Structured Credit Risk Notes (SCR Notes) Overview

As June 30, 2020

OPTIGO

Freddie Mac Multifamily

SCR Notes Program Introduction

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

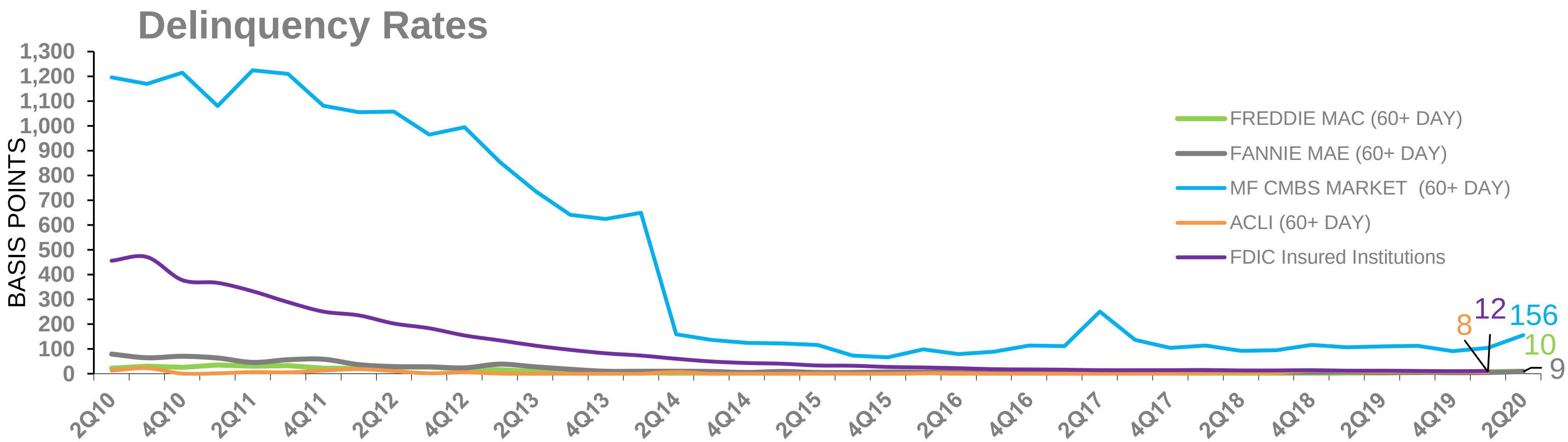
SCR Notes Program Introduction

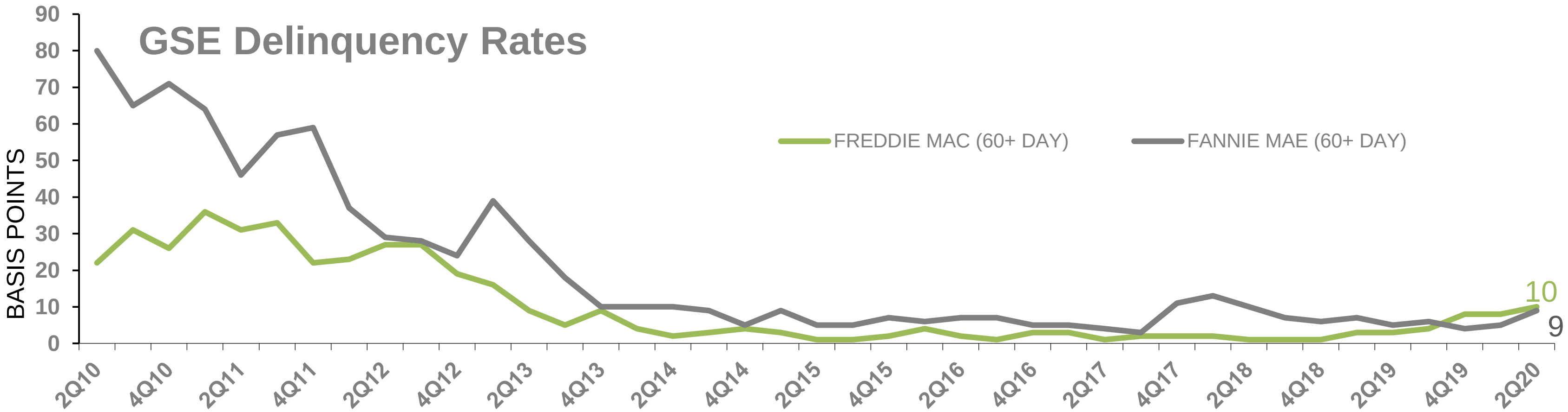
- Freddie Mac Multifamily formally announced the addition of the Structured Credit Risk Notes (**SCR Notes**) offering to its credit risk transfer platform in May 2016 (see article here).
- SCR Notes are unsecured general obligations of Freddie Mac and are subject to the performance of an identified pool (**Reference Pool**) of multifamily mortgage loans (**Reference Obligations**) (i) backing Freddie Mac Multifamily Participation Certificates (**PCs**) secured by structures with five or more units designed principally for residential use (each a **PC Reference Obligation**) or (ii) originated in connection with Freddie Mac Multifamily Targeted Affordable Housing tax-exempt bond credit enhancement program (**Affordable Housing Bond Credit Enhancement Program**), in which Freddie Mac guarantees the borrowers' payments on the Reference Obligations (each a **BCE Reference Obligation**) corresponding to the debt service payments on the related bonds (**Underlying Bonds**).
- The principal payments are determined by the delinquency and principal payment experience on the Reference Pool.
- 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.
- Freddie Mac believes the strength and credit quality of our multifamily lending programs are well-demonstrated through our historical delinquency rates.
- The reference pools are mostly associated with certain Targeted Affordable Housing (TAH) programs, the majority being the Low-Income Housing Tax Credit (LIHTC) subsidy.
- As of June 2020, Freddie Mac Multifamily has settled three SCR Notes transactions totaling approximately $2.9 billion of reference obligations.
- As of June 2020, two of the original 162 reference obligations are delinquent, twenty-nine have been paid off and two have been removed.

Freddie Mac Multifamily Performance

Multifamily Delinquency Rates

Our disciplined credit practices are one of the main drivers of the continued strong performance of our offerings



