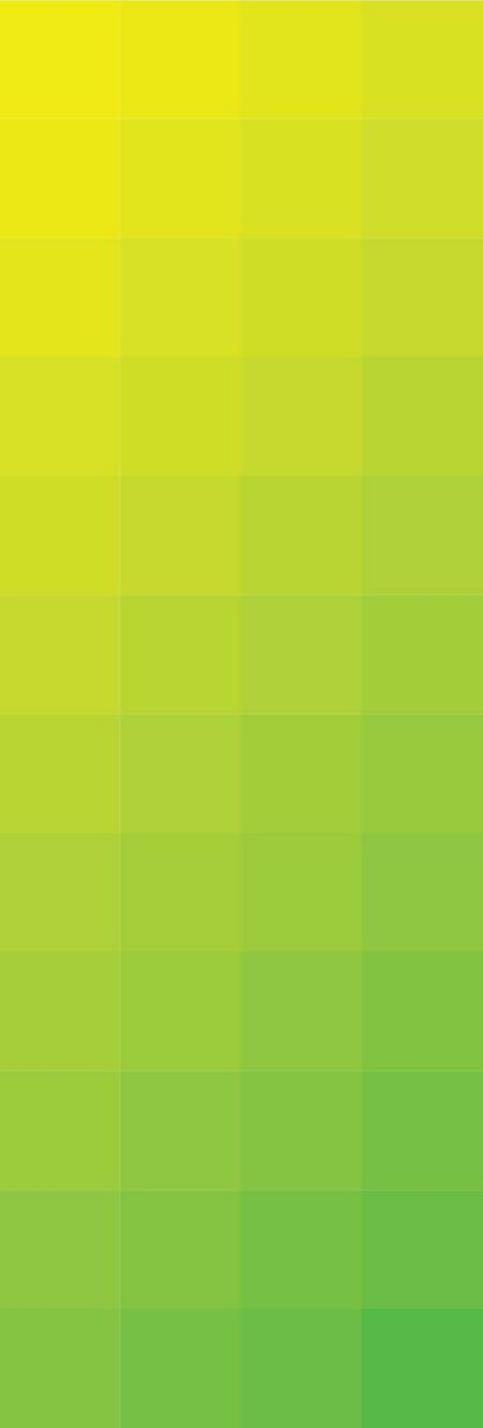


# Multifamily Securitization Workforce Housing

As of June 30, 2019





# **Workforce Housing Overview**

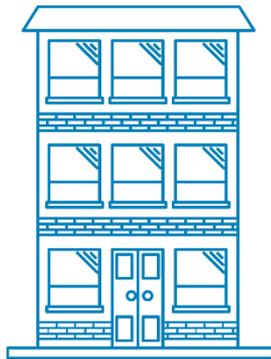
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# The Housing Challenge

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The need for adequate, affordable rental housing is greater than ever. The demand for this type of housing is strong near major employment centers where the cost of housing is especially high.

**Workforce housing is essential for our business, Freddie Mac's mission – and for most U.S. renters**



## Why Is Workforce Housing Important?

Provides homes to people who serve our communities and play a vital role in our lives: teachers, nurses, firefighters and service workers, among others

May be the only housing option for people who do not qualify for rent subsidies: seniors, low-income households and aspiring homebuyers

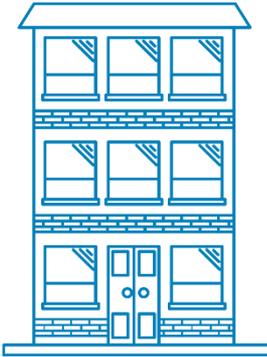
The commute time in high-cost markets greatly exceeds the national average of 26 minutes — more than 30% of high-cost market commuters travel over an hour to their workplace to live in an affordable unit

It's important to our customers: Most of Freddie Mac's annual origination activity falls into this category

# What Is Workforce Housing?

## General Workforce Housing Guidelines

**Multifamily housing that is affordable to the majority of low- to middle-income households**



### Property Characteristics

- Typically Class B or C multifamily properties that were constructed before 2000
- Vast majority of properties are garden style, although any type of housing can qualify
- Limited amenities and basic interior finishes that are typically dated or outfitted with older appliances



