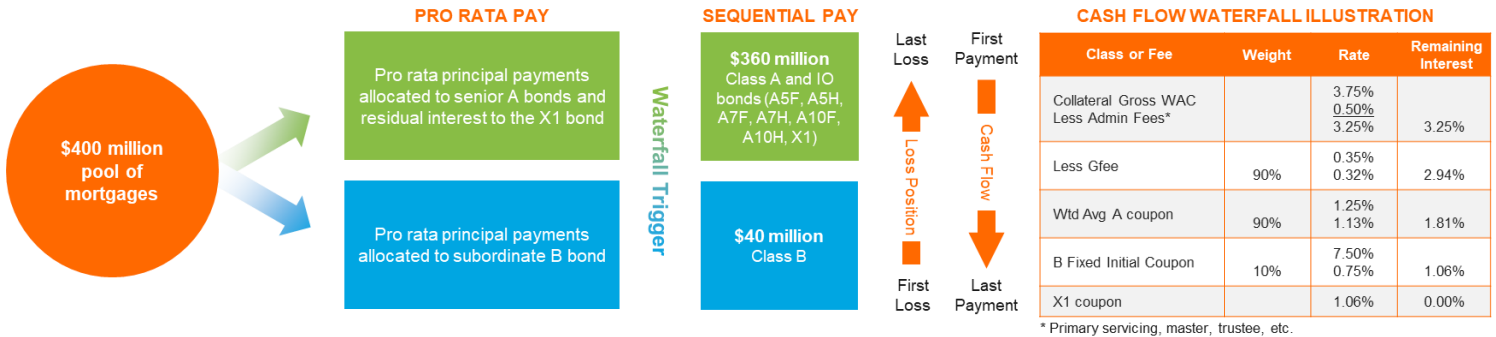




The SB-Deal[®] X1 is a Freddie Mac guaranteed interest-only bond, with both coupon and prepayment fees as dual income sources, providing a natural interest rate environment hedge.

