



# Multifamily Credit Insurance Pool<sup>SM</sup> (MCIP) Program Overview

Investor Presentation

as of December 31, 2023



## Multifamily Credit Insurance Pool<sup>SM</sup> (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;
  - ii. for which Freddie Mac provides credit enhancement for the related multifamily bonds issued by state and local housing agencies; or
  - iii. from Freddie Mac retained portfolio originated under the same underwriting standards as our conventional business
- The insurance payments are based on 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 2023, Freddie Mac Multifamily has settled seven MCIP transactions totaling approximately \$32.8 billion of reference obligations

Multifamily Credit Insurance Pool (MCIP) © Freddie Mac Multifamily

### 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<sup>®</sup> and other comparable securitizations
- **Standardized Servicing Guidelines:** Uniform across Freddie Mac Multifamily's entire portfolio
- **Alignment of Interest:** Freddie Mac retains a minimum of 5% interest in each tranche to further align interest with investors through the life of the offering

### Eligibility Requirements

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

## MCIP CRT Transaction Evolution

Category	MCIP 2023-R7	MCIP 2023-R6	MCIP 2022-R5	MCIP 2022-R4	MCIP 2020-R3	MCIP 2019-R2	MCIP 2018-1
Number of Loans	350	357	231	257	136	88	55
Pool Cut-off Date Balance	\$8.2B	\$7.6B	\$5.5B	\$6.0B	\$2.6B	\$1.9B	\$915M
Average Loan Balance	\$24M	\$21M	\$24M	\$23M	\$19M	\$21M	\$17M
Top 10 Assets as % of Pool	17.5%	17.2%	22.4%	21.1%	22.5%	37.9%	68.7%
WA Cut-off Date LTV	59.0%	56.1%	59.7%	65.8%	70.8%	67.1%	61.4%
WA Underwritten DCR	1.35x	1.36x	1.54x	1.49x	1.47x	1.45x	1.63x
Conventional / Targeted Affordable Percentage	71% / 29%	73% / 27%	76% / 24%	73% / 27%	85% / 15%	53% / 47%	20% / 80%
Collateral Type	PC, K- & Portfolio Loans	PC, K- & Portfolio Loans	PC	PC	PC	PC	PC & BCE
Top 3 States	TX – 22% CA – 13% FL – 12%	TX – 14% NY – 12% FL – 12%	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% / 5.50%	1.00% / 5.00%	1.00% / 6.75%	0.75% / 6.75%	1.00% / 6.50%	0.75% / 5.25%	0.00% / 5.00%
Number of Offered Tranches	3	2	2	3	3	1	1
Companion Deal	Yes	Yes	Yes	Yes	No	No	No

## MCIP Reference Obligations

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

### Securitized Guaranteed Products

#### Multi PCs®

Direct pass-through securitizations and are fully guaranteed by Freddie Mac

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

#### Fully Guaranteed Multifamily Certificates

Securitizations of pooled loans offering geographic and sponsorship diversification