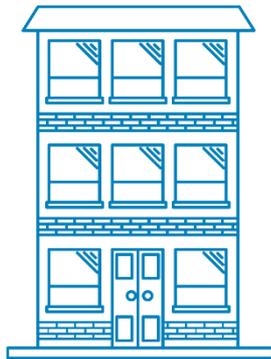
### Rent

- Workforce housing rent is less than average market rent for the area
- Workforce housing rent is affordable to households with an income less than 80% of the area median (in most markets)
- For high-cost housing markets: Workforce housing rent is affordable to households with an income less than 120% of the area median
- For urban areas with sprawl (i.e., New York City, San Francisco and Washington, D.C.): Workforce housing rents are affordable to households with incomes of less than 150% of the area median

# Where Is Workforce Housing?

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**Residents are “rent burdened” with 30-50% of income allocated to housing when living in major employment centers**



## **Everywhere in the country**

- Urban core with a diverse employment base
- Suburban locations with above average commutes
- Locations with key employer dependency
- Areas in critical need, are near employment centers and/or public transportation, where land is expensive and the cost to build is high

# Who Lives in Workforce Housing?

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**Renters with vital community service occupations, hourly employees, unsubsidized renters with low incomes, cost-burdened renters and priced-out aspiring homebuyers**

**The average national rent is \$1,412<sup>1</sup>. Assuming a salary of \$38,900<sup>2</sup>, a renter should spend no more than \$973 per month (30% of income) on housing**



**Nearly 75% of renters make less than \$50,000 a year. The median household income of a renter is just 63% of the national median income (\$38,900<sup>2</sup> versus \$61,372<sup>3</sup>)**

- Workers with vital community occupations
- Workers earning the federal minimum wage of \$7.25 per hour. On average, the hourly wage needed to afford the average national rent is \$29.40, nearly 4x the current minimum wage.
- Renters who qualify for subsidized housing but can't get it – only 35 subsidized units are available for every 100 renter households making less than \$19,000<sup>4</sup>
- Aspiring homebuyers who can't afford to buy a home

<sup>1</sup> 2018 Apartment Market Report – Yardi Matrix

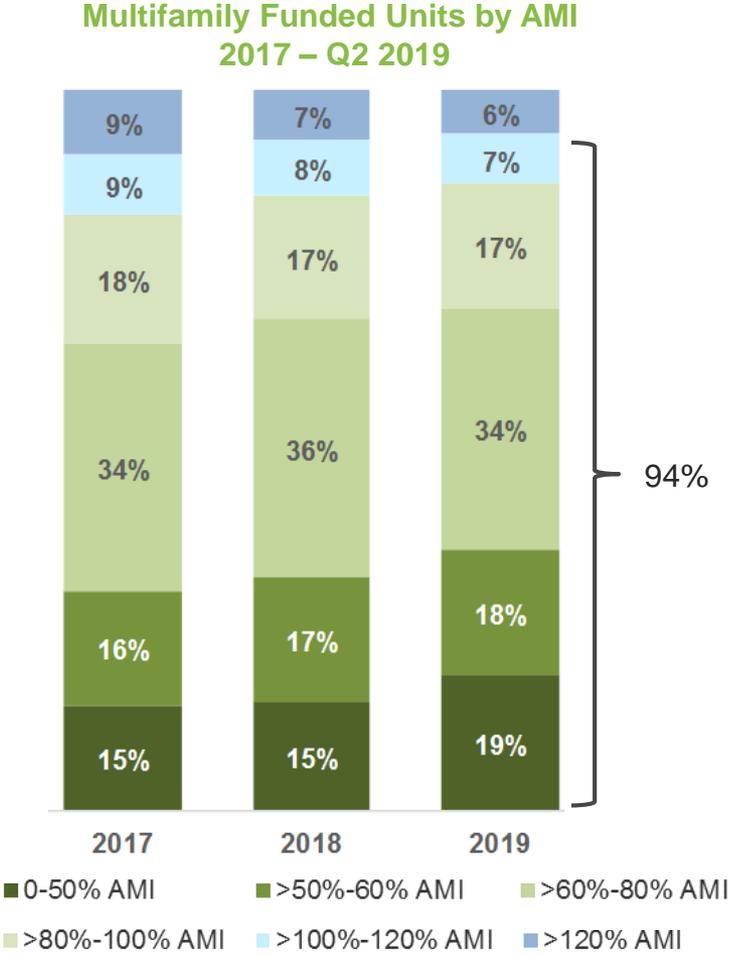
<sup>2</sup> 2017 Center on Budget and Policy Priorities

