



Multifamily Credit Insurance Pool (MCIP) Program Overview

Investor Presentation

as of December 31, 2022



Multifamily Credit Insurance Pool (MCIP) Program

MCIP policies offer (re)insurers an innovative way to add U.S. multifamily market exposure while benefiting from our industry-leading underwriting and credit risk management standards

- Freddie Mac introduced MCIP to its credit risk transfer (CRT) program in December 2018. The policies are structured similarly to other CRT vehicles but provide unique Multifamily exposure
- MCIP policies are subject to credit risk of an identified pool of multifamily mortgage loans (reference obligations):
 - i. backing Freddie Mac Multifamily fully guaranteed certificates; or
 - ii. for which Freddie Mac provides credit enhancement for the related multifamily bonds issued by state and local housing agencies
- The insurance payments are determined by actual principal payments on the reference pool including losses if they occur
- Certain reference obligations are only partially included in the reference pool, based on a corresponding fixed percentage (Reference Obligation Percentage), representing *pari passu* portions of their respective whole loans
- As of December 2022, Freddie Mac Multifamily has settled five MCIP transactions totaling approximately \$16.9 billion of reference obligations

Why MCIP?

- Diversification: A large and diversified reference pool provides more stable and predictable performance and reduces idiosyncratic risk
- Strong Underwriting: Reference obligations are underwritten to the same Freddie Mac Multifamily underwriting standards as mortgage loans securitized in K-Deals® and other comparable securitizations
- Standardized Servicing Guidelines: Uniform across Freddie Mac Multifamily's entire portfolio
- Alignment of Interest: Freddie Mac generally retains a minimum of 5% interest in each tranche to further align interest with investors through the life of the offering. At each MSCR closing, Freddie Mac will execute a European Union [\(EU\) Risk Retention](#) letter

Eligibility Requirements

- Participants must be counterparty approved
- (Re)insurers must also be highly rated and well capitalized

MCIP CRT Transaction Evolution

We continue to develop innovative synthetic CRT vehicles to attract different sources of capital

Category	MCIP 2022-R5 ¹	MCIP 2022-R4 ²	MCIP 2020-R3	MCIP 2019-R2	MCIP 2018-1
Number of Loans	231	257	136	88	55
Pool Cut-off Date Balance	\$5.5B	\$6.0B	\$2.6B	\$1.9B	\$915M
Average Loan Balance	\$24M	\$23M	\$19M	\$21M	\$17M
Top 10 Assets as % of Pool	22.5%	21.6%	22.5%	37.9%	68.7%
WA Cut-off Date LTV	59.7%	65.8%	70.8%	67.1%	61.4%
WA Underwritten DCR	1.54x	1.49x	1.47x	1.45x	1.63x
Conventional / Targeted Affordable Percentage	76% / 24%	73% / 27%	85% / 15%	53% / 47%	20% / 80%
Collateral Type	PC	PC	PC	PC	PC & BCE
Top 3 States	CA – 16% TX – 14% OH – 6%	TX – 13% NJ – 10% CA – 10%	MD – 20% TX – 11% CA – 9%	CA – 21% NV – 10% MA – 9%	NY – 67% MN – 10% CA – 6%
Attachment / Detachment	1.00% / 6.75%	0.75% / 6.75%	1.00% / 6.50%	0.75% / 5.25%	0% / 5.00%
Number of Offered Tranches	3	3	3	1	1

¹ Shares a reference pool with MSCR 2022-MN5

² Shares a reference pool with MSCR 2022-MN4

MCIP Reference Obligations

MCIP policies transfer the credit risk on a pool of loans referencing fully guaranteed Freddie Mac Multifamily Participation Certificates (Multi PCs®) or credit enhancement on affordable multifamily-backed bonds issued by state and local housing finance agencies

Multi PCs

Multi PCs® are direct pass-through securitizations and are fully guaranteed by Freddie Mac

Multi PCs have a 55-day issuance structure, consistent with K-Deals and UMBS with a 24-day payment delay.

