

Tax-Exempt Loan Securitization Program (ML Certificates)

As of September 30, 2020



OPTIGO

Freddie Mac Multifamily



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Please visit our [COVID-19](#) page for the latest business updates on our coronavirus response.

ML-Deals Business Introduction

ML Program Overview

Freddie Mac's core mission is to provide liquidity, stability and affordability to the U.S. housing market

- Freddie Mac's Targeted Affordable Housing (TAH) program includes loans for financing multifamily properties in underserved areas that are affordable to families with low and very low incomes, including cash loans, bond credit enhancements, tax-exempt loans and others
- Freddie Mac purchases from Optigo® TAH lenders tax-exempt notes (Governmental Notes also known as TELs) issued by Governmental Entities to finance affordable multifamily rental properties
- The Governmental Entities loan proceeds from the TELs to multifamily developers/owners to finance the acquisition and/or moderate rehabilitation of affordable multifamily housing properties
 - In certain instances where the Governmental Entities cannot issue the entire amount of debt required with tax-exempt debt due to private activity volume cap constraints, taxable subordinate loans (Taxable Loans) are made by the Optigo TAH lenders and sold to Freddie Mac. Such Taxable Loans are made at origination and are subordinate to the TELs made on any given project

ML Program Overview (continued)

The TEL securitization program is a more efficient, cost-effective alternative to tax-exempt bond credit enhancements for properties with 4% LIHTC



Since the financial crisis in 2008, many banks have developed TEL versions of their tax-exempt bond private placement structures to obtain “lending credit” as compared with “investing credit” for Community Reinvestment Act (CRA) purposes and loan accounting treatment under GAAP guidelines



Freddie Mac will securitize TELs and related supplemental Taxable Loans, which finance affordable multifamily properties with 4% Low-Income Housing Tax Credits (LIHTC) and at least seven years remaining in the LIHTC compliance period



The ML Program leverages Freddie Mac’s existing K-Series and M-Series securitization programs

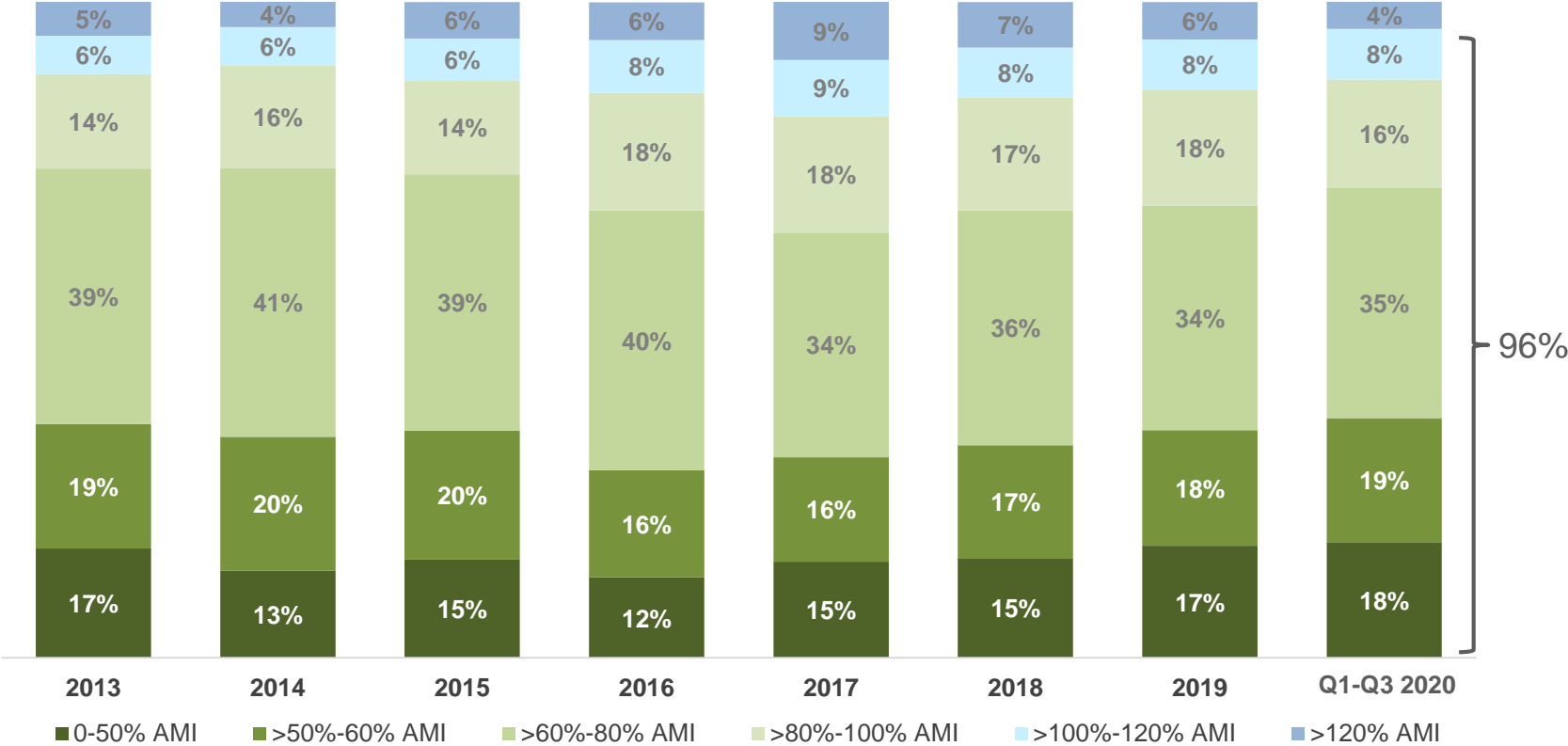
- TELs are sourced from a small network of Optigo TAH lenders with substantial lending experience and established performance records
- All Optigo TAH lenders must comply with Freddie Mac standards for both origination and servicing of multifamily loans, which promote quality originations and a high level of service to investors and borrowers

Production, Sales and Underwriting

Financing Affordable Units

96% of the eligible units we financed through Q32020 were affordable to households earning at or below 120% of the area median income

Multifamily Funded Units by Area Median Income (AMI)
2013 - September 30, 2020



The numbers above 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.