<sup>3</sup> 2017 US Census Bureau

<sup>4</sup> nlihc.org

# Financing Affordable Units

94% of the eligible units we financed in 1H 2019 were affordable to households earning at or below 120% of the area median income (AMI)



## How Do We Support It?

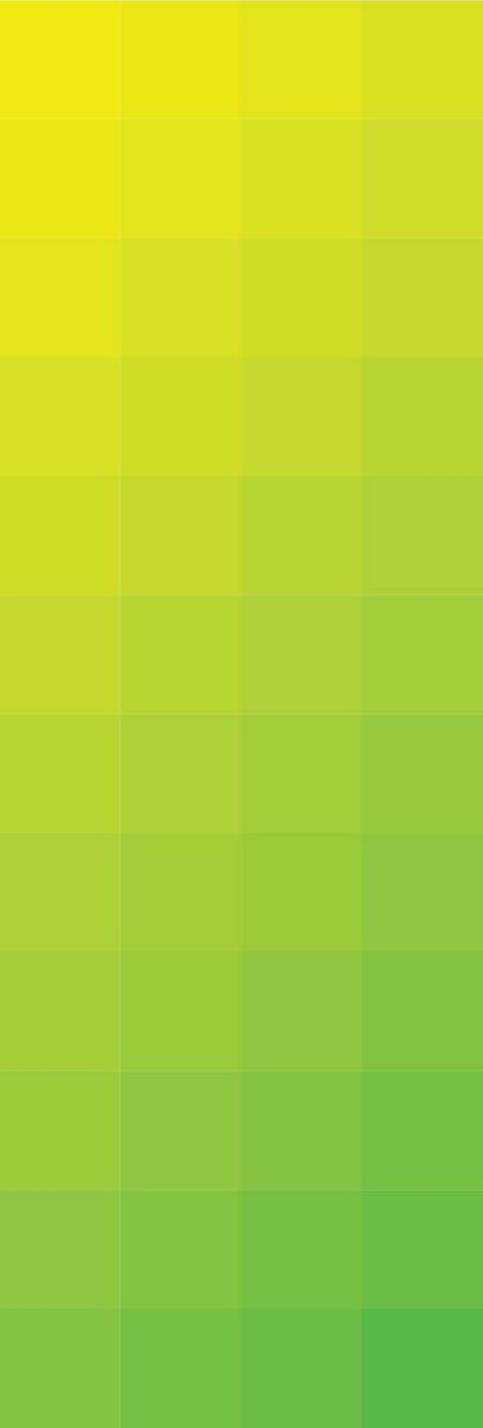
We help property owners/developers buy, refinance and preserve multifamily rental properties. To do this, we work with approved Optigo<sup>SM</sup> lenders to fund loans ranging from \$1 million to hundreds of millions for properties of all types.

Within the last few years, we've expanded our support for workforce housing to include funding small balance loans on small properties and manufactured housing communities. With Freddie Mac Multifamily's involvement, we've brought more funding, consistency and stability to this important market segment.

On average, between our support for workforce housing and government-assisted housing, 93% of the apartment units that we fund each year are affordable to renters earning 120% local AMI or less.

Freddie Mac securitizes Workforce Housing across all products, especially in the Workforce Housing (K-W) series.

The chart figures represent the percentage of affordable units at each AMI threshold. Totals may not add to 100% due to rounding. Additionally, FHFA mandated exclusions (MHC, Supplementals, etc) are removed.



