Seniors Housing Business

We focus on assisted living, independent living and memory care properties across the country

- A specialty network of Optigo® lenders with extensive experience in the seniors housing market sources assisted living, independent living and memory care properties across the United States.

- Between 1998 and June 2020, Freddie Mac purchased over $23 billion of loans in support of over 1,600 seniors housing facilities.

- Since June 2009, Freddie Mac has included Seniors Housing Loans in K-Deal® pools and Multi PCs. Approximately $18 billion of Seniors Housing Loans have been securitized.

- Our Seniors Housing program covers assisted living, independent living and memory care properties, including a limited percentage of skilled nursing units per property.

- A staff of 16 Freddie Mac Multifamily real estate professionals are primarily focused on the seniors housing sector, with over 180 years of combined industry experience.

Please visit our COVID-19 page for the latest business updates on our coronavirus response.
Seniors Housing Property Characteristics

Our credit policy and consistent underwriting practices are some of the main drivers of our strong offerings performance.

- Experienced, successful seniors housing operators and owners are prerequisites for Freddie Mac Seniors Housing Loans. Our vast experience and network enables us to identify and capture transactions with strong operational and ownership dynamics.

- Borrowers with a mix of unit types are generally able to shift up to 25% of the total number of units at a property to a higher acuity level than the acuity levels in place at loan closing, and up to 10% of the total number of units to a lower acuity level, without lender approval.

- Skilled nursing is programmatically limited to 20% of net operating income, however close to 99% of loans have none.
  - Without prior written consent, borrowers cannot provide, or contract to provide, additional skilled nursing that is not present at closing.

- The acceptance of funds from governmental sources, such as Medicaid or Medicare, for more than 5% of residents must be approved by Freddie Mac and requires a 1.10x debt coverage stressed analysis if greater than 25% of total income.

- Any property consisting of licensed assisted living or skilled units is reviewed by a third-party consultant to evaluate its risk management practices. The assessment focuses on:
  - Employee and management practices
  - Compliance with appropriate state and federal regulations
  - Verification of certain policies and procedures for resident practices
  - Incident investigations and claims management procedures.
Sourcing Our Business

**Freddie Mac Multifamily Seniors Housing team sources its loans from a select group of experienced Optigo lenders**

- The small size of the network promotes quality originations and a high level of service to lenders and borrowers
- **Seniors Housing lenders** must meet Freddie Mac’s standards for both origination and servicing of Seniors Housing Loans, which includes dedicated seniors housing finance professionals, meeting minimum financial requirements and obtaining satisfactory annual audits

**Seniors Housing Lenders**

- Arbor Agency Lending LLC
- Barings Multifamily Capital LLC
- Bellwether Enterprise Real Estate Capital LLC
- Berkadia Commercial Mortgage LLC
- Capital One, N.A.
- CBRE Capital Markets
- Grandbridge Real Estate Capital LLC
- Greystone Servicing Company
- JLL Real Estate Capital, LLC
- KeyBank NA
- M&T Realty Capital Corporation
- Newmark Knight Frank
- NorthMarq Capital
- PGIM Real Estate
- PNC Real Estate Finance
- Walker & Dunlop LLC
- Wells Fargo Multifamily Capital
Our Credit Philosophy

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

Freddie Mac makes all credit, structuring and pricing decisions working with our lenders during all aspects of the mortgage production process.

We are focused on:

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

Underwriting teams are situated throughout the country to provide market expertise.

Our Credit Approval Process

START
Lender submits loan request to Production

Production sizes, structures and submits loan for pricing

Production presents deal to regional underwriting for approval to quote

Borrower completes loan application and lender submits underwriting package

Underwriter inspects the property to include an interview with the onsite management team and completes due diligence process, reports findings in investment brief

Underwriter recommends loan for approval

Loan is APPROVED
Rate locked and funded

MULTIFAMILY SENIORS HOUSING SECURITIZATION © Freddie Mac
Mortgage Guidelines for K-Deals® Including Seniors Housing Loans

Following are the general guidelines for Freddie Mac’s Seniors Housing offerings. Please visit our Originate and Underwrite or COVID-19 pages for the latest business updates on our coronavirus response.