Freddie Mac buys loans from a network of Optigo TAH lenders that have substantial lending experience and established performance records

- The small size of the network promotes quality originations and servicing of multifamily loans as well as a high level of service to investors and borrowers
- Our Optigo TAH lenders must comply with Freddie Mac standards for both origination and servicing of multifamily loans, which includes meeting minimum financial requirements and undergoing satisfactory annual audits

Optigo TAH Lenders

- Bellwether Enterprise Real Estate Capital LLC
- Berkadia Commercial Mortgage LLC
- Capital One N.A.
- CBRE Capital Markets Inc.
- Citibank NA
- CPC Mortgage Company LLC
- Grandbridge Real Estate Capital LLC
- Greystone Servicing Company
- JLL Real Estate Capital, LLC
- KeyBank Real Estate Capital
- Lument Capital
- M&T Realty Capital Corporation
- Merchants Capital Corp.
- Newmark Knight Frank
- NorthMarq Capital
- PGIM Real Estate
- PNC Real Estate - Multifamily
- Walker & Dunlop LLC
- Wells Fargo Multifamily Capital

ML-Deal Mortgage Guidelines

The following are the general guidelines for Freddie Mac's Multifamily mortgage purchases that are intended for securitization (subject to certain exceptions):

Property Type

- Multifamily loans secured by affordable housing properties, including new construction and post-construction properties after moderate or major rehabilitation
 - Loans qualify for the receipt of LIHTCs, and properties are subject to rent restrictions, and may receive Section 8 Housing Assistance Payments (HAP) Contracts
-

Loan Terms

- 7-, 10-, 15-, 18- and 30-year loan terms with a maximum amortization of 35 years
 - Minimum loan term: the lesser of (1) remaining LIHTC compliance period or (2) 15 years
 - Rehabilitation/stabilization period (maximum of 24 months) included in the loan term for preservation rehabilitation loan products
 - May contain initial interest-only periods of 1-10 years; interest only available during the rehabilitation/stabilization period
 - Forward commitment product with maximum construction loan term of 36 months plus a six-month extension during construction period for preservation rehabilitation loan products
-

LTV and DSCR

- Maximum loan-to-value (LTV) of 90%, minimum debt-service coverage ratio (DSCR) of 1.15x
-

ML-Deal Mortgage Guidelines (continued)

Underwriting

- Effective gross income is calculated based on trailing three months' actual rent collections or the annualized current rent roll minus a vacancy rate between 3%-5% depending on historical vacancy, subject to regulatory agreement rent restrictions
- For preservation rehabilitation loan products, acquisition/rehabilitation based on projected post-rehab net operating income (NOI); cash or letter of credit required to fund gap between supportable debt on current NOI and loan amount (collateral held until stabilization)
- Expenses are generally calculated based on trailing 12 months plus an inflation factor
- Real estate taxes and insurance are based on actual annual expenses
- Property values are based on third-party appraisals and internal value confirmation
- Replacement reserves are typically required and are generally equal to the higher of an engineer's recommendation or \$250 per unit
- Tax and insurance escrows are generally required
- Other third-party reports are required (Phase I ESA, Property Condition, etc.)

Borrowers

- Single purpose entity (SPE) is required for almost all loans greater than or equal to \$5 million
- An independent director will be required for large loans on a case-by-case basis
- A carve-out guarantor is generally required
- Established large institutional borrowers with substantial prior experience with Freddie Mac mortgage programs may have more customized documents

Supplemental Financing

- Taxable financing available at time of origination of TEL; eligible for Taxable TEL supplemental mortgages on year after origination of the first mortgage
- Purchased by Freddie Mac from original lender under Freddie Mac's TEL supplemental mortgage product
- Lower of LTV of 80% or maximum LTV per loan agreement and minimum DSCR of 1.25x (amortizing)
- Re-underwriting required based on current property performance, financials and Freddie Mac credit policy
- Monthly escrows for taxes, insurance and replacement required. If the first mortgage allowed for deferral of escrows, the supplemental will trigger collection.

ML-Deals Securitization and Structure

Multifamily Securitization Program – Strengths

Approximately 87% of Freddie Mac Multifamily mortgage loan purchases in the first 9 months of 2020 were intended for future securitization



STRONG CREDIT provided by credit support of underlying mortgages underwritten to Freddie Mac's portfolio standards, plus "Freddie Mac's Guarantee" of the (1) timely payment of interest at the applicable rate and (2) the payment of principal in full by the applicable final payment date



DIVERSIFICATION through pooled risk of many assets versus single-asset risk



LIQUIDITY supported by expectations for repeatable and reliable issuance subject to market conditions



SERVICING PERFORMANCE on all securitization platforms (K, ML, SB) through security assets with some of the industry's lowest delinquency and vacancy rates, along with other strong property fundamentals



CALL PROTECTION associated with defeasance or yield maintenance






TRANSPARENCY AND CONSISTENCY on collateral and deal information via Multifamily Securities Investor Access tool



SERVICING STANDARD improves the borrower experience post-securitization

ML Securitization Program

In June 2017, Freddie Mac priced and closed its inaugural issuances of ML Certificates predominately backed by TELs made by state or local housing agencies and secured by affordable rental housing properties

-  Pursuant to the Tax-Exempt Loan Securitization Program guidelines, TELs and the related Taxable Loans, as applicable, are secured by affordable housing properties which qualify for the receipt of LIHTCs and are subject to rent restrictions
-  Our TEL product offers loan terms of up to 30 years, a 35-year loan amortization, 1.15x minimum DSCR and a 90% maximum LTV ratio. Currently, the TEL product is available for immediate fundings, primarily for acquisition/moderate rehabilitation transactions, as well as unfunded forward commitments for new construction and substantial rehabilitation transactions
-  The Series ML-01 transaction included \$292.0 million of senior guaranteed floating-rate certificates and \$32.4 million of subordinate zero-coupon certificates backed by a \$324.4 million pool comprising 23 TELs secured by 25 occupied and stabilized affordable housing properties. The Series ML-02 companion transaction included \$18.5 million of senior guaranteed floating-rate certificates and \$2.1 million of subordinate zero-coupon certificates backed by a \$20.6 million pool of three subordinate Taxable Loans on three of the same properties.

