

# When-Issued K-Deal<sup>®</sup> Program Overview

**Investor Presentation**

September 2021

## When-Issued K-Deal (WI K-Deal)

WI K-Deal<sup>®</sup> trust certificates are bonds that better align our multifamily loan originations with our multifamily securities investors by shortening the period between loan originations and security issuance

### What is the difference between our WI and a forward contract?



Funded

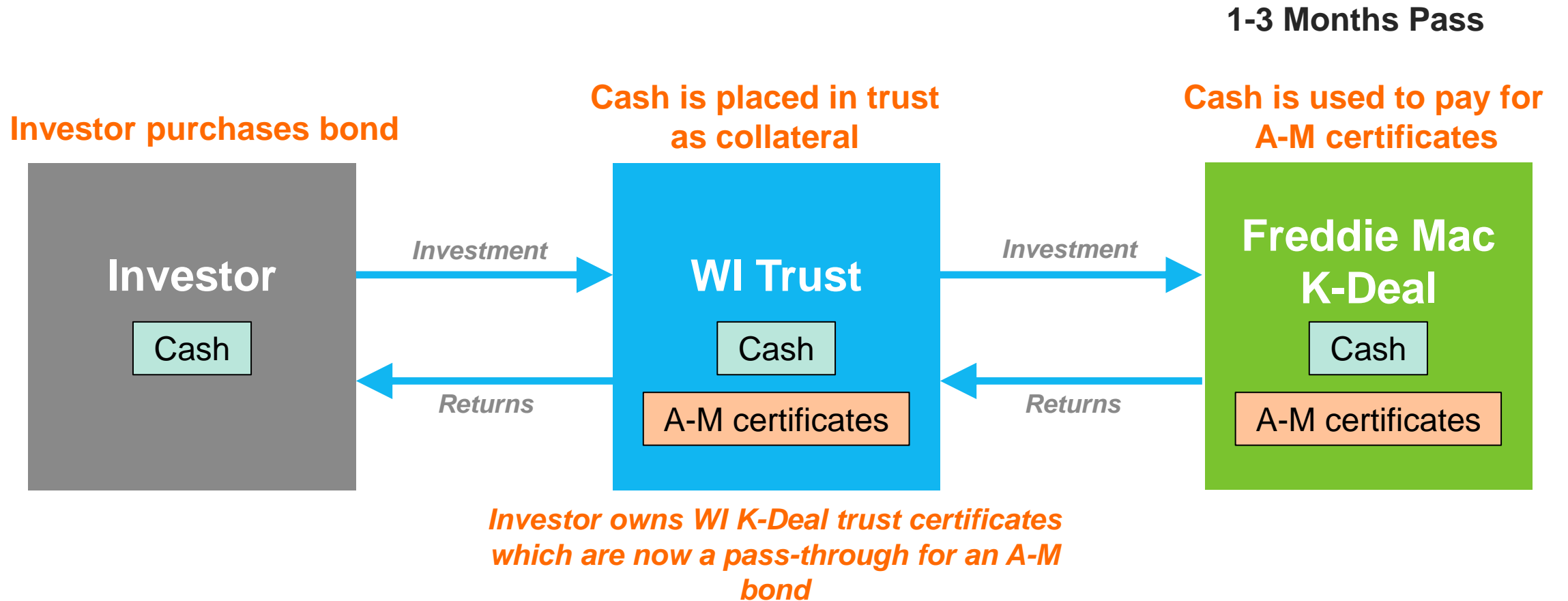


Pays K-Deal returns from settlement



Tradeable in DTC

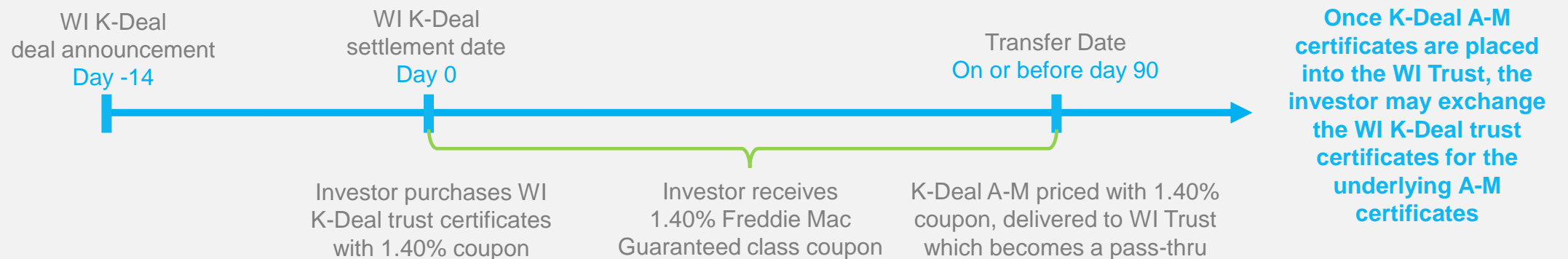
## What is a When-Issued K-Deal?



## The When-Issued K-Deal program offers investors a funded way to purchase K-Deal A-M certificates prior to K-Deal settlement

- Investors purchase WI K-Deal trust certificates which are backed by cash collateral for 90 days or less
- After the WI K-Deal settlement date and prior to the referenced K-Deal settlement (Pre-Transfer Period), investors earn the same guaranteed class coupon as the referenced K-Deal A-M