The Freddie Mac Multifamily Servicing Standard ensures best-in-class service throughout the life of the loan

The goal is to execute resolutions in Freddie Mac's or the Trust's best interest economically, operationally and from a reputational perspective

Bond Credit Enhancement

Since 2002, Freddie Mac Multifamily has originated 1,249 credit enhancement bond transactions totaling approximately \$20.8 billion

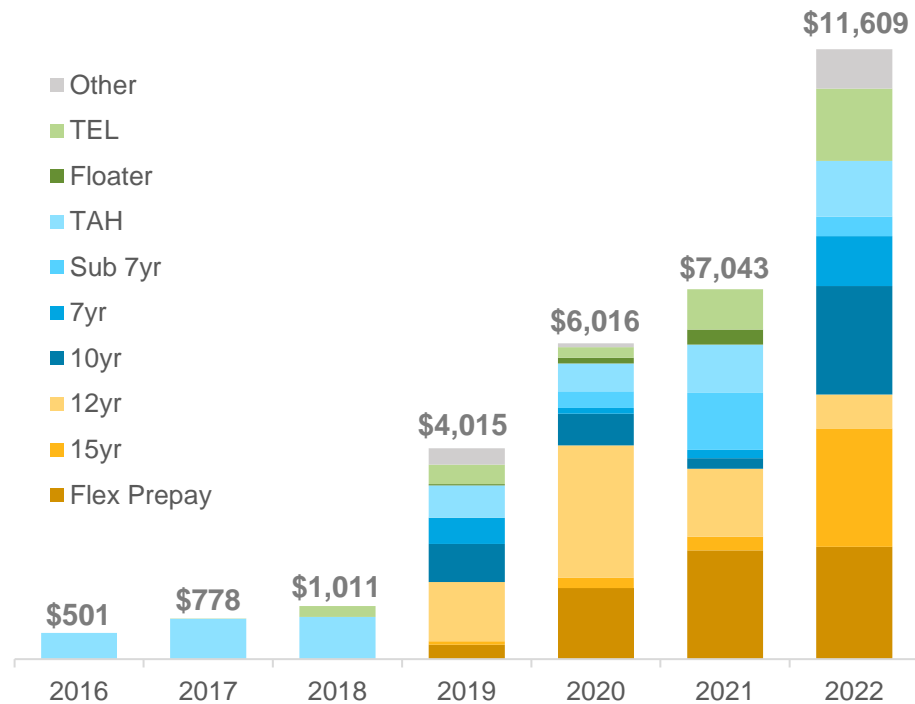
The Bond Credit Enhancement (BCE) program enables borrowers to obtain financing for affordable multifamily properties funded by the sale of fixed-rate or variable-rate tax-exempt housing bonds

Eligible transactions include bond refunding, substitution, or new issue transactions with 80-20 bonds, taxable bonds in combination with tax-exempt bonds, 501(c)(3) bonds, Section 8, Section 236, tax abatements and 4% Low-Income Housing Tax Credits

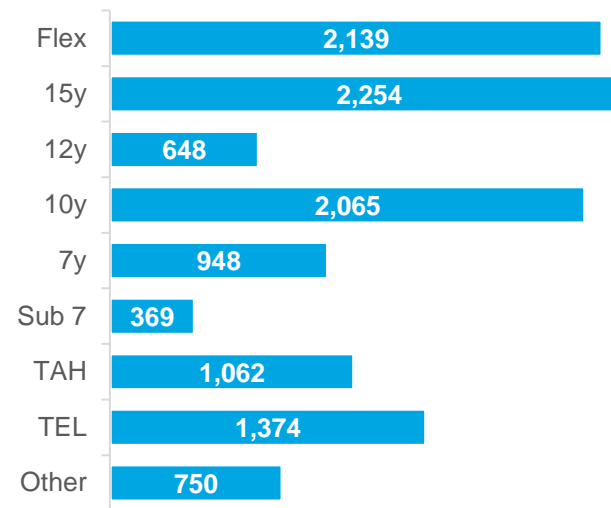
There have been eight bonds (\$101 million in UPB or 0.5% of total BCE origination) which Freddie Mac incurred losses after workout, foreclosure or note sales. The weighted average loss severity on those bonds were approximately 31% (~\$31 million)

Strategic Growth of Our Multi PC Securitizations Created the Need for MCIP

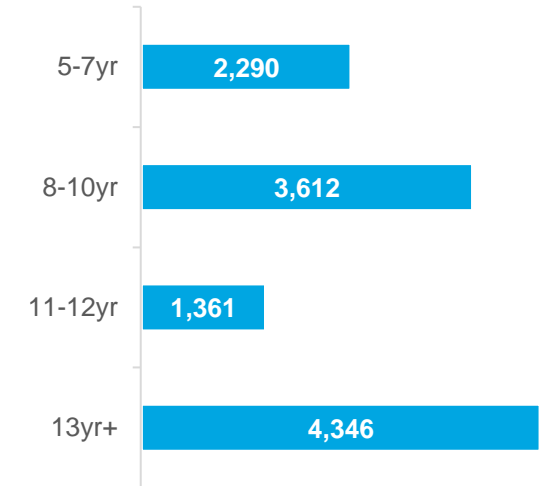
Historical Execution Volume (\$ millions) 2016 – 2022