ML Investment Opportunity

Opportunity to invest in predominantly tax-exempt securities supported by pools of TELs secured by affordable housing properties, including new-construction and post-construction properties after moderate or major rehabilitation



ML Guaranteed Certificates are expected to be:

- Guaranteed, tax-exempt, fixed-rate, or floating-rate securities supported by a pool of fixed-rate and/or floating-rate TELs, and guaranteed, taxable securities collateralized by related fixed-rate and/or floating-rate subordinate loans, if applicable
- Call protected through defeasance and yield maintenance provisions on underlying TELs or Taxable Loans, as applicable



ML Non-Guaranteed Certificates are expected to be:

- Non-guaranteed, tax-exempt securities supported by a pool of fixed-rate and/or floating-rate TELs, and non-guaranteed, taxable securities collateralized by related fixed-rate and/or floating-rate subordinate Taxable Loans, if applicable
- Privately placed with a B-piece buyer
- Subordinate to the ML Guaranteed Certificates

TEL Structure

Freddie Mac TEL Structure for Targeted Affordable Housing

TEL

“Optigo TAH lenders” make funding loans, also known as TELs, to state and local government entities called government lenders

The government note and funding loan agreement govern

Master Servicer remits payments received each month to the trustee for payment to certificateholders

ML Series Trust disburses funds to certificateholders on the remittance date

Project loan

The government lenders use the funds to finance affordable housing projects via project loans to multifamily developers/owners

The project note and project loan agreement govern

The fiscal agent remits monthly TEL payments to the master servicer

The TEL payment pays the ML Series Trust

Project loan pledged as TEL collateral

The project note and security instrument are endorsed by the government lender to a fiscal agent and pledged as security for the TEL

Optigo TAH lender and borrower sign a continuing covenant agreement

The Optigo TAH lender remits monthly payments received to the fiscal agent on behalf of the government lender

The project note payment pays the TEL

Freddie Mac purchases the TEL

The Optigo TAH lender sells the TEL to Freddie Mac for the purpose of securitization

Project loan borrower makes monthly payments to the Optigo TAH lender who funded the TEL

Borrower pays the project note

Overview of ML-Deal Process

- The fixed- or floating-rate TELs are transferred by Freddie Mac into a trust and treated as a partnership for federal income tax purposes¹
- The fixed- or floating-rate Taxable Loans, if applicable, are transferred by Freddie Mac into a taxable loan trust and treated as a REMIC for federal income tax purposes
- In exchange for the fixed- or floating-rate TELs, the trustee, on behalf of the TEL trust, issues fixed- or floating-rate Freddie Mac Guaranteed Certificates (Tax-Exempt ML Certificates) and Non-Guaranteed Certificates, privately placed with the B-piece buyer
- In exchange for the fixed- or floating-rate Taxable Loans, if applicable, the trustee, on behalf of the Taxable Loan trust, issues fixed- or floating-rate Freddie Mac Guaranteed Certificates (Taxable ML Certificates) and Non-Guaranteed Certificates, privately placed with the B-piece buyer
- Freddie Mac sells the Tax-Exempt and Taxable ML Certificates, if applicable, to the placement agents who sell the fixed- or floating-rate Tax-Exempt and Taxable, if applicable, ML Certificates to the market
- Multifamily ML Guaranteed Certificates offer the efficiencies of our securitization process to tax-exempt bondholders in the multifamily affordable housing market with Freddie Mac's Guarantee of timely payment of interest and payment of principal at the stated maturity date

¹ Subject to tax counsel opinion

ML, M and K Certificates® – Issuance and Market Comparison

	ML Certificates	M Certificates	K Certificates
Tax Status	Tax-exempt, taxable, if applicable	Tax-exempt, AMT, taxable	Taxable
Credit Enhancement	Freddie Mac Guarantee	Freddie Mac Guarantee	Freddie Mac Guarantee
Description	Affordable multifamily loan securitization	Affordable multifamily bond securitization	Conventional multifamily loan securitization
Prepayment Considerations¹	Call protection on collateral	Call protection on collateral	Call protection on collateral
Bloomberg Key	Both Mortgage and Muni Key	Either Mortgage or Muni Key	Mortgage Key
Infrequent issuance²	Anticipated consistency with 2-3 securitizations per year	Smaller market than K-Deals®	Over \$390 billion of issuance since 2009

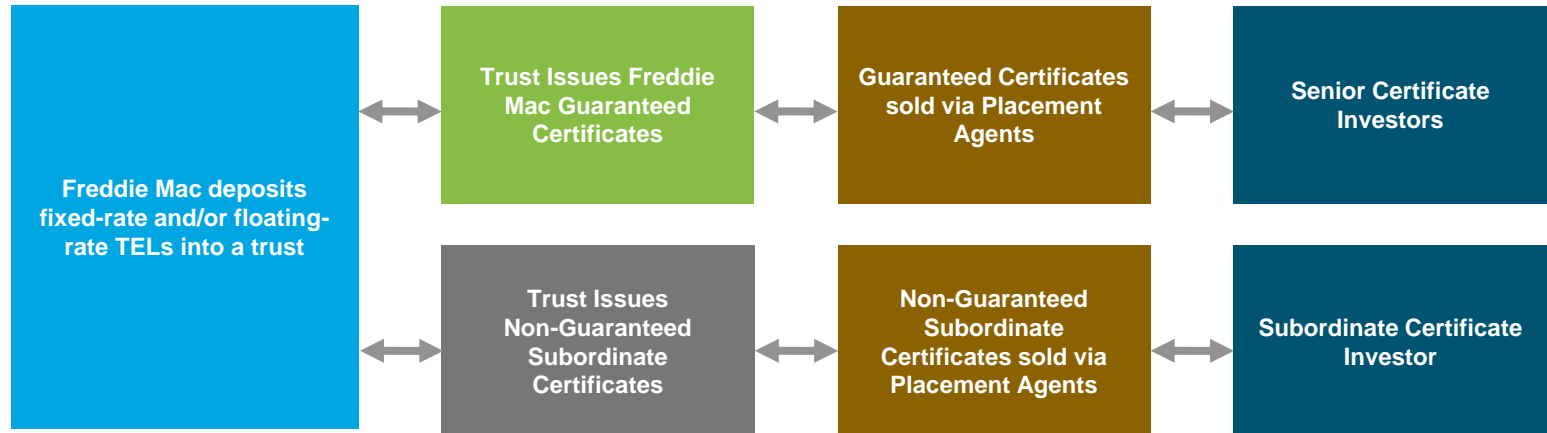
¹ Prepayment protection to be detailed in offering circular of any respective offering

² Terms subject to offering circular, subject to change

Basic ML-Deal Transaction Structure

Freddie Mac securitizes fixed-rate and floating-rate TELs via the ML-Deal program through the following steps:

- Freddie Mac deposits the fixed- and/or floating-rate TELs into a trust
- Trust issues fixed- or floating-rate Freddie Mac Guaranteed and Non-Guaranteed Certificates
- The resulting fixed- or floating-rate Freddie Mac Guaranteed ML Certificates are publicly offered via placement agents
- The Non-Guaranteed Subordinate Certificates are privately offered to investors via placement agents