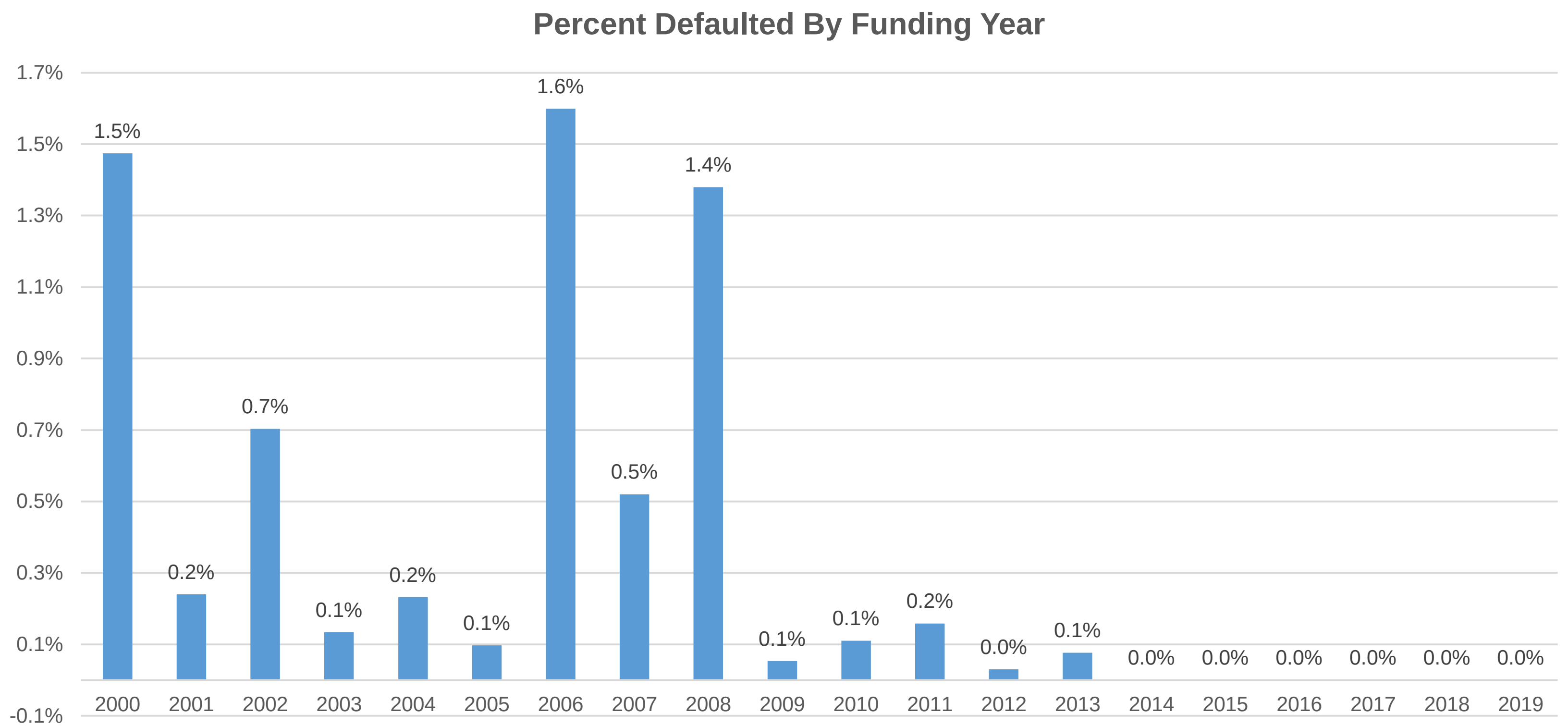


Notes: Freddie Mac does not report modified or forbearance loans in delinquency rates if the borrower is less than two monthly payments past due. Prior to 2Q20, Fannie Mae's delinquency rate included loans in forbearance. Freddie Mac and Fannie Mae's delinquency rates do not include COVID-19 related forbearance loans, which are current under their forbearance agreements. Sources: Freddie Mac, Fannie Mae, American Council of Life Insurers (ACLI) Quarterly Investment Bulletin, FDIC Quarterly Banking Profile, TREPP (CMBS multifamily 60+ delinquency rate, excluding REOs) for periods prior to 3Q17, Wells Fargo CMBS research for 4Q17- current CMBS delinquency rates. Current delinquency rates for ACLI and FDIC are not yet available.

Resources – Multifamily Loan Performance Database[1]

Multifamily Loan Performance Database (MLPD) is available on mf.freddiemac.com. It provides quarterly performance information on Freddie Mac's loans, which includes nearly 40,000 loans with a total origination UPB of over $500 billion that were purchased by Freddie Mac from 1994 through the end of 2019.

Of this reported population, approximately 0.20% has defaulted by UPB through the end of 2019.