2022 Issuance by Loan Product (\$ millions)



2022 Issuance by Loan Terms (\$ millions)



Multi PCs are frequently utilized with the following loan programs:

- 12-year / 15-year term
- Flexible prepay
- Declining prepayment premium
- Sub 7-year
- Targeted Affordable Housing (long-term and forwards)
- Low leverage low spread

Underwriting and Credit

Our credit policy and consistent underwriting practices are one of the main drivers of the strong performance of Freddie Mac Multifamily offerings

Credit Philosophy

Freddie Mac makes all credit, structuring and pricing decisions working with our lenders during all aspects of the origination process. We are focused on:

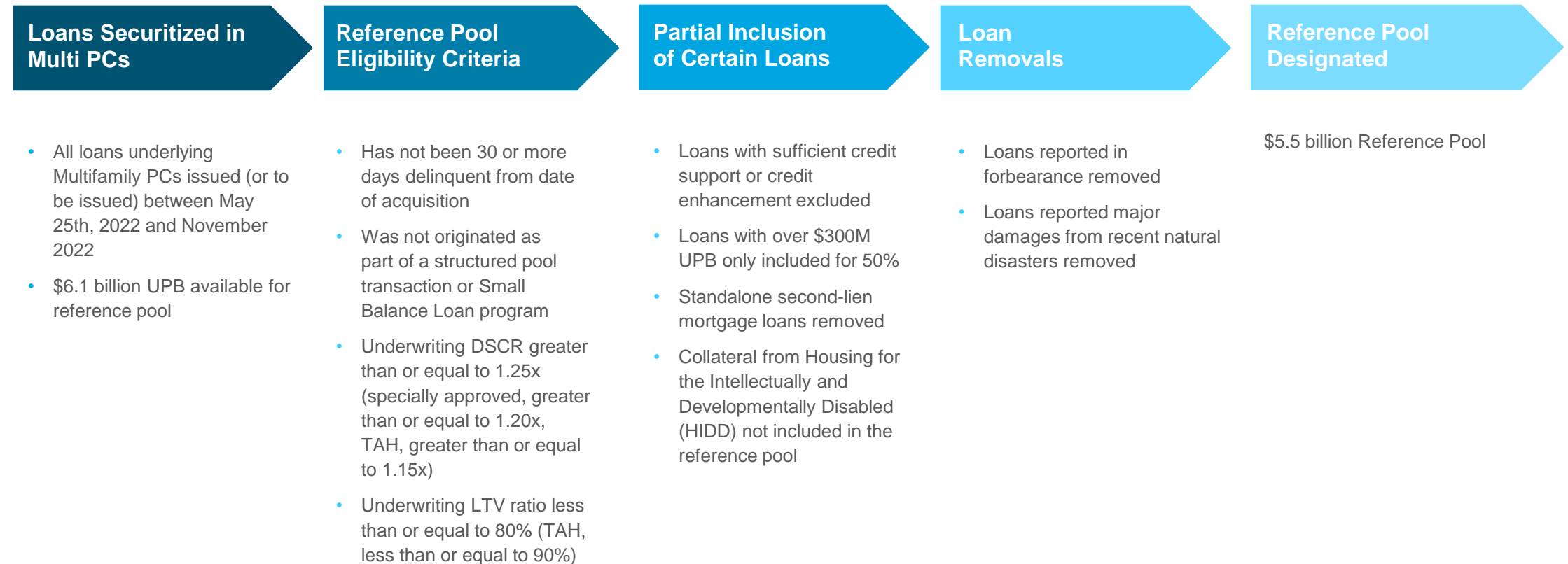
- Sustainable cash flow
- Market knowledge & fundamentals
- Equity
- Definable exit strategy
- Sponsorship
- Quality real estate collateral