### Bond Credit Enhancements & Portfolio Loans

#### Bond Credit Enhancement

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

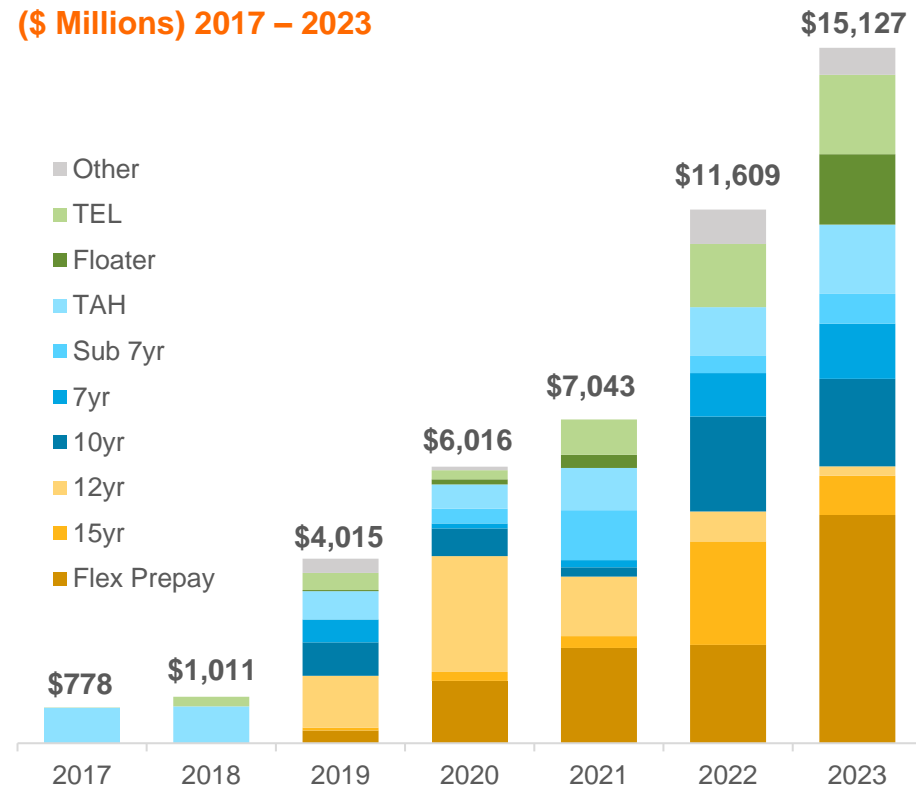
Eligible transactions include bond refunding, substitution, or new issue transactions with 80-20 bonds, taxable bonds in combination with tax-exempt bonds, 501(c)(3) bonds, Section 8, Section 236, tax abatements and 4% Low-Income Housing Tax Credits

#### Portfolio Loans

Unsecuritized loans underwritten to the standards consistent with Freddie Mac Multifamily line of business

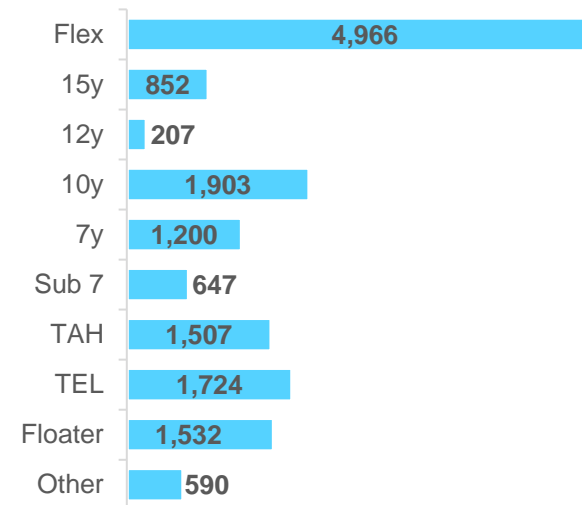
## Strategic Growth of Our Multi PC Securitizations Created the Need for MCIP

**Historical Multi PC Execution Volume  
(\$ Millions) 2017 – 2023**

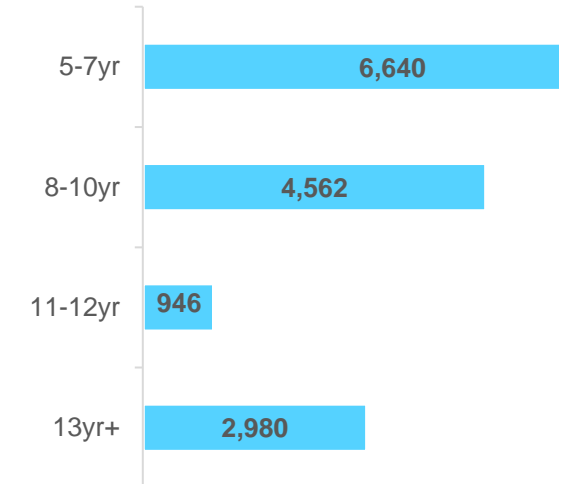


\* Issuance Volume and Collateral UPB for Multi PCs issued from 1/1/2023 to 12/31/2023

