the purchase and sale of any security and is directed only at, and is intended for distribution to and use by, qualified persons or entities in jurisdictions where such distribution and use is permitted and would not be contrary to law or regulation. All information regarding or relating to Freddie Mac securities is qualified in its entirety by the relevant offering circular and any related supplements. You should review the relevant offering circular and any related supplements before making a decision with respect to the purchase or sale of any security. In addition, before purchasing any security, please consult your legal and financial advisors for information about and analysis of the security, its risks and its suitability as an investment in your particular circumstances. The examples set forth above are for illustrative purposes only. Opinions contained in this document are those of Freddie Mac currently and are subject to change without notice. Please visit [mf.freddiemac.com](http://mf.freddiemac.com) for more information.*