General Guidelines

- Properties generally need to demonstrate stabilized occupancy rates of 90%+
- For Conventional Loans, Loan-to-Value (LTV) ratios must not exceed 80% and minimum Debt Service Coverage Ratio (DSCR) of 1.25x applies (for specially-approved loans, greater than or equal to 1.20x)
- For Targeted Affordable Housing (TAH) Loans, LTV ratios must not exceed 90% and minimum DSCR of 1.15x applies
- Adjustments are made to LTV and DSCR for factors such as shorter loan terms, select product types and asset-specific credit factors
- Same underwriting standards are applied to loans intended for Multi PCs, BCEs and K-Deals

MCIP Reference Pool Illustration*

Creation of reference pool underlying recently issued or designated Multi PCs



* This reference pool is a hypothetical example based on previous deals and might differ for subsequent deals

Sample MCIP Structure (Companion Deal with MSCR)

Reference Pool: Comprises primarily loans backing

- Freddie Mac Multi PCs
- BCE products
- Other fully guaranteed certificates

Issuance Type:

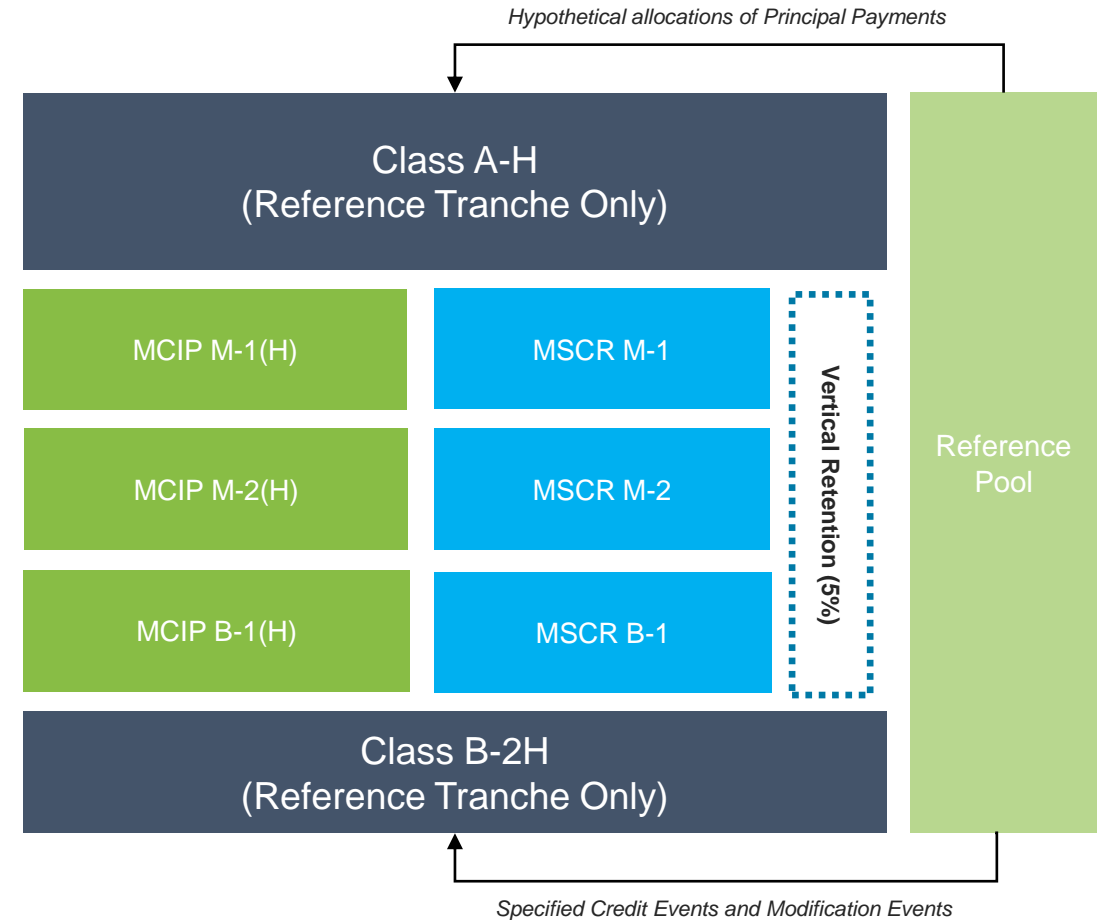
- (Re)insurer participation via cell or direct policy
- MSCR notes issued via trust structure

Key Structural Features:

- Actual Loss: Performance based on actual delinquency and principal payment experience on the reference pool
- First-Loss Retention: Freddie Mac retains a first-loss position
- Freddie Mac retains a 5% vertical slice of offered tranches to align our interest with (re)insurers