**Issuance Volume by  
Loan Product (\$ Millions)\***



**Collateral UPB by  
Loan Terms (\$ Millions)\***



### Multi PCs are frequently utilized with the following loan programs:

- 12-year / 15-year term
- Flexible prepay
- Declining prepayment premium
- Tax-exempt loans
- Sub 7-year
- Targeted Affordable Housing (TAH; immediate funding and forwards)
- Low leverage low spread

## Underwriting and Credit

**Our credit policy and consistent underwriting practices are among 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
- Investment quality real estate collateral

### General Guidelines

- Properties generally need to demonstrate stabilized occupancy rates of 90%+
- For Conventional fixed-rate 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 Conventional floating-rate loans, LTV ratios must not exceed 80% and minimum DSCR of 1.00x on the max capped interest rate
- For TAH Loans, LTV ratios must not exceed 90% and minimum DSCR of 1.15x applies
- For Small Balance Loans (SBL), LTV ratios must not exceed 80% and a minimum DSCR of 1.25x (for Top SBL Markets, greater than equal to 1.20x)
- 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

## Sample MCIP Structure (Companion Deal with MSCR)

**Reference Pool:** Comprises primarily loans

- Backing Freddie Mac Multi PCs & other fully guaranteed certificates
- Underlying Bond Credit Enhancement products
- From Freddie Mac retained portfolio

**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 at least a 5% vertical slice of offered tranches to align our interest with (re)insurers

**Monthly Premium:**

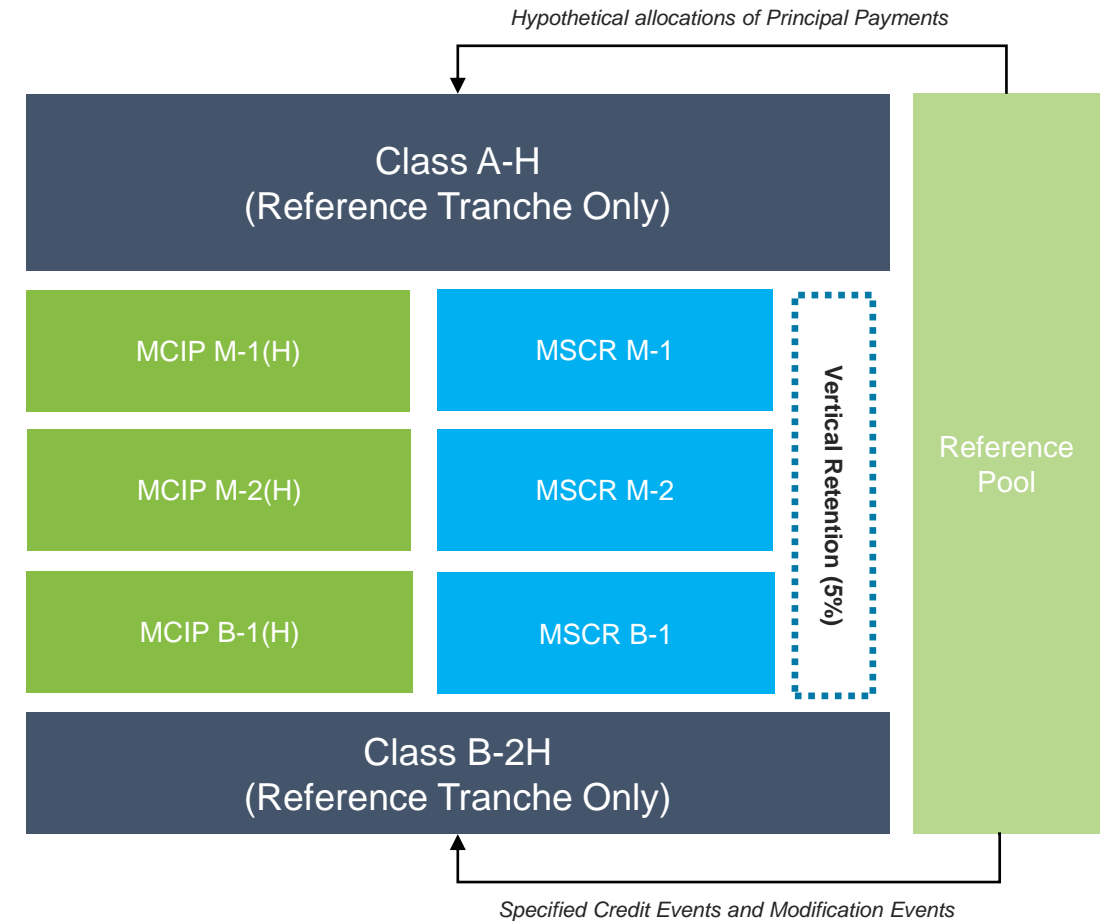
- Fixed rate (MCIP)