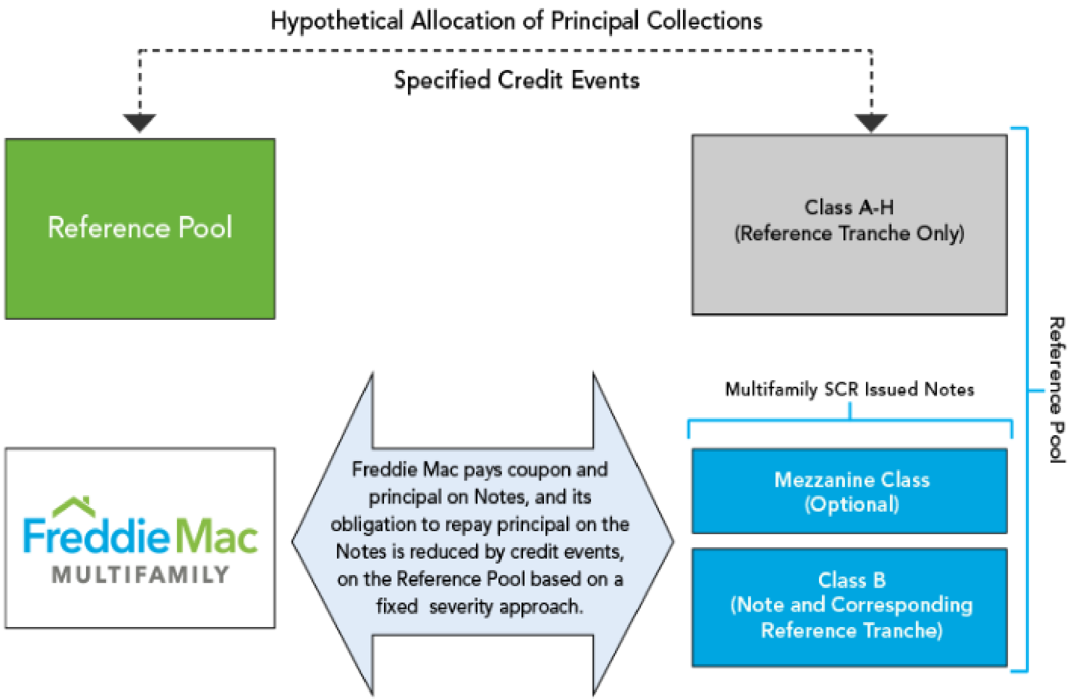


[1] The Multifamily Loan Performance Database (MLPD) provides historical information on a subset of the Freddie Mac multifamily loan portfolio. The MLPD comprises information regarding certain multifamily whole loan, K-Deal® and SB-Deal® loans. It excludes loans that are credit revolvers, sold book (pre-1994) loans, and negotiated transactions/structured deals and K001 and K002.

SCR Notes Deal Structure

Structure Overview

- SCR Notes are unsecured general obligations of Freddie Mac, which are also subject to the credit risk of an identified pool of multifamily mortgage loans (Reference Obligations): (i) backing Freddie Mac Multifamily PCs (a.k.a. **Multi PCs**); or (ii) for which Freddie Mac provides credit enhancement for the related multifamily bonds issued by state and local housing finance agencies
- SCR Note transactions provide credit protection to Freddie Mac with respect to the Reference Obligations by reducing the outstanding class principal balance due on the Notes in an amount based on the **fixed severity losses** on the Reference Obligations



Deal Waterfall: Allocation of Principal Payment and Loss Amount

Allocation of Loss on Dispositions

First – Class B Note and Class B Reference Tranche
-Write-down

Second – Class A-H Note and Class A-H Reference Tranche
-Write-down

Allocation of Principal Payment*

Class A-H Note and Class A-H Reference Tranche
-95% of principal payment

Class B Note and Class B Reference Tranche
-5% of principal payment

Allocation of Modification Loss Amounts

First – Class B Note and Class B Reference Tranche
-Interest Amount

Second – Class B Note and Class B Reference Tranche
-Write-down

Third – Class A-H Note and Class A-H Reference Tranche
-Interest Amount

Fourth – Class A-H Note and Class A-H Reference Tranche
-Write-down

*Principal Reduction Amount will be allocated pro rata between Class A-H and Class B reference tranches provided that **Waterfall Trigger Event** has not occurred. Allocation will become sequential if a Waterfall Trigger Event has occurred and is continuing. (See details in Offering documents)