**Property Type**
- Seniors-focused multifamily loans secured by occupied, stabilized, or newly completed properties in lease-up
- Independent living facilities defined as properties that include optional services designed to aid the residents’ independence; some level of meal plans are provided
- Assisted living facilities defined as properties designed to provide oversight and assistance for residents with functional limitations, including all meals. Assisted living and independent living facilities may include a memory care component within the tenant mix
- The properties may include a limited number of skilled nursing units (required to generate no more than 20% of a property’s net income); at least 15% of the skilled nursing units must be allocated for residents of other types of units at the property

**Loan Terms**
- 5-, 7-, 10-, 12- and 15-year loan terms with a maximum amortization of 30 years
- May contain partial interest-only periods of 1-7 years
- Limited exposure to full-term interest-only (IO) loans
- Full-term IO loans require higher initial amortizing debt service coverage ratio (DSCR)
- Mortgages are fixed rate or floating rate
- Floating-rate mortgages are based on one-month LIBOR and generally include a third-party LIBOR cap or a Freddie Mac embedded interest rate cap
- Seniors Housing loan pools are often cross defaulted/cross-collateralized

**Borrowers**
- Single-purpose entity (SPE) is required for almost all loans greater than or equal to $5 million
- A warm-body carve-out guarantor is generally required
- Entity guarantors are acceptable but may require financial covenants or a material adverse change clause
- All borrower/sponsors have owner and operator experience on at least five profitable seniors housing properties prior to application and at least 10 years of seniors housing experience

1 Subject to certain exceptions

MULTIFAMILY SENIORS HOUSING SECURITIZATION © Freddie Mac
Mortgage Guidelines (continued)

**Underwriting**

- Effective gross income (EGI) is calculated based on trailing three-months actual rent collections or the annualized current rent roll minus a minimum 5% vacancy rate, subject to submarket data and actual rent collections
- Operating expenses are generally calculated based on trailing 12 months
- 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 greater of an engineer’s recommendation or $250/unit for IL and $300/unit for AL
- Real estate tax escrows are generally required and insurance escrows are mostly deferred as the general and professional liability policies cover multiple properties. Third-party reports are required (e.g., Phase I ESA, property condition, liability assessments, etc.)
- Third-party interest rate caps that expire prior to related mortgage maturity dates are required to be replaced. Replacement cap funds are escrowed at 125% of replacement cost and are recalculated on either an annual or semiannual basis.

**Supplemental Financing**

- Eligible one year after origination of the first mortgage. Purchased by Freddie Mac from original lender under Freddie Mac’s supplemental loan offering
- Minimum 3% net operating income (NOI) growth achieved from EGI growth is generally required to support the approval of supplement financing
- For fixed-rate loans, lower combined loan-to-value (LTV) of 75% or original LTV ratio and minimum combined DSCR of 1.30x for independent living properties and 1.40x for assisted living properties (amortizing). For floating-rate loans, these DSCRs of 1.10x for independent living and 1.15x for assisted living properties
- Monthly escrows for taxes, insurance and replacement required. If first mortgage allowed for deferral of escrows, the supplemental will trigger collection if paid or escrowed by borrower
- Subject to a pre-approved intercreditor agreement

**LTV Ratio and DSCR**

- Shorter loan terms, markets of concern, and specialty product types typically require adjustments
- All loans require a Refinance Test, unless the loan has a LTV ratio of 55% or less and an amortizing DSCR of: for independent living: ≥ 1.45x, assisted living: ≥ 1.55x, assisted living with skilled nursing beds: ≥ 1.60x, all partial-term IO loans must pass the Refinance Test
## Loan-to-Value (LTV) Ratios and Amortizing Debt Service Coverage Ratios (DSCR)