Relevant Parties/Entities

Depositor: Freddie Mac

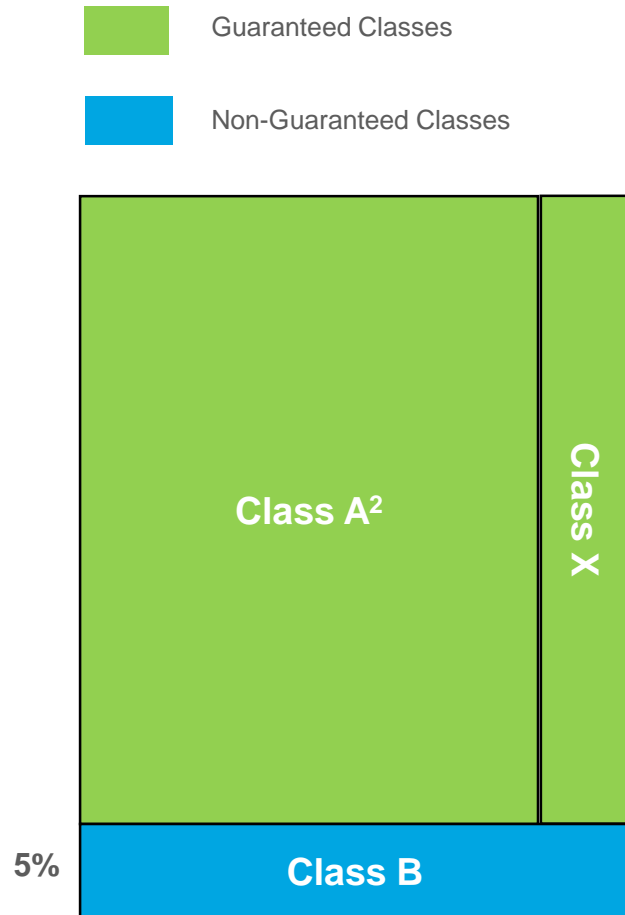
Originators: Freddie Mac Optigo TAH lenders

Master Servicer: Freddie Mac

Special Servicer: Selected by subordinate bond investor in consultation with Freddie Mac

Trustee/certificate administrator: Selected by Freddie Mac through bidding process

Sample ML Trust Structure¹



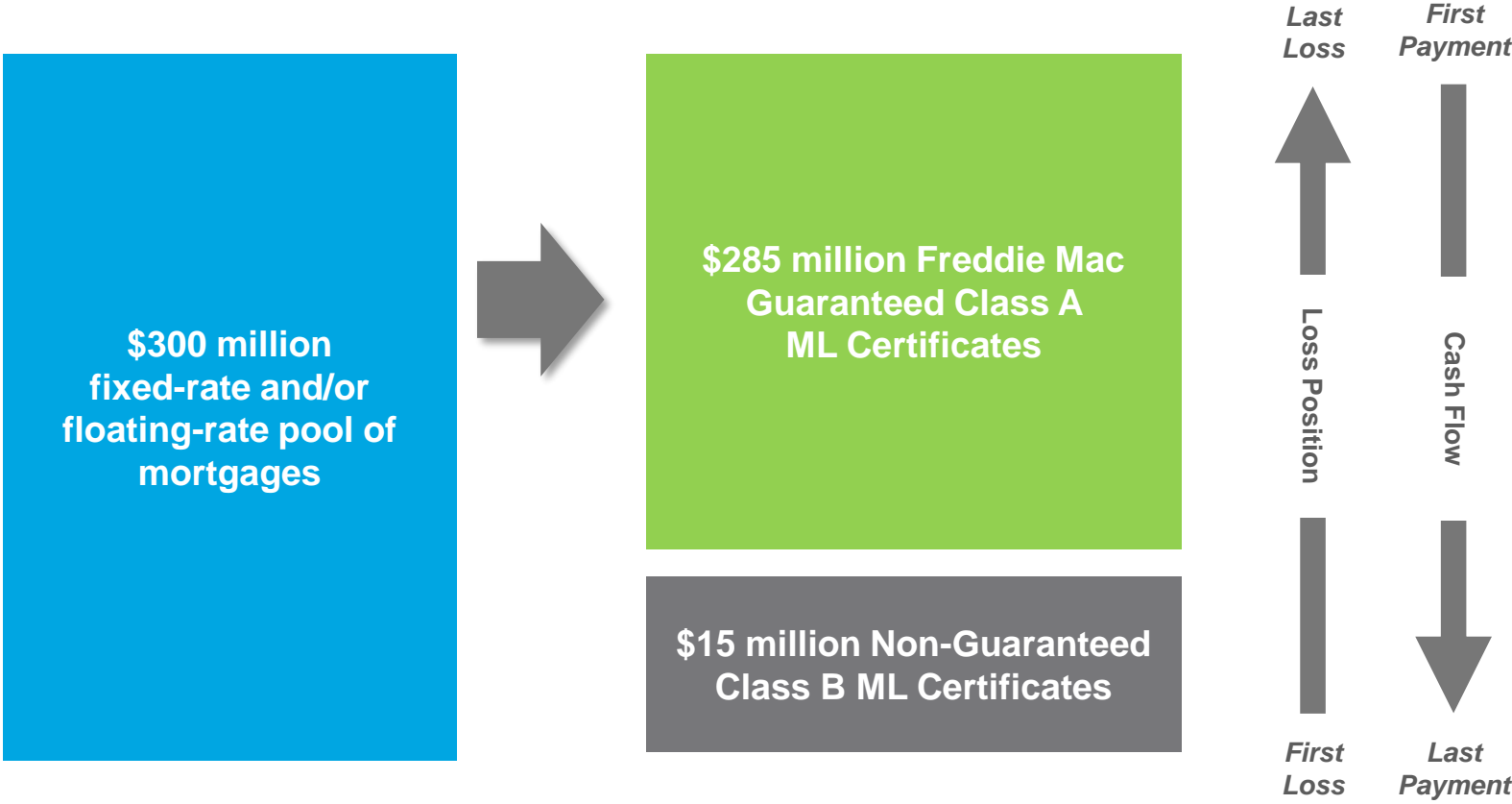
Trust Structure

- One principal and interest (P&I) senior class (Class A)
- One subordinate class (Class B)
- One interest-only class (Class X)
- Initial principal balances of the Class A and Class B Certificates are generally determined by Freddie Mac.
- Class A Certificates have a principal balance, accrue interest on that principal balance and are entitled to principal and interest (P&I) payments each month
- Class B Certificates have a principal balance and may or may not accrue interest. Their principal balance is reduced if collateral losses occur. The Class B Certificates are also known as the “B-Piece”.
- Class X Certificates may receive the difference between (i) the Weighted Average Coupon (WAC) of the fixed-rate and/or floating-rate TELs and (ii) the interest payable on the Class A Certificates plus associated securitization fees

¹ This trust structure is applicable to ML-06 and might differ for subsequent deals

² Guaranteed Class A Certificates will bear interest at a fixed rate. ML-06 comprises two trusts: one collateralized by non-state-specific TELs (US) and one collateralized only by California TELs (CA). Investors in the non-state-specific trust certificates enjoy only a federal tax exemption. Investors in the California trust certificates enjoy both a state and a federal tax exemption.