- When the referenced K-Deal settles (Transfer Date), the WI Trust will replace its cash collateral with newly issued K-Deal A-M certificates
- Because there are no loans referenced at the time of the WI K-Deal settlement, general pool parameters will be provided to the investor
- At any point after the Transfer Date, the investor may, but is not required to, exchange the WI K-Deal trust certificates and receive the underlying A-M certificates

### Hypothetical WI K-Deal Timeline



## WI K-Deal Program Details

### Sale to Investor

WI K-Deal trust certificates are a funded investment which settles immediately after the WI K-Deal offering period

### Features

- The WI K-Deal trust certificates are tradeable shortly after pricing
- These are public securities backed by the Freddie Mac guarantee

### Term

Less than or equal to 10.25 years for 10-year fixed-rate K-Deals and 7.25 years for 7-year fixed-rate K-Deals

### Coupon

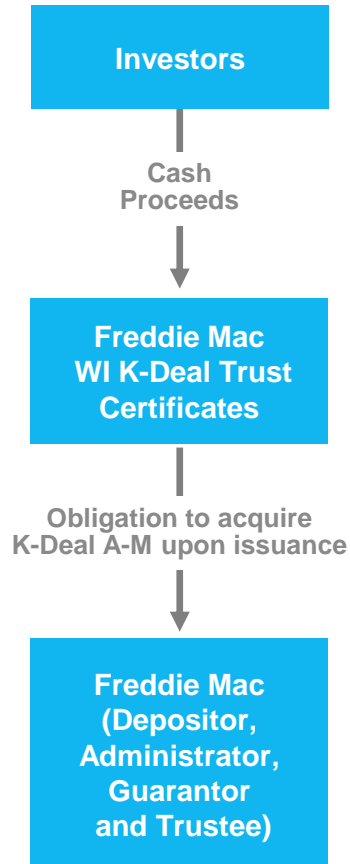
Fixed rate

### Size

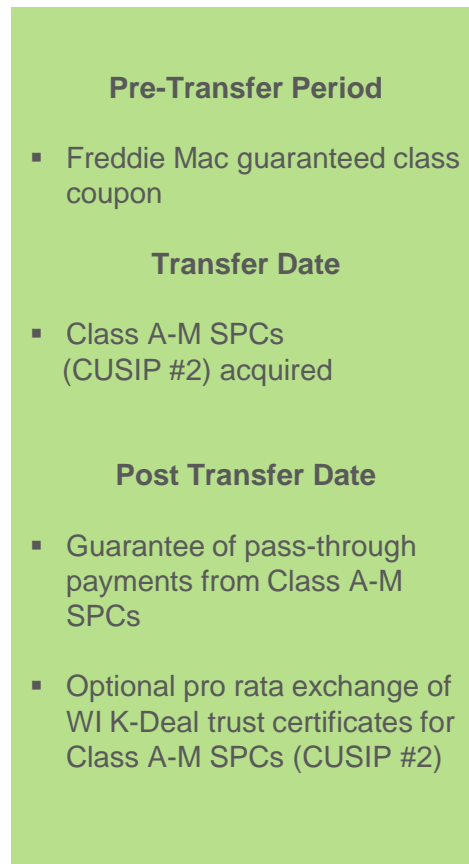
Approximately sized to the referenced K-Deal A-M