Deal Characteristics

- The reference pools are mostly associated with certain TAH programs
- The Notes are fixed-rate bonds issued at par and have a 15-year final maturity with a **Bermudan call option** exercisable from the tenth year
- Freddie Mac will retain the senior reference tranche
- The B-Piece (or first-loss bond), which is not guaranteed by Freddie Mac, was sold to investors in the initial three transactions; additional mezzanine bonds may be issued in future transactions
- Although the Notes are unsecured general obligations of Freddie Mac, the payment characteristics have been designed so that the Notes are paid principal similar to senior/subordinate private label commercial mortgage-backed securities (CMBS) structure
- Freddie Mac will make monthly payments of principal and accrued interest to the Noteholders
  - Actual cash flows from the Reference Obligations will not be paid or otherwise made available to the Noteholders
- Fixed severity loss in a credit event will be based on UPB of the related mortgage loan, with the applicable severity percentage ranging from 30% to 35%.
- A **Waterfall Trigger Event** will occur if (a) the weighted-average actual DSCR of all of the Reference Obligations is less than or equal to 1.05x, (b) unpaid principal balance of the Reference Pool is less than or equal to 10% of the cut-off date balance, or (c) the class principal balance of the Notes is less than 4.5% of the aggregate class notional amount of the Class A-H and Class B reference tranches; provided that with respect to clause (c), such Waterfall Trigger Event will continue until such time as the class principal balance of the Notes is equal to or greater than 5% of the aggregate class notional amount of the Class A-H and Class B reference tranches.
- An independent operating trust? advisor will be engaged by Freddie Mac to perform certain analytical and other services
- None of the classes issued are rated

Appendices

1. 2017 MDN3 Highlights
2. TAH BCE and Loan Products
3. Underwriting Guidelines
4. Research on Tax Credit/LIHTC Properties Performance

Appendix 1: 2017-MDN3 Highlights

Category	Data Point
Number of Loans / properties in the Reference Pool:	48/51
Pool cut-off date balance:	$994,405,308
Average loan balance:	$20,716,777
10 largest assets as a percentage of pool:	60.7%
Weighted average cut-off date balance LTV:	66.4%
Weighted average maturity date balance LTV:	42.7%
Weighted average underwritten DCR:	1.50x
Weighted average current mortgage rate*:	4.358%

**Reflects the current index rate plus margin for variable-rate loans for the cut-off date*

Ten Largest Cut-Off Date Reference Obligations or Combinations of Reference Obligations

Reference Obligation Name	Number of Reference Obligations	Property Sub-Type	Location	Reference Obligation Rate Type	Cut-off Date Principal Balance	% of Initial Cut-off Date Principal Balance	Underwritten DSCR	Cut-off Date LTV Ratio	Gross Rate
Mima Apts.	1	HighRise	New York, NY	Variable	$103,500,320	10.4%	1.95x	53.2%	2.986%
Parkchester Condominiums	1	HighRise	Bronx, NY	Fixed	101,812,204	10.2	1.37x	59.2%	4.670%
Avalon Clinton North	1	HighRise	New York, NY	Variable	68,397,624	6.9	2.52x	58.6%	2.445%
Savoy Park Apartments	1	HighRise	New York, NY	Fixed	59,732,500	6.0	1.20x	74.7%	3.740%
Avalon Clinton South	1	HighRise	New York, NY	Variable	56,532,730	5.7	2.52x	59.1%	2.445%
Leggett Avenue Portfolio	1	MidRise	Various, NY	Fixed	54,341,360	5.5	1.16x	72.9%	5.580%
Buena Vista Apartments - A Piece	1	HighRise	Yonkers, NY	Fixed	50,187,100	5.0	1.20x	52.4%	6.000%
Fox Hill Apartments	1	MidRise	Staten Island, NY	Fixed	43,415,166	4.4	1.16x	83.5%	5.410%
Ncc Manor	1	Senior Apts	Newark, NJ	Fixed	33,666,796	3.4	1.17x	66.6%	5.380%
Channel Square Apartments	1	HighRise	Washington, DC	Fixed	32,500,000	3.3	1.25x	85.1%	4.020%
Total/Wtd. Average	**10**				**$604,085,799**	**60.7%**	**1.62x**	**63.8%**	**4.080%**