Sample ML-Deal Subordination – Sequential Pay

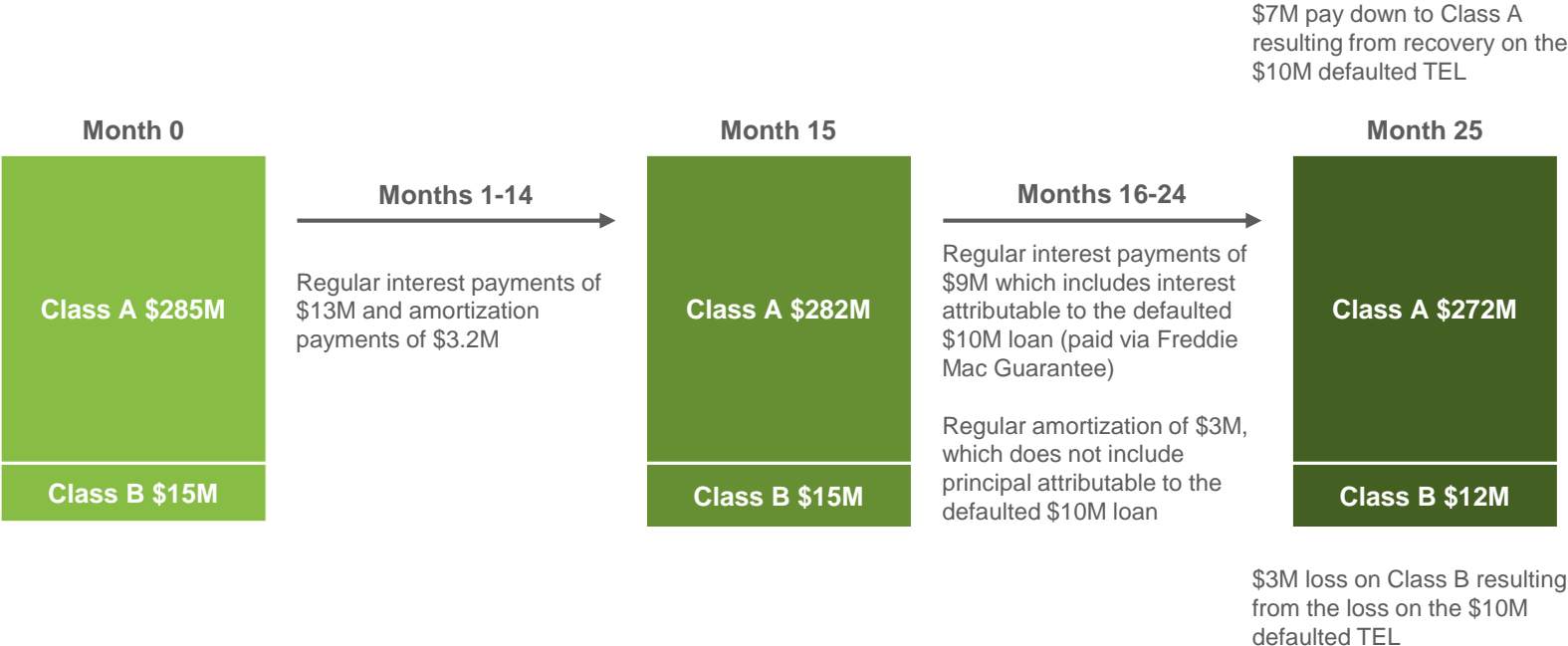


- All scheduled principal and pre-payments are utilized to pay down the Class A Certificates prior to any repayment of the Class B Certificates

Sample ML-Deal Loss Scenarios

SCENARIO 1 Example of loan loss in Freddie Mac ML-Deal structure

The loss scenarios below illustrate how the ML Certificates are affected by TEL defaults and the Freddie Mac Guarantee assuming that the master servicer is no longer making P&I advances with respect to the defaulted TELs and the absence of trust fund expenses. These scenarios are for illustrative purposes only. Class balances, TEL balances and other TEL pool characteristics described in these scenarios do not reflect those of the actual ML Certificates or an underlying TEL pool. Further, these scenarios assume that the interest payable by the borrowers on the TELs is equal to the interest due to certificate holders.



Assumptions

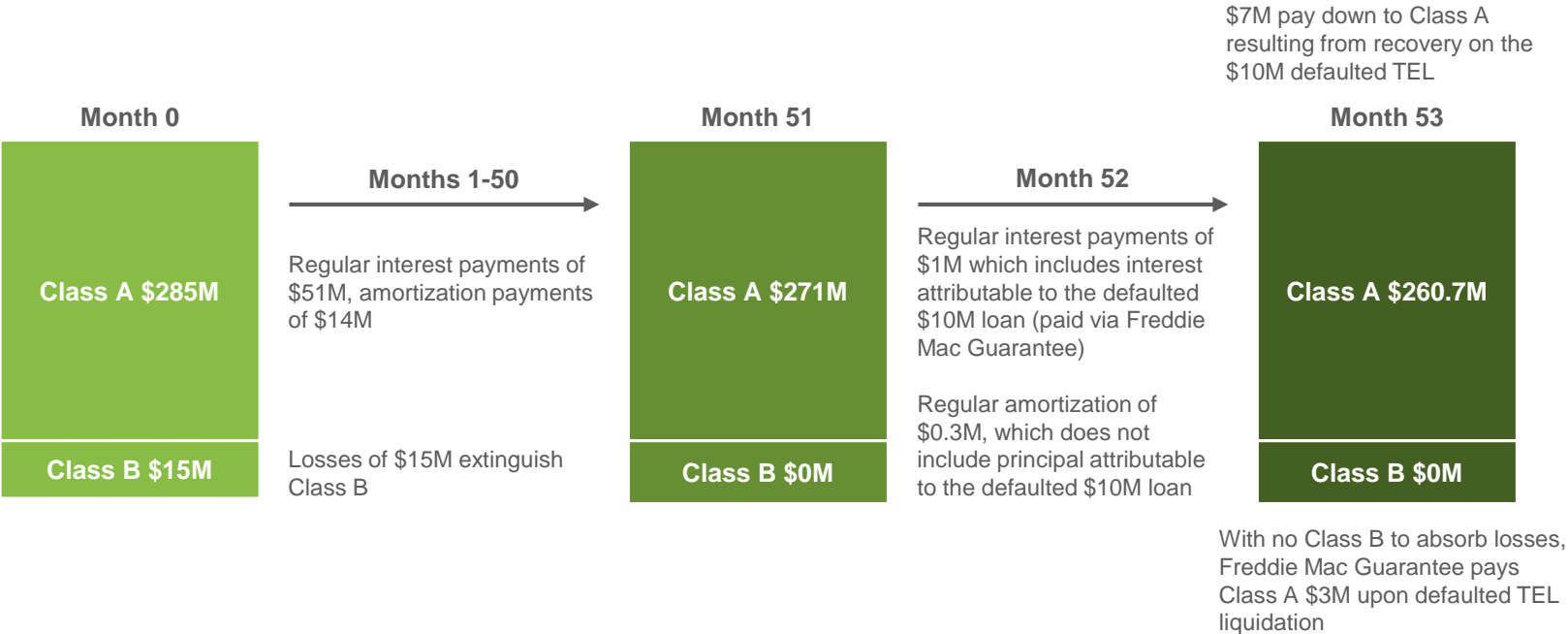
- Pool Size: \$300M
- \$10M TEL defaults in month 15 (prior to TEL maturity)
- TEL sold for \$7M in month 25, \$3M loss in month 25