**Contract Terms:**

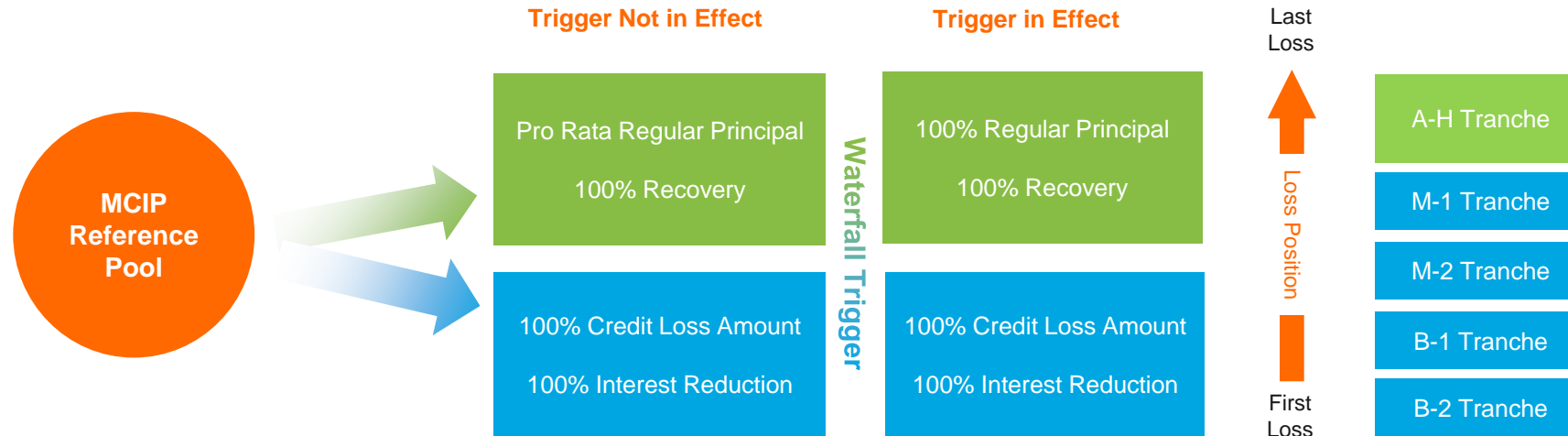
- Generally up to 15 years

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

Multifamily Credit Insurance Pool (MCIP) © Freddie Mac Multifamily



## Sample Deal Subordination and Waterfall Trigger



