Freddie Mac MULTIFAMILY

A Closer Look:

5 Facts to Know about Our Multifamily Business

Freddie Mac Multifamily supports renting across America – currently reflecting more than 43 million households, or more than 35 percent of all U.S. households. Because Freddie Mac is better known for our Single-Family business and supporting homeownership, you might be less familiar with our Multifamily business. So what are the top five facts you should know about Freddie Mac Multifamily?

1. Our Multifamily and Single-Family businesses differ significantly.

In certain ways, Freddie Mac Multifamily is similar to Single-Family. For instance, both purchase and securitize mortgages originated from a network of approved lenders. And our respective fundings support residential housing. In most other ways, though, they're very different. Multifamily borrowers primarily are commercial entities, such as property developers, not consumers. We buy loans from around only two dozen Freddie Mac-approved commercial real estate lenders, many of whom do not make single-family loans. Multifamily's loans are much larger than Single-Family's – typically, between $10 million and $50 million; however, they can range from $1 million to more than $1 billion. And our staff underwrite and price mortgages before we buy them, including estimating future revenues from the properties – no automated underwriting. For these reasons and more, Multifamily financing is more like commercial lending.

2. We support the entire multifamily market – in all economic conditions.

Freddie Mac has a public mission to help keep the U.S. housing-mortgage markets stable and well-financed and to promote affordability in all economic conditions. For the Multifamily business, this means enabling the purchase, refinancing, preservation, and rehabilitation of existing multifamily apartment properties. Many of the properties we finance might have trouble securing funding elsewhere. A large majority of them are more than 10 years old and many need structural or other significant improvements. We scale our presence to market need, even when other private funding sources pull back or leave the market in times of economic stress.

3. We mainly focus on affordable housing.

Around 90 percent of the apartments that we finance are affordable to renters earning local area median income or less. As the number of renters continues to grow nationally, the inventory of affordable apartments remains low in most markets. In response to this challenge, we focus on financing workforce housing – properties that are affordable to renters in, for example, service occupations, hourly-wage jobs, and with lower incomes. We also finance subsidized, or targeted affordable, housing that supports households with even very low incomes. Whether it's conventional or deeply affordable housing, seniors or student housing, in a city or suburb, Freddie Mac Multifamily plays a vital role in making sure that renters have access to adequate, affordable apartment homes.

4. We efficiently transfer the vast majority of credit risk to private investors.

Among government-backed entities, we take a unique approach to financing affordable rental housing. Our flagship K-Deal securities, one of our many risk-transfer vehicles, shift nearly all of our credit risk to private investors, and away from taxpayers. K-Deals are structured to contain a senior certificate that we guarantee and a subordinate certificate that we do not. In a typical transaction, private investors in subordinate certificates are positioned to bear any losses on about the first 15 percent of loan defaults. The unguaranteed certificates, in effect, serve as a shock absorber for the guaranteed certificates; taxpayers would bear no cost of loan defaults, except in the most dire events. We are the largest issuer of commercial mortgage-backed securities. To date, we have funded more than $130 billion in multifamily loans through our K-Deal and other risk-transfer vehicles. Their features and success make them a model for the future of securitization.

5. Our business is sound.

Multifamily builds in quality at every phase of the loan life cycle and throughout our organization, resulting in a well-performing loan portfolio and profitable business. At the end of the financial crises, our serious delinquency rate (60 or more days past due) was 0.22 percent, whereas the broader CMBS market's was close to 11 percent. By the end of 2015, the CMBS market's serious delinquency rate had dropped to 0.66 percent – but still far more than our 0.02 percent rate on a $169 billion portfolio; our credit losses were less than 0.01 percent.

A business that finances all types of multifamily rental housing, protects taxpayers from most risk, and produces good financial results. That's Freddie Mac Multifamily.

To learn more about Freddie Mac Multifamily, explore our web site at FreddieMac.com/Multifamily.