Sample ML-Deal Loss Scenarios (continued)

SCENARIO 2

Example of loan loss in Freddie Mac ML-Deal structure

The loss scenarios below illustrate how the ML Certificates are affected by TEL defaults and the Freddie Mac Guarantee assuming that the master servicer is no longer making P&I advances with respect to the defaulted TELs and the absence of trust fund expenses. These scenarios are for illustrative purposes only. Class balances, TEL balances and other TEL pool characteristics described in these scenarios do not reflect those of the actual ML Certificates or an underlying TEL pool. Further, these scenarios assume that the interest payable by the borrowers on the TELs is equal to the interest due to certificate holders.



Assumptions

- Pool Size: \$300M
- Losses occur during the first 50 months resulting in Class B being written down to zero
- \$10M TEL defaults in month 51 (prior to TEL maturity)
- TEL sold for \$7M in month 53, \$3M loss in month 53

ML-06

Transaction Highlights

Overview of Deal Structure (Pricing Date: October 23, 2019)

Class	Initial Principal or Notional Amount	Spread	Assumed Weighted Average Life
Offered ML-06 Certificates:			
A-US	\$141,347,000	53	13.18
X-US	\$141,347,000	250	13.18
A-CA	\$146,002,000	48	12.53
X-CA	\$146,002,000	240	12.53
Total Guaranteed	\$287,349,000		

Deal Characteristics: ML-06¹

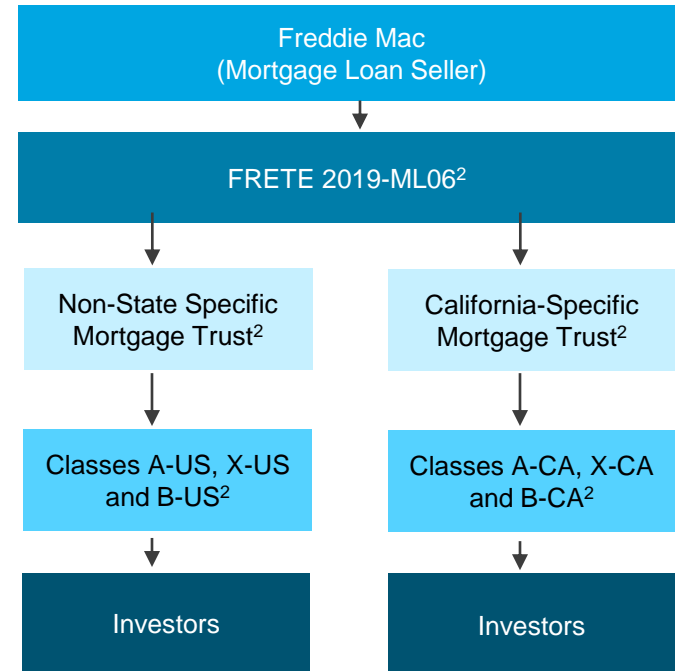
Collateral Type	Multifamily Fixed-Rate TELs
Collateral Structure Type	Balloon
Mortgaged Loans	23
Initial Underlying Pool Balance	\$302,473,987
Rating Agencies	S&P (Based on Guarantee Only)
Waterfall Structure	Sequential
Top 5 State Concentrations	CA (49.2%), TX (19.1%), GA (5.2%), OR (5.1%), FL (4.4%)
WA Mortgage Interest Rate	4.539%
WA Original Maturity	187 months
WA DSCR	1.22x
WA LTV	73.0%

¹ As of the Cut-off Date

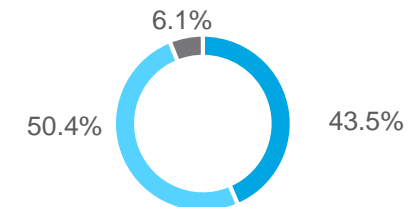
² ML-06 comprises two trusts: one collateralized by non-state-specific TELs (US) and one collateralized only by California TELs (CA). Investors in the non-state-specific trust certificates enjoy only a federal tax exemption. Investors in the California trust certificates enjoy both a state and a federal tax exemption.

³ As of the Pricing Date

Structural Diagram



Breakdown of Investors (Class A-US & A-CA)³






- Money Manager
- Bank
- Insurance Company

Community Reinvestment Act (CRA)

ML Certificates as a CRA Investment

**Investments in
Guaranteed
Certificates may
qualify for
CRA credit¹,
making the
ML Certificates a
CRA Investment
Opportunity**