### Waterfall Triggers (in effect when either test fails)

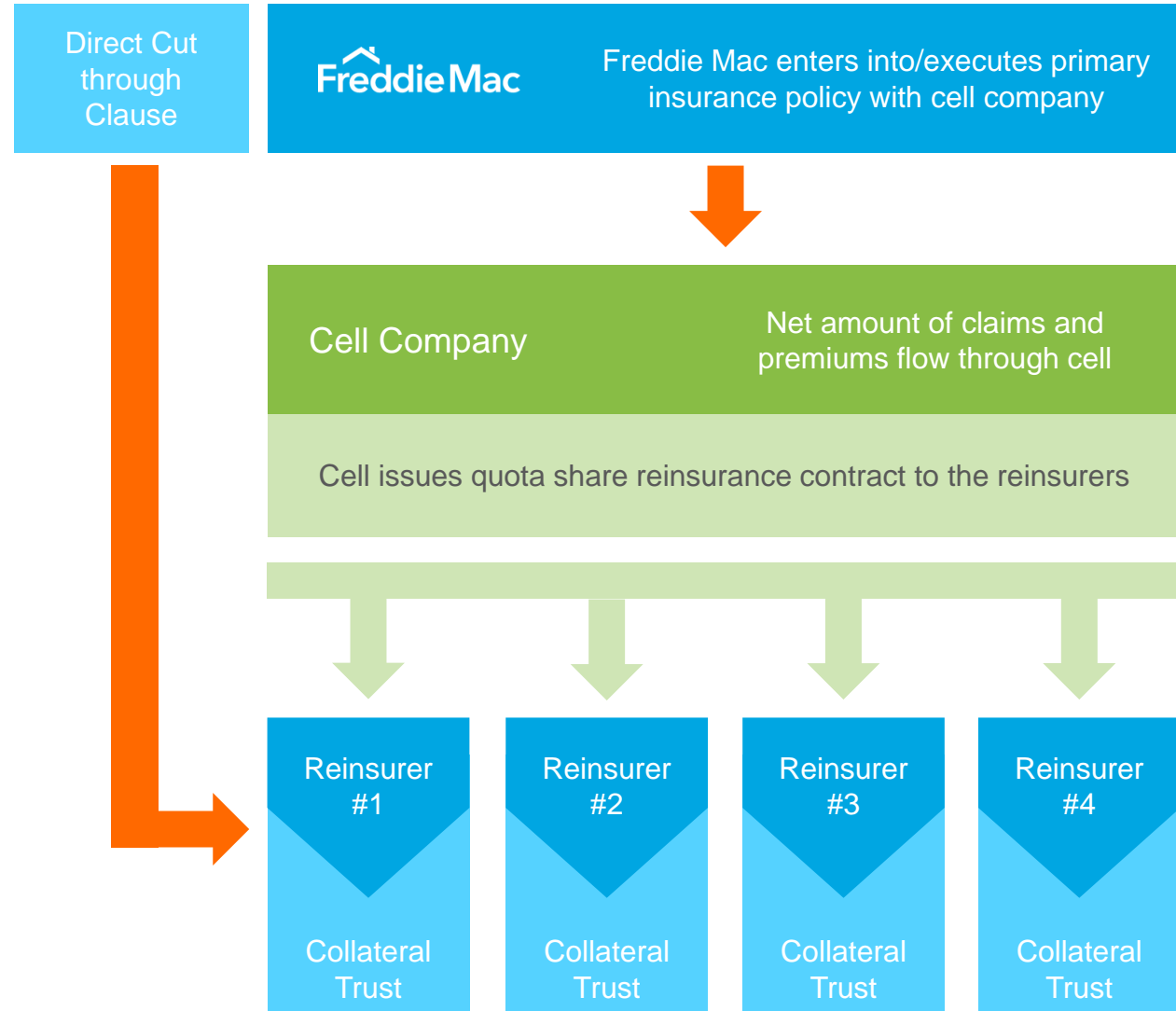
**Minimum Credit Enhancement Test:** A test that will be satisfied if the Subordinate Percentage is greater than or equal to minimum credit enhancement level