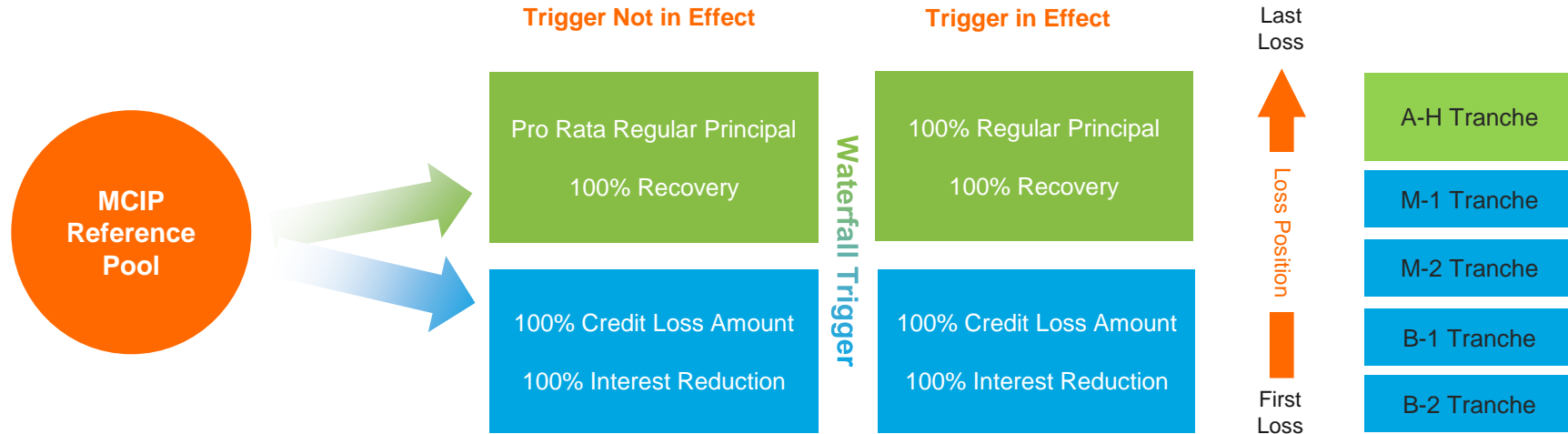
Monthly Premium:

- Fixed rate (MCIP)



For more information on MSCR trust structure, see [MSCR Notes investor presentation](#)