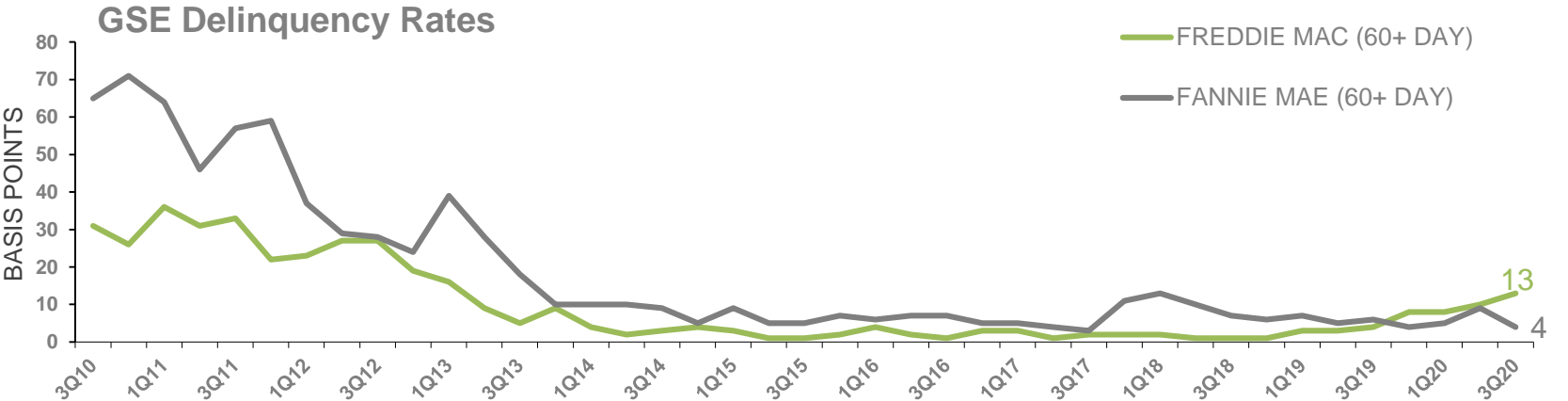
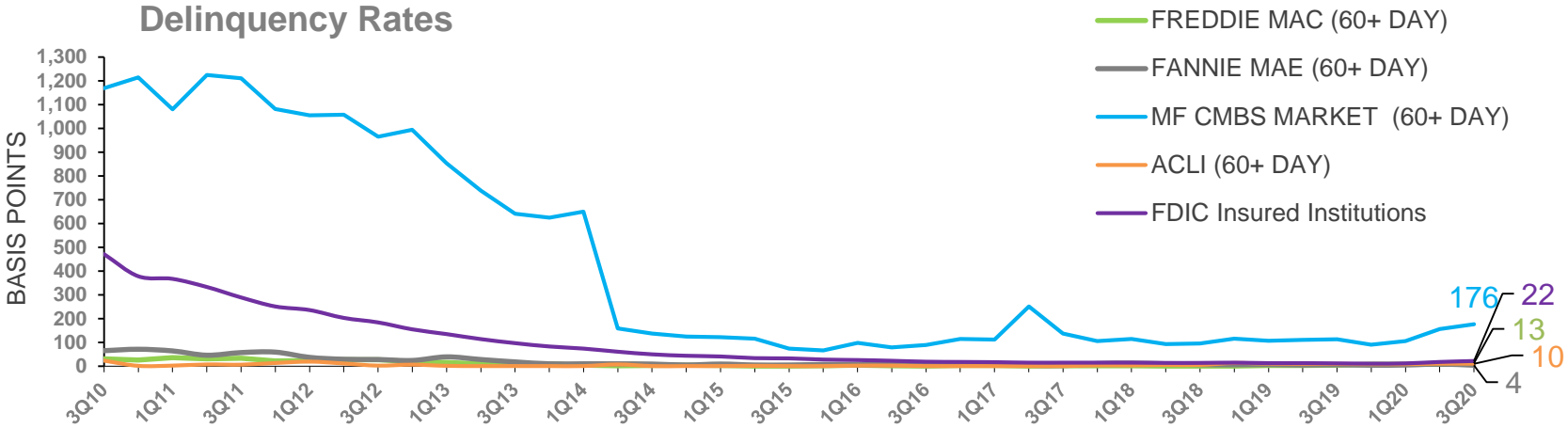
-  Freddie Mac will provide CRA side letters to investors who wish to claim CRA credit for their investment
-  The ML pool consists of affordable housing loans, allowing investments in the Certificates to potentially qualify for CRA credit¹
-  Details on the specific Metropolitan Statistical Areas (MSA) within each state where CRA credit is available for a given pool will be provided upon request

¹ Subject to individual bank evaluation

Freddie Mac Multifamily and LIHTC Performance

Multifamily Delinquency Rates

Our disciplined credit practices are one of the main drivers of the continued strong performance of our offerings



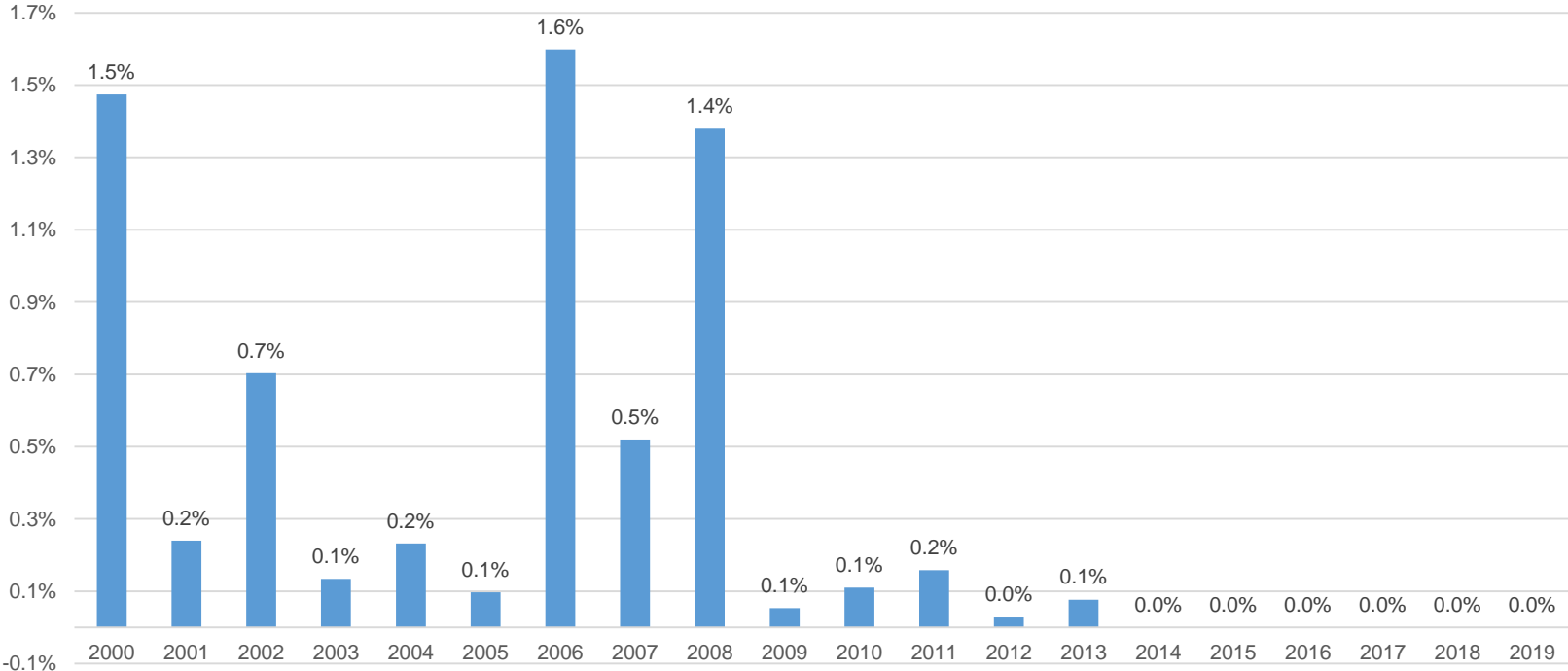
Notes: Freddie Mac does not report modified or forbearance loans in delinquency rates if the borrower is less than two monthly payments past due. Prior to 2Q20, Fannie Mae's delinquency rate included loans in forbearance. Freddie Mac and Fannie Mae's delinquency rates do not include COVID-19 related forbearance loans, which are current under their forbearance agreements. Sources: Freddie Mac, Fannie Mae, American Council of Life Insurers (ACLI) Quarterly Investment Bulletin, FDIC Quarterly Banking Profile, TREPP (CMBS multifamily 60+ delinquency rate, excluding REOs) for periods prior to 3Q17, Wells Fargo CMBS research for 4Q17- current CMBS delinquency rates. Current delinquency rates for ACLI and FDIC are not yet available.