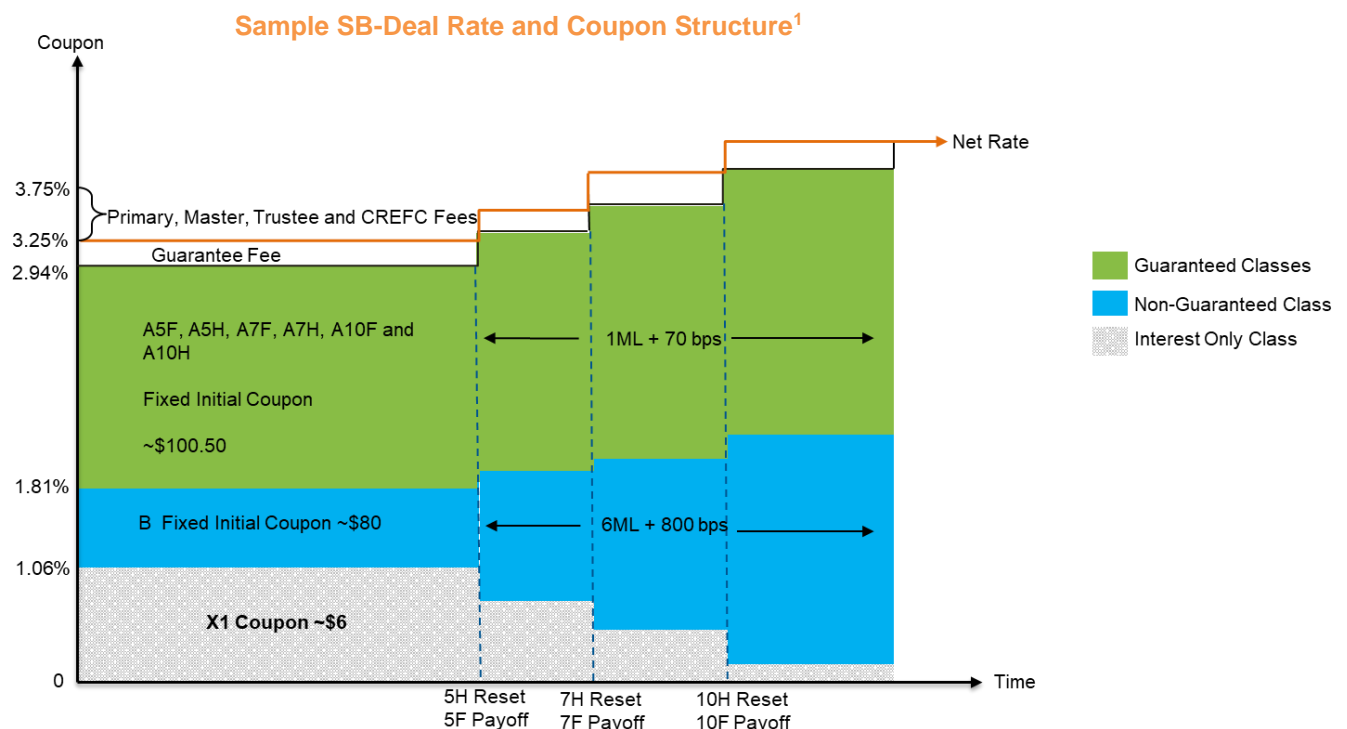
Structure and Waterfall



- SB-Deals include 5-, 7- and 10-year fixed-rate balloon loans and 20-year hybrid ARMs with 5-, 7- and 10-year initial fixed-rate periods followed by six-month floating rate-periods, all with an array of prepayment options.
- Freddie Mac does not guarantee a certain coupon to the X1, but rather guarantees the residual coupon will be paid. However, the guarantee does not cover any loss of expected yield to the X1 arising from reductions in the notional amount of the X1 or because of payment of additional interest amounts.
- Due to the collateral mix varying from deal to deal, the X1 on a \$400 million deal typically has a \$6 to \$8 price, or approximately \$25 to \$30 million market value at the 15 CPR pricing speed.

Cash Flow

The pass-through rates for X1 certificates vary and are based, as shown in the chart below, on an initial fixed-rate period followed by one-month LIBOR (or alternate index) or six-month LIBOR (or alternate index), and will be subject to capped rates based on the weighted average net mortgage pass-through rate for the related loan group or for the mortgage pool.



¹ The graph above demonstrates the pro rata pay structure before a Waterfall Trigger. For actual bond pricing, the senior bonds assume a 5% CPR prepayment speed until the earlier of each underlying loan's maturity date or first interest reset date, at which time the loans are assumed to pay off in full.



Prepayment Premiums (Static Prepayment Premiums or Yield Maintenance)

- The X1 class is the 100% beneficial owner of prepayment fees/premiums collected
- One or more holder(s) representing the majority of X1 Certificates by notional amount may waive prepayment premiums
- Premiums are not due if resulting from condemnation²

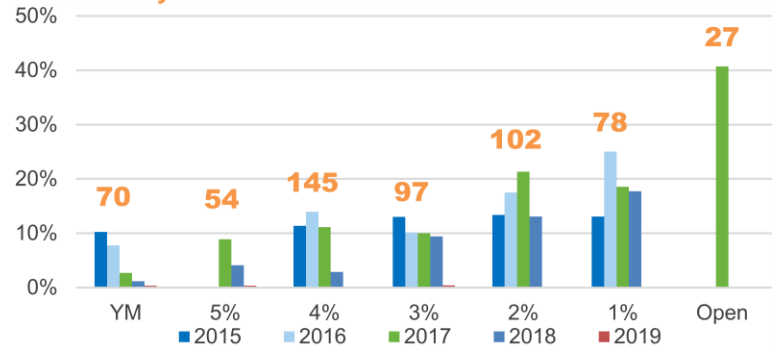
Unique Cash Flow Feature

- The Additional Interest Accrual Amount feature of SB-Deals provide for X1 cash flows to be redirected to pay any interest shortfalls to the B-piece, due to loan modifications or insufficient collections. The Freddie Mac guarantee does not cover any losses to X1 because of this feature.³

Collateral Prepayments

While most loans are subject to high premiums (high points or yield maintenance) as the below excerpt from our [January 2020 Prepayment Report](#) shows, we continue to see voluntary prepayment speeds increasing as loans season into lower prepayment premiums. We expect this behavior to continue in the future.

CPR by Loan Prepayment Phase and Payoff Loan Counts in the Past 12 Months



Pricing Scenario

X1 Certificates are priced to a 15 CPR as a proxy for an average prepay speed for the collateral. Given the multiple bond classes in a deal, each with various prepay types, and considering the prepayment behavior we have observed since the SBL program was launched in 2014, the 15 CPR speed provides a much simpler and stable pricing mechanism. While in the short term, actual prepays are much slower than the 15 CPR speed, as loans season it is expected they will have speeds much faster than 15 CPR.

Performance Through June 2020

COMBINED ISSUANCE	DEALS	LOANS	PAID OFF LOANS
\$27.5 B	75	10,443 original loan count	1,662
DELINQUENCY STATUS	AGGREGATE LOSSES	LOANS IN SPECIAL SERVICING	UNPAID BALANCE ON WATCH LIST*
0.171%	\$2.3 M	72	17.74%

Additional Resources

- [Link to SB-Deal Investor Presentation](#)
- [Link to SB-Deal Performance Report](#)
- [Link to Multifamily Forbearance Report](#)
- [Link to SBL underwriting updates](#)

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² For loans originated after January 1, 2020 (or December 5, 2019 in the case of a mortgaged real property located in King County, WA) and either (1) such condemnation is intended to result in the continued use of the mortgaged real property subject to such condemnation for residential purposes or (2) applicable law expressly requires or permits that the condemning authority or acquiring entity reimburse prepayment premiums incurred in connection with a prepayment occurring as a result of a condemnation, a prepayment premium will be due to the extent permitted by applicable law.

³ Deals prior to SB82 are also structured with Additional Interest Shortfall Amount feature that provides for X1 cash flows to be redirected to pay any interest shortfalls to the B-piece, due to loan modifications or insufficient collections.

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