# **Workforce Securitization Overview**

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# K-W Securitization Program Overview

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**Freddie Mac Multifamily announced the addition of K-W Deals (exclusively workforce housing) to its K-Deal<sup>SM</sup> platform in May 2016. Eight deals have been issued through this shelf, representing \$5.2 billion, and total issuance volume has increased annually since 2016.**

**Strong performance, strong credit and diversification are just some of workforce housing securitization deal strengths**

## Property Characteristics

The K-W Workforce Housing deal type is a securitization series we issue for certain types of workforce housing and represents only a small subset of our overall workforce housing volume. The vast majority of our total securitization volume is workforce housing loans.

Freddie Mac's Workforce Housing shelf helps support our mission of providing affordability, liquidity and stability in the multifamily housing market.

## CRA Tax Credit Incentive

Freddie Mac will provide CRA side letters to investors who wish to claim CRA credit for their investment.

The Workforce Housing pool consists of affordable housing loans, allowing investments in the certificates to potentially qualify for CRA credit.

Details on the specific Metropolitan Statistical Areas (MSA) within each state where CRA credit is available for a given pool will be provided upon request.

## Green Financing

85% of units that come out of our Green Advantage<sup>®</sup> portfolio are affordable to households at 100% AMI or less. Green Advantage loans upgrade and improve workforce housing and affordable properties that average 33 years of age and are overwhelmingly garden-style apartments.

Green improvements in workforce housing pass along energy savings to tenants – properties are projected to save an average of \$173 per unit per year.

## Deal Issuance

In 2016, the initial year of issuing K-W deals, the total UPB was \$676 million across 1 deal. In 2017 Freddie issued \$1.04 billion across 2 deals and in 2018, \$2.62 billion was issued across 4 deals. In Q1 2019, Freddie issued KW-08 for \$653 million. Freddie Mac is continuing efforts to increase the size of this program in 2019.

# K-W08

## Transaction Highlights

### Overview of Deal Structure (Pricing Date: March 19, 2019)

Class	Initial Principal or Notional Amount	Pricing Spread	Assumed Weighted Average Life
<b>Offered K-W08 Certificates:</b>			
A-1	\$75,400,000	S+55	6.42
A-2	\$512,093,000	S+64	9.72
X1	\$587,493,000	T+155	9.29
X3	\$65,278,085	T+310	9.83
<b>Total Guaranteed</b>	<b>\$587,493,000</b>		

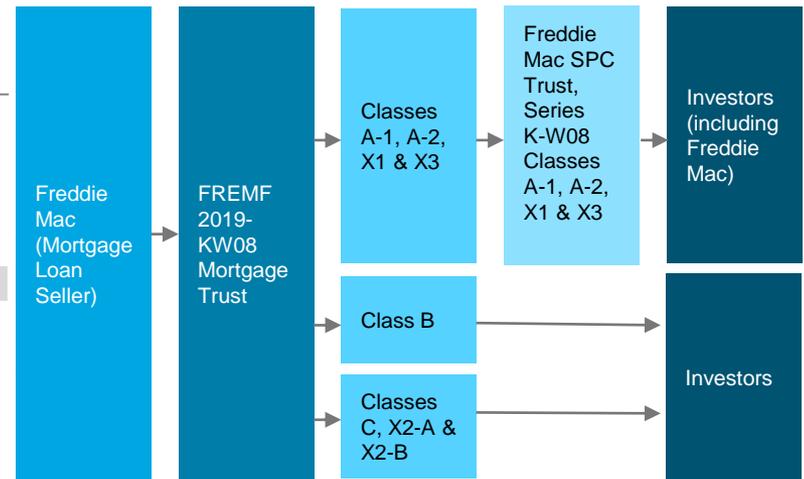
### Deal Characteristics<sup>1</sup>

<b>Collateral Type</b>	Multifamily Workforce Housing Mortgage Loans
<b>Collateral Structure Type</b>	Balloon
<b>Mortgaged Loans</b>	27
<b>Initial Underlying Pool Balance</b>	\$652,771,085
<b>Rating Agencies</b>	Not Rated
<b>Waterfall Structure</b>	Sequential
<b>Top 5 State Concentrations</b>	TX (15.5%), DE (12.0%), UT (10.2%), GA (7.6%), NV (7.4%)
<b>WA Mortgage Interest Rate</b>	4.480%
<b>WA Original Maturity</b>	118 months
<b>WA DSCR</b>	1.44x
<b>WA LTV</b>	68.5%