Appendix 2: Bond Credit Enhancement with 4% LIHTC Product

	Converted Bond Forwards	Immediate Funding	Preservation Rehabilitation
Eligible Property Types	To-be-built or substantially rehabilitated garden, mid-rise, or high-rise multifamily properties with 4% LIHTC	Garden, mid-rise, or high-rise multifamily properties with 4% LIHTC that maintain 90% occupancy for 90 days	Garden, mid-rise, or high-rise multifamily properties with 4% LIHTC undergoing moderate rehabilitation with tenants in place
Terms	Minimum term: Remaining LIHTC compliance period or 15 years, whichever is less Maximum term: 35 years	Minimum term: Remaining LIHTC compliance period or 15 years, whichever is less Maximum term: 35 years	Minimum term: Remaining LIHTC compliance period or 15 years, whichever is less Maximum term: 35 years Rehabilitation/stabilization period (at a maximum of 24 months) will be included in loan term
Optigo® Product Description	Bond credit enhancement for new construction or substantial rehabilitation of affordable multifamily properties with 4% LIHTC	Bond credit enhancement for the acquisition or refinance of stabilized affordable multifamily properties with 4% LIHTC with at least seven years remaining in the LIHTC compliance period	Bond credit enhancement provided for the moderate rehabilitation of affordable multifamily properties with new 4% LIHTC and tenants in place
Type of Funding	Bond credit enhancement available during construction phase (funded forward); letter of credit collateral required during construction phase; bond credit enhancement during permanent phase following successful conversion Forward commitment to provide bond credit enhancement upon successful conversion from construction phase to permanent phase	Bond credit enhancement for fixed- or variable-rate tax-exempt bonds	Bond credit enhancement for acquisition/rehabilitation based on projected post-rehab net operating income (NOI); cash or letter of credit collateral required to fund gap between supportable debt on current NOI and bond mortgage loan amount (collateral held until stabilization); interest only available during the rehabilitation/ stabilization period

Appendix 2: 9% LIHTC Cash Loan Product

	Converted Loan Forwards	Immediate Funding	Preservation Rehabilitation
Eligible Property Types	To-be-built or substantially rehabilitated garden, mid-rise, or high-rise multifamily properties with 9% LIHTC	Garden, mid-rise, or high-rise multifamily properties with 9% LIHTC with 90% occupancy for 90 days	Garden, mid-rise, or high-rise multifamily properties with 9% LIHTC that are undergoing moderate rehabilitation with tenants in place
Terms	Minimum term: Lesser of 15 years or the remaining LIHTC compliance period; 15 years with HUD risk sharing Maximum term: 35 years	Minimum term: Lesser of 15 years or the remaining LIHTC compliance period;15 years with HUD risk sharing Maximum term: 35 years	Minimum term: Lesser of 15 years or the remaining LIHTC compliance period; 15 years with HUD risk sharing Maximum term: 35 years Rehabilitation and stabilization period (at a maximum of 24 months) will be included in the loan term
Construction Loan Terms	Maximum forward commitment term: 36 months plus a free six-month extension during construction period	N/A	N/A
Optigo Product Description	Forward commitment for new construction or substantial rehabilitation of affordable multifamily properties with 9% LIHTC	Financing for the acquisition or refinance of stabilized affordable multifamily properties with 9% LIHTC with at least seven years remaining in the LIHTC benefit period	Financing for the moderate rehabilitation of affordable multifamily properties with new 9% LIHTC and tenants in place
Type of Funding	Funded or unfunded construction financing commitment; permanent financing at conversion	Permanent financing	Financing for acquisition/ rehabilitation (for a maximum of 24 months) based on projected post-rehabilitation ~~net operating income~~ NOI; cash or letter of credit collateral required to collateralize gap between supportable debt on current NOI and loan amount (collateral held until stabilization); interest only during the rehabilitation/stabilization period

Appendix 3: TAH Products Underwriting Guidelines

Property Types

- Generally garden, mid-rise, or high-rise multifamily properties

Original Loan Terms

- Maximum term of 35-year term and amortization period
- Minimum term based on the lesser of (a) the remaining LIHTC compliance period and (b) 15 years

Maximum LTV

- Variable rate (with rate cap hedge): 80% of adjusted value or 85% of market value
- Fixed rate: 85% of adjusted value or 90% of market value

Minimum DCR*

- Variable rate (with rate cap hedge): 1.20x
- Fixed rate: 1.15x

Borrowers

- Single asset entity borrowers

Supplemental Financing

- Permitted upon approval and underwriting**
- Any such financing would also need the consent of the corresponding state FHA who issued the bonds