**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.



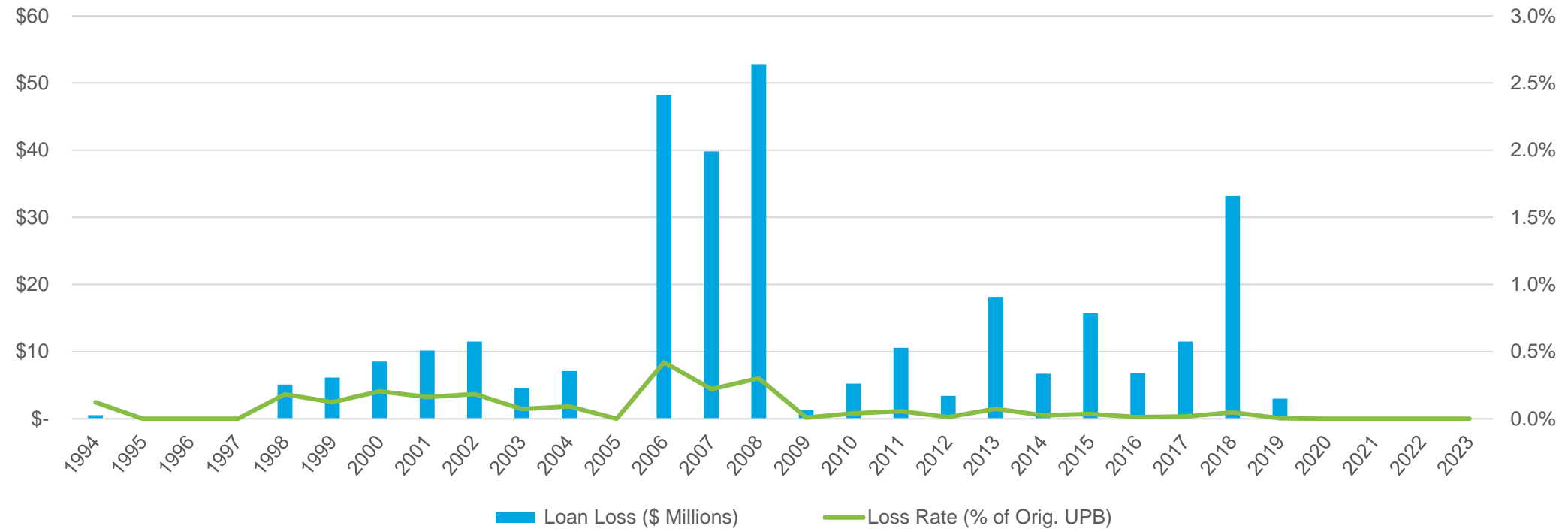
## (Re)insurer Participation

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.



## Historical Freddie Mac Multifamily Loan Performance<sup>1</sup>

### Realized Loss Comparison by Acquisition Year (1994 – 2023)



<sup>1</sup> The 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. Data as of 12/31/2023

## Additional Resources

### Stay Up to Date with Our Investor Resources

Securitization Overview - [https://mf.freddiemac.com/docs/mf\\_securitization\\_investor-presentation.pdf](https://mf.freddiemac.com/docs/mf_securitization_investor-presentation.pdf)

Multi PCs Investor Presentation - [https://mf.freddiemac.com/docs/pc\\_investor\\_presentation.pdf](https://mf.freddiemac.com/docs/pc_investor_presentation.pdf)

K-Deal 100% Guaranteed Handout - <https://mf.freddiemac.com/docs/k-deal-100-guaranteed-rated-handout.pdf>

Multi PCs Performance Data - [https://mf.freddiemac.com/docs/multi\\_pc\\_performance.pdf](https://mf.freddiemac.com/docs/multi_pc_performance.pdf)

Multifamily Securities Investor Access (MSIA) - <https://fm-msia.com/>

### Multifamily Research

#### [2024 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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