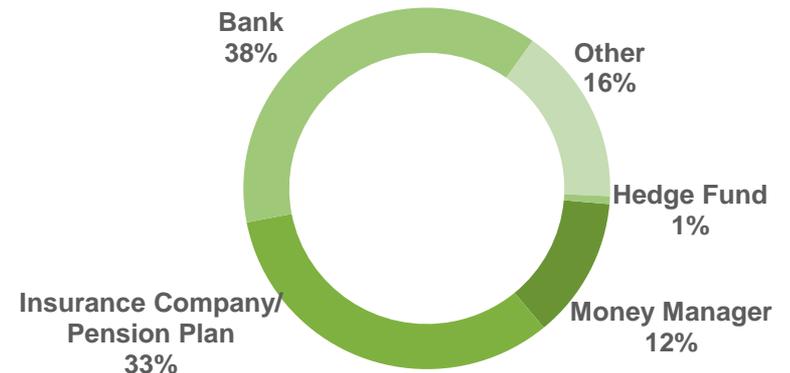
<sup>1</sup> As of the Cut-off Date

<sup>2</sup> As of the Closing Date

### Structural Diagram



### Breakdown of Investors (Classes A-1, A-2 and B)<sup>2</sup>

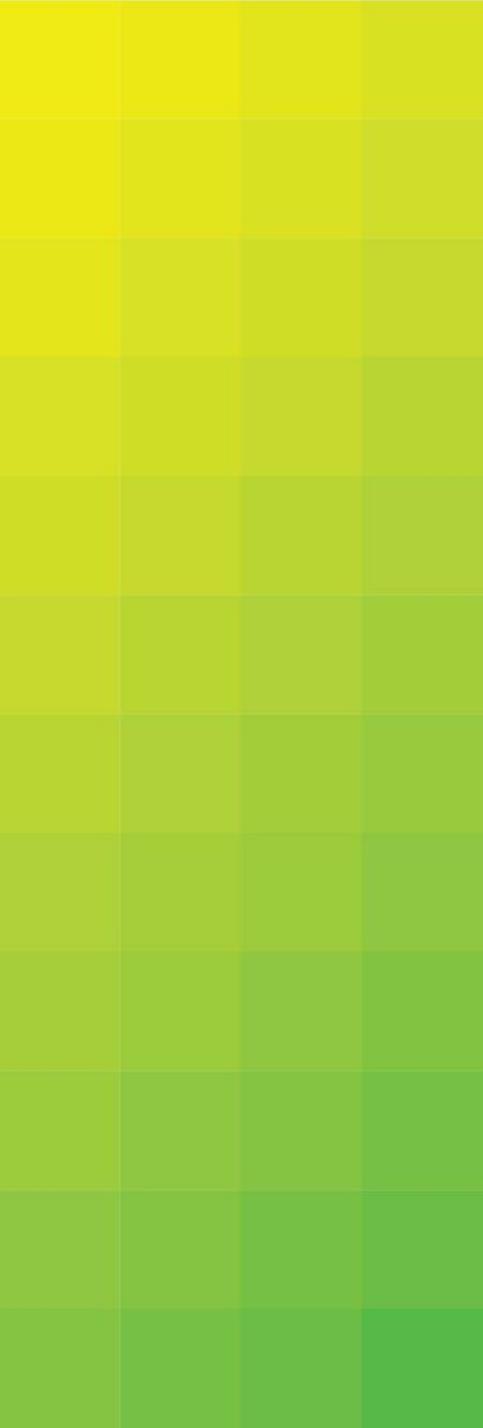


# K-W Deals Performance

## The KW-Deal program performance continues to be strong

- 100% of the K-W Deal loans are current
- None of the loans are in special servicing or REO
- Freddie Mac has not realized any credit losses on KW-Deal guarantees
- 14% of the outstanding loan population (by outstanding principal) is on the servicers' watchlist