Sample Deal Subordination and Waterfall Trigger



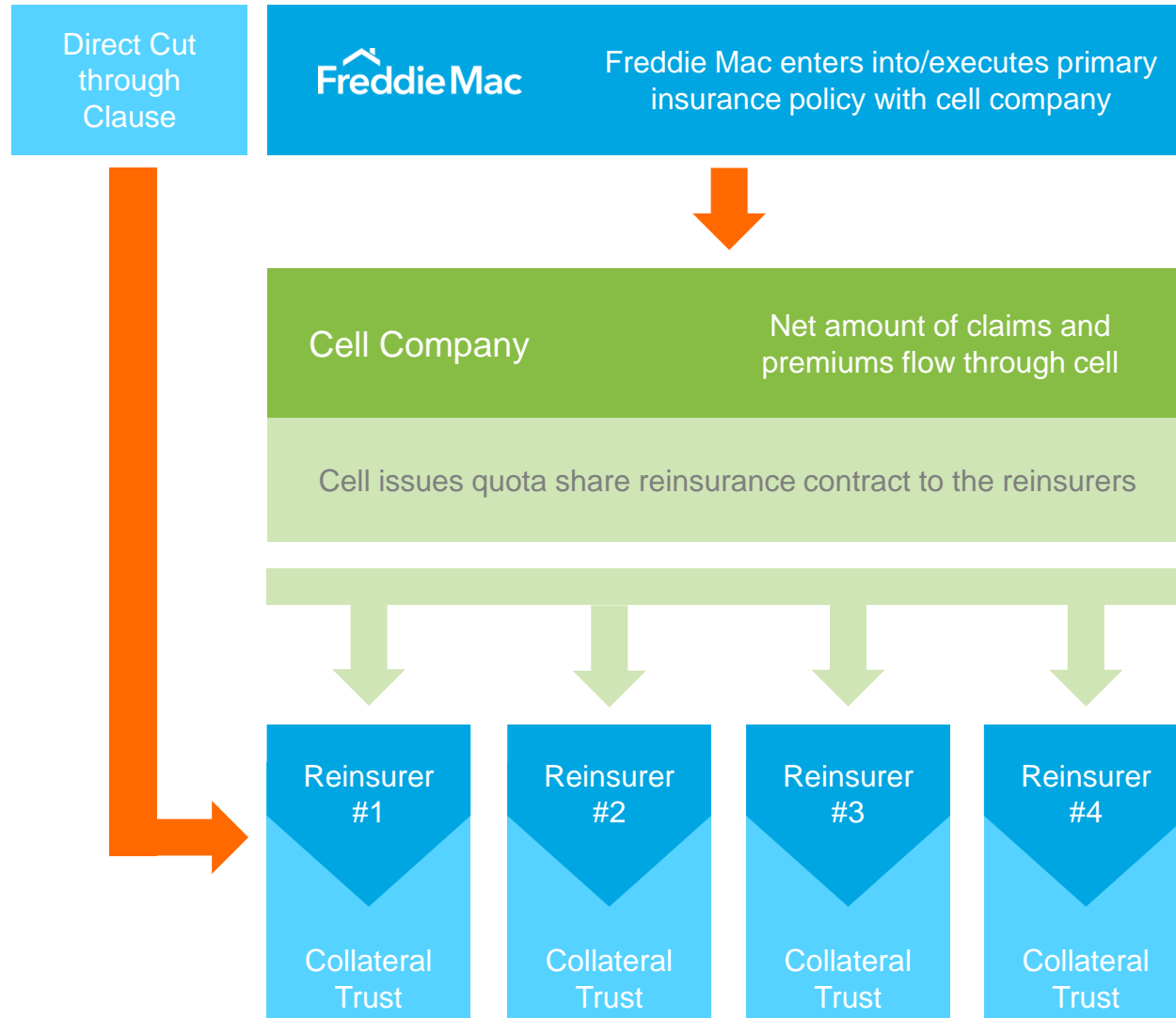
Waterfall Triggers (in effect when either test fails)

Minimum Credit Enhancement Test: A test that will be satisfied if the Subordinate Percentage is greater than or equal to minimum credit enhancement level

Delinquency Test: With respect to any Payment Date, means a test that will be satisfied if: (a) the sum of the Distressed Principal Balance for the current Payment Date and each of the preceding two Payment Dates, divided by three or, in the case of any Payment Date prior to the third Payment Date after the Closing Date, the sum of the Distressed Principal Balance for the current Payment Date and each of the preceding Payment Dates, divided by the number of Payment Dates since the Closing Date, is less than (b) 40% of the amount by which (i) the product of (x) the Subordinate Percentage and (y) the aggregate UPB of the Reference Obligations as of the preceding Payment Date; exceeds (ii) the Principal Loss Amount for the current Payment Date.

(Re)insurer Participation

Approved counterparty (re)insurers participate in MCIP transactions through a quota share reinsurance contract that is issued by a cell company. Freddie Mac executes a primary insurance policy with the cell company. Depending on their license, some (re)insurers also have the option to contract directly with Freddie Mac.



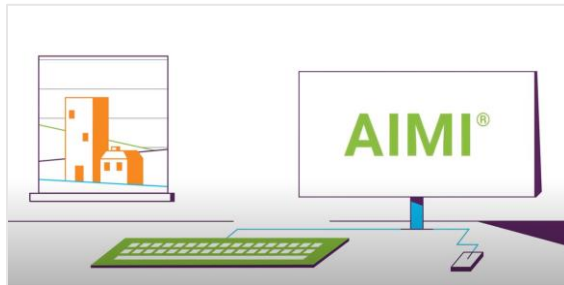
Additional Resources

Stay Up to Date with Our Investor Resources

- Securitization Overview - https://mf.freddiemac.com/docs/mf_securitization_investor-presentation.pdf
- Multi PCs Overview Handout - https://mf.freddiemac.com/docs/pc_investor_presentation.pdf
- Multi PCs Performance Data - https://mf.freddiemac.com/docs/multi_pc_performance.pdf
- Multifamily Securities Investor Access (MSIA) - <https://fm-msia.com/>

Multifamily Research

[2023 Multifamily Outlook](#)



The Freddie Mac Multifamily Apartment Investment Market Index® (AIMI®) can help you determine how the relative value of investing in multifamily properties in select major metros, and nationally, has changed over time.

Learn more at <https://mf.freddiemac.com/aimi/>

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