Prepayment Provisions

- Fee maintenance up to 15 years

Other Origination & Underwriting Provisions

- Tax and insurance escrows are required
- Appraisal, environmental and engineering reports required at origination

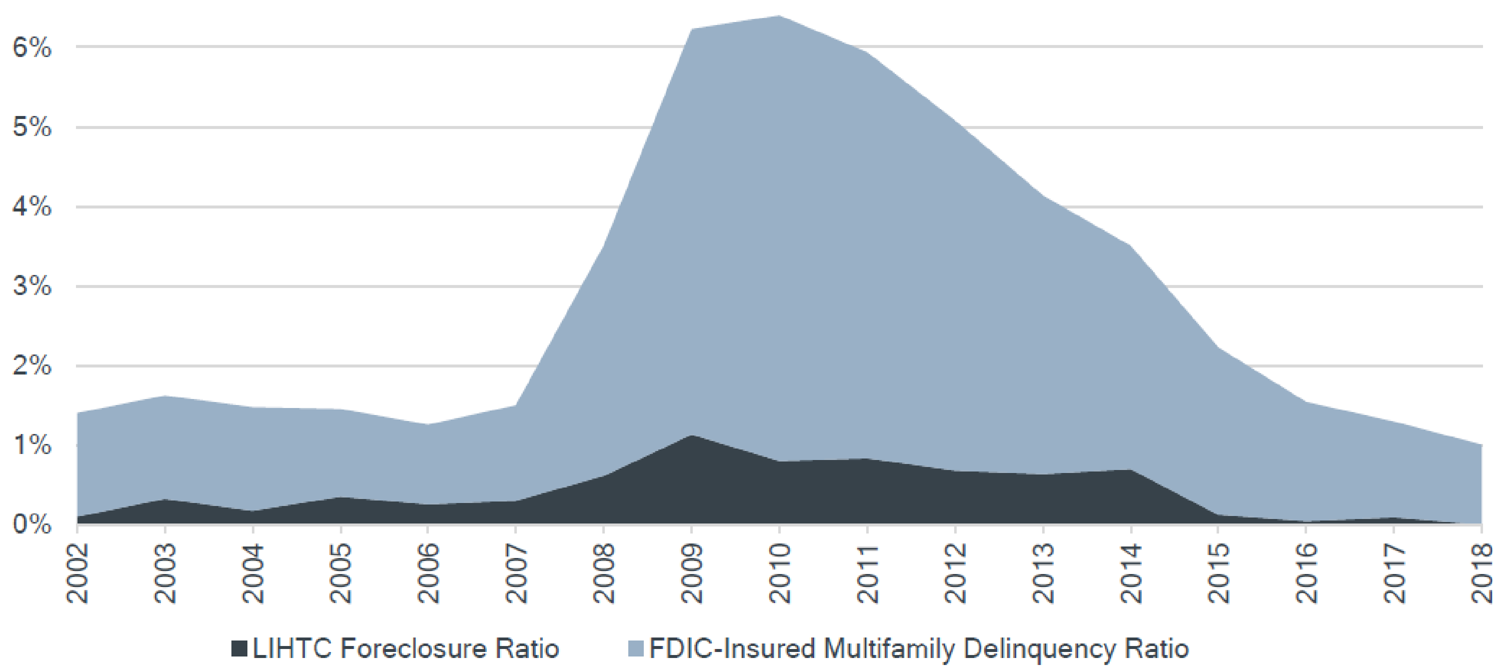
*Adjustments may be made depending on the property, product, and/or market

**Certain loans designated as B-piece, C-piece, IRP, tax tail, etc., may have been underwritten to different criteria from the above

Appendix 4: LIHTC Performance

Within the multifamily space, LIHTC properties exhibited a lower foreclosure rate than conventional multifamily properties

Annual LIHTC Foreclosure Rate vs. Conventional Multifamily Delinquency Rate



Source: Cohn Reznick: Housing Tax Credit Investments: Investment and Operational Performance (November 2019)

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