<table>
<thead>
<tr>
<th>Seniors Housing – Independent Living Conventional Maximum LTV / Minimum DSCR</th>
<th>Fixed-Rate and Floating-Rate¹ LTV/DSCR²</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortizing</td>
<td>Partial-Term Interest-Only³</td>
</tr>
<tr>
<td>≥ 5-Year and &lt; 7-Year Term</td>
<td>70% / 1.35x</td>
<td>70% / 1.35x</td>
</tr>
<tr>
<td>7-Year Term</td>
<td>75% / 1.30x</td>
<td>75% / 1.30x</td>
</tr>
<tr>
<td>&gt; 7-Year Term</td>
<td>75% / 1.30x</td>
<td>75% / 1.30x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Seniors Housing – Assisted Living (&gt;50% Assisted Living Units) Conventional Maximum LTV/ Minimum DSCR</th>
<th>Fixed-Rate and Floating-Rate¹ LTV/DSCR²</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortizing</td>
<td>Partial-Term Interest-Only³</td>
</tr>
<tr>
<td>≥ 5-Year and &lt; 7-Year Term</td>
<td>70% / 1.45x</td>
<td>70% / 1.45x</td>
</tr>
<tr>
<td>7-Year Term</td>
<td>75% / 1.40x</td>
<td>75% / 1.40x</td>
</tr>
<tr>
<td>&gt; 7-Year Term</td>
<td>75% / 1.40x</td>
<td>75% / 1.40x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Seniors Housing – Skilled Nursing (Max 20% of NOI⁴) Conventional Maximum LTV/ Minimum DSCR</th>
<th>Fixed-Rate and Floating-Rate¹ LTV/DSCR²</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortizing</td>
<td>Partial-Term Interest-Only³</td>
</tr>
<tr>
<td>≥ 5-Year and &lt; 7-Year Term</td>
<td>70% / 1.50x</td>
<td>70% / 1.50x</td>
</tr>
<tr>
<td>7-Year Term</td>
<td>75% / 1.45x</td>
<td>75% / 1.45x</td>
</tr>
<tr>
<td>&gt; 7-Year Term</td>
<td>75% / 1.45x</td>
<td>75% / 1.45x</td>
</tr>
</tbody>
</table>

¹ Floating-rate proceeds are calculated based on the equivalent fixed-note rate
² The DSCR calculated for the partial-term IO and full-term IO period uses an amortizing payment
³ For partial-term IO loans, there must be a minimum amortization period of five years for loans with terms greater than five years. Acquisition loans with five-year terms may have up to one year of partial-term IO. For terms of 10 years or more, loans may have interest only in an amount equal to no more than half of the loan term
⁴ Skilled nursing cannot exceed a maximum of 20% of the overall property NOI
K-Deal Performance – Seniors Housing

- Freddie Mac has not realized any credit losses
- Four Seniors Housing Loans ($34.7 million) are in special servicing
- One loan is REO, one loan is 90+ days delinquent, and two loans are 60-89 days delinquent.
- As measured by outstanding principal balances, only 15.57% of the unpaid loan population is on the servicers’ watchlist

### K-Deal – Seniors Housing Performance

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Number of Loans</th>
<th>UPB ($ millions)</th>
<th>Number of Delinquent Loans &gt;=60 – Days</th>
<th>UPB of Delinquent Loans &gt;=60 – Days ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Restricted</td>
<td>413</td>
<td>$4,051</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Assisted Living</td>
<td>363</td>
<td>$3,747</td>
<td>1</td>
<td>$8</td>
</tr>
<tr>
<td>Independent Living</td>
<td>226</td>
<td>$4,979</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Memory Care</td>
<td>18</td>
<td>$111</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>MHC Age Restricted</td>
<td>57</td>
<td>$676</td>
<td>1</td>
<td>$3</td>
</tr>
<tr>
<td>Senior</td>
<td>98</td>
<td>$1,014</td>
<td>1</td>
<td>$15</td>
</tr>
<tr>
<td>Various</td>
<td>13</td>
<td>$2,419</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,188</strong></td>
<td><strong>$16,997</strong></td>
<td><strong>3</strong></td>
<td><strong>$26</strong></td>
</tr>
</tbody>
</table>