Resources – Multifamily Loan Performance Database¹

Multifamily Loan Performance Database (MLPD) is available on mf.freddiemac.com. It provides quarterly performance information on Freddie Mac's loans which includes nearly 40,000 loans with a total origination UPB of over \$500 billion that were purchased by Freddie Mac from 1994 through the end of 2019.

Of this reported population, approximately 0.20% has defaulted by UPB through the end of 2019.

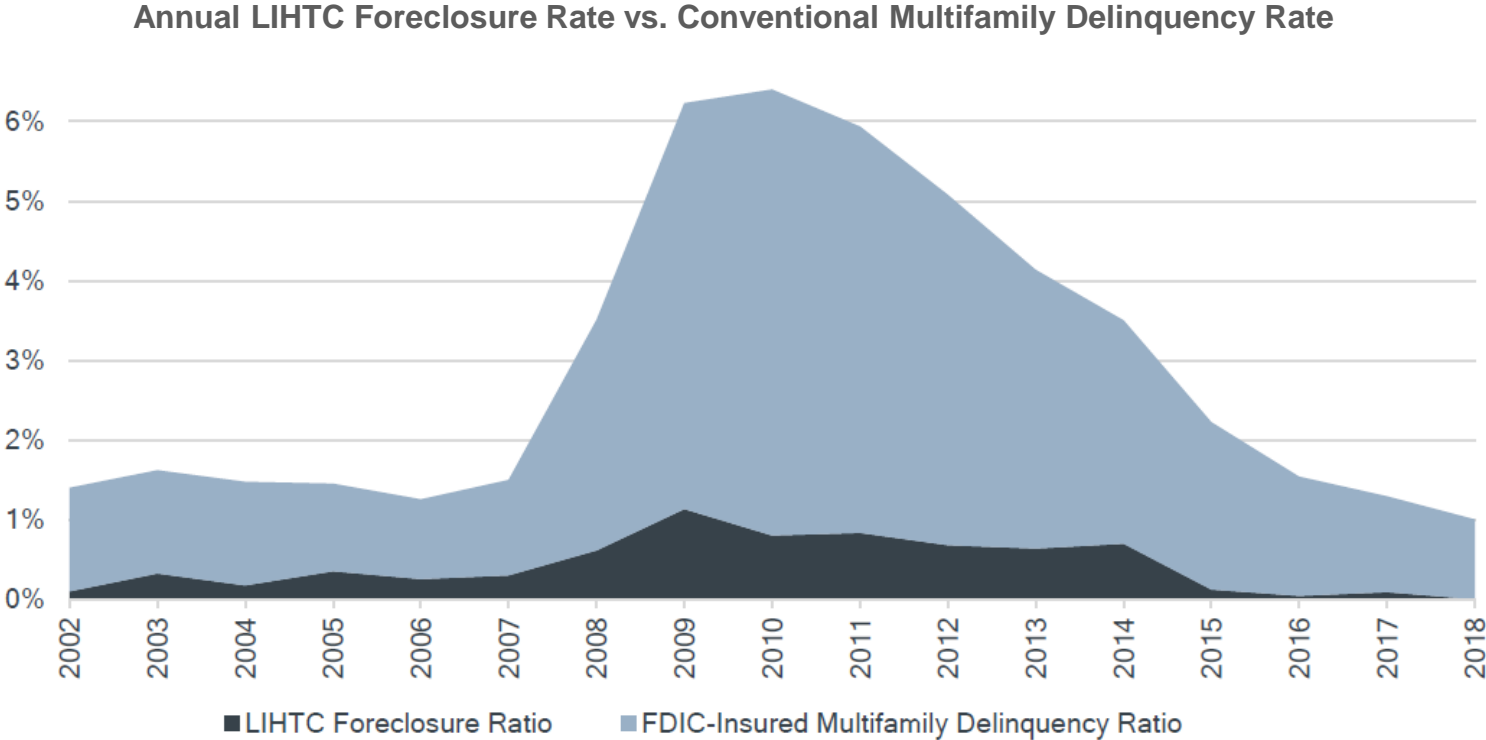
Percent Defaulted By Funding Year



¹ The Multifamily Loan Performance Database (MLPD) provides historical information on a subset of the Freddie Mac multifamily loan portfolio. The MLPD comprises information regarding certain multifamily whole loan, K-Deal and SB-Deal[®] loans. It excludes loans that are credit revolvers, sold book (pre-1994) loans, and negotiated transactions/structured deals and K001 and K002.

LIHTC Performance

Within the multifamily space, LIHTC properties exhibited a lower foreclosure rate than conventional multifamily properties



Source: Cohn Reznick: Housing Tax Credit Investments: Investment and Operational Performance (November 2019)



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 www.mf.freddiemac.com for more information. The multifamily investors section of the company's website at <https://mf.freddiemac.com/investors/> will also be updated, from time to time, with any information on material developments or other events that may be important to investors, and we encourage investors to access this website on a regular basis for such updated information.