Senior Subordination Level															
K-Deal	Settlement Date	Original Balance (millions)	Current Balance (millions)	Factor	Original	Current	Change	Original Loan Count	Prior Month Loan Count	Active Loan Count	# of Suppal Loans	% with Supp Loans by Loan Count	% of Supp UPB to Current Deal UPB	% on Watchlist	% Fully Defeased
K-W01	5/26/2016	\$676.19	\$656.84	0.96821	10.00%	10.29%	0.29%	89	88	88	13	14.77%	8.72%	32.10%	3.14%
K-W02	3/30/2017	\$501.96	\$495.22	0.98508	10.00%	10.14%	0.14%	52	52	52	6	11.54%	4.44%	24.01%	0.00%
K-W03	9/19/2017	\$542.02	\$537.62	0.99097	10.00%	10.08%	0.08%	75	75	75	5	6.67%	2.08%	13.45%	0.00%
K-W04	3/29/2018	\$631.50	\$628.97	0.99556	10.00%	10.04%	0.04%	42	42	42	1	2.38%	0.38%	12.40%	0.00%
K-W05	6/15/2018	\$637.67	\$616.24	0.96640	10.00%	10.00%	0.00%	38	48	48	0	0.00%	0.00%	20.79%	0.00%
K-W06	8/10/2018	\$666.03	\$665.58	0.99924	10.00%	10.01%	0.01%	45	45	45	0	0.00%	0.00%	0.00%	0.00%
K-W07	11/20/2018	\$682.70	\$682.54	0.99975	10.00%	10.00%	0.00%	36	36	36	0	0.00%	0.00%	9.32%	0.00%
K-W08	3/28/2019	\$652.77	\$652.69	0.99986	10.00%	10.00%	0.00%	27	28	28	0	0.00%	0.00%	0.00%	0.00%

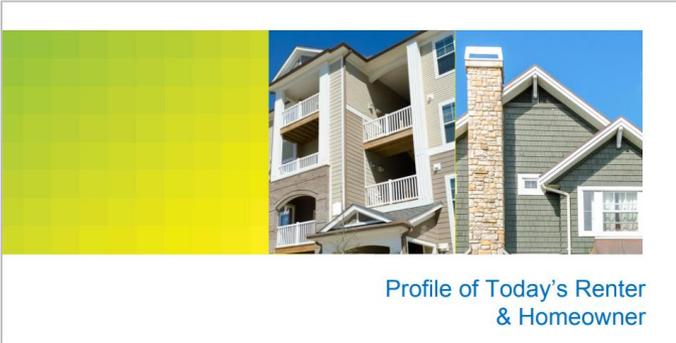


# **Workforce Research Overview**

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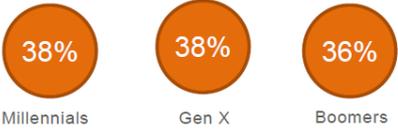
# Robust Research to Monitor Market Trends

## Proprietary Research



Profile of Today's Renter & Homeowner

**Finding affordable housing close to work\***  
(% Very difficult/Fairly difficult)



## In the News

**THE WALL STREET JOURNAL.**  
**Big Jump in Americans Saying Renting Is Cheaper Than Owning**

Freddie Mac data shows 78% of people now say that renting is more affordable than owning

## Podcasts

Listen in as hosts Steve Guggenmos and Corey Aber discuss our [Green Advantage®](#) program and provide insights into cost-effective green practices for workforce housing. Guest speakers include Peter Giles from our Production & Underwriting team and Justin Thomson from Asset Management, both of whom have significant experience with our green portfolio.

## Podcast Chapters

- Chapter 1: 0:00 - 19:11 - Innovative lending with Peter Giles
- Chapter 2: 19:12 - 31:56 - Analysis of our green loans with Justin Thomson



## Links to more research on our website

- [Multifamily 2019 Midyear Outlook](#)
- [The Diminishing Supply of Affordable Units](#)
- [Increasing Support for Opportunity Zones](#)
- [How Will the Tax Cuts and Jobs Act Impact Real Estate?](#)
- [Assessing Rental Burden in Metropolitan Areas](#)



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