Source: Freddie Mac. The additional information can be accessed at [mf.freddiemac.com/investors/presentations](http://mf.freddiemac.com/investors/presentations)

Notes: The data above provides performance information for the loans contributed to K-Deals since 2009 through June 30, 2020

1 The respective servicers maintain a watchlist for each securitization. Loans are added and removed from the watchlist in accordance with criteria established by CREFC
2 The property type “seniors” includes memory care and all seniors housing types that have not been classified as assisted living, independent living or age-restricted

MULTIFAMILY SENIORS HOUSING SECURITIZATION © Freddie Mac
Retained Portfolio Performance – Seniors Housing

The Freddie Mac Seniors Housing program has historically maintained strong performance throughout various commercial real estate cycles.

Portfolio – Seniors Housing Performance 1998-2019

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Number of Loans</th>
<th>UPB ($ millions)</th>
<th>Number of Delinquent Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assisted Living</td>
<td>345</td>
<td>$3,369</td>
<td>0</td>
</tr>
<tr>
<td>Continuing Care</td>
<td>9</td>
<td>$293</td>
<td>2¹</td>
</tr>
<tr>
<td>Independent Living</td>
<td>219</td>
<td>$2,408</td>
<td>0</td>
</tr>
<tr>
<td>Seniors Housing</td>
<td>196</td>
<td>$1,229</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>769</strong></td>
<td><strong>$7,299</strong></td>
<td><strong>2</strong></td>
</tr>
</tbody>
</table>

Source: Freddie Mac Multifamily Loan Performance Database (MLPD). The complete data can be accessed at mf.freddiemac.com/investors/sd_remic_lookup.html.

Note: MLPD excludes loans that are (or will be) put into our mortgage related securities, credit revolvers, old book (pre-1994) loans, and negotiated transactions/structured deals.

¹ Note: Both loans were paid off in 4Q2012 with total combined losses of only $2 million.
K-S13
Transaction Highlights

Overview of Deal Structure (Pricing Date: November 7th, 2019)

<table>
<thead>
<tr>
<th>Offered K-S13 Certificates:</th>
<th>Spread:</th>
<th>WAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A $448,200,000</td>
<td>L+66</td>
<td>9.59</td>
</tr>
<tr>
<td>XI $498,000,000</td>
<td>N/A</td>
<td>9.59</td>
</tr>
<tr>
<td>XP $498,000,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total Guaranteed</strong></td>
<td><strong>$448,200,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Deal Characteristics\(^1\)

- **Collateral Type**: Multifamily Seniors Housing Mortgage Loans
- **Collateral Structure Type**: Partial IO
- **Mortgaged Loans**: 2
- **Initial Underlying Pool Balance**: $498,000,000
- **Rating Agencies**: Not Rated
- **Waterfall Structure**: Pro Rata
- **Top 5 State Concentrations**: WA (41.8%), OR (21.5%), NV (20.0%), CA (14.7%), AZ (2.1%)
- **WA Margin**: 1.750%
- **WA Original Maturity**: 120 months
- **WADSCR**: 1.39x
- **WALTV**: 73.2%

Structural Diagram

Breakdown of Investors (Classes A and B)\(^2\)

- **Offered K-S13 Certificates**
  - A $448,200,000, L+66, 9.59
  - XI $498,000,000, N/A, 9.59
  - XP $498,000,000, N/A, N/A
  - **Total Guaranteed**: $448,200,000

- **Freddie Mac (Mortgage Loan Seller)**
- **FREMIF 2019-K-S13 Mortgage Trust**
- **Classes A, XI, & XP**
- **Freddie Mac SPC Trust, Series K-S13 Classes A, XI, & XP**
- **Investors (including Freddie Mac)**
  - **Institutional Investors**
    - Banks 43%
    - Insurance Company/Pension Plan 11%
    - Other 25%
  - **Money Manager** 21%

\(^1\) As of the Cut-off Date
\(^2\) As of the Closing Date
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