# Sample Program Structure<sup>1</sup>

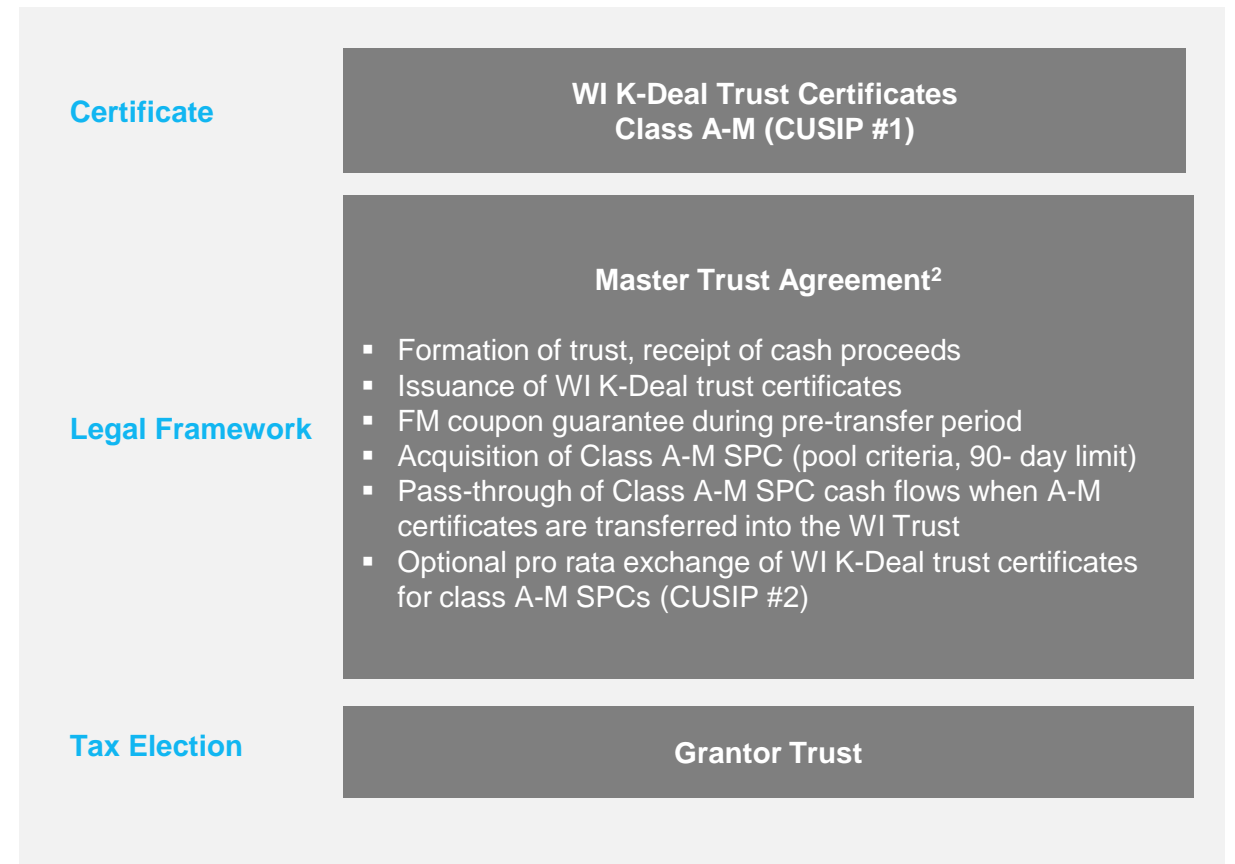
## Forward Commitment between WI and Freddie Mac



## Sequence



## Legal Overview



<sup>1</sup> This sample program structure is intended for informational purposes only and may differ from the program structure for a particular transaction. Please review the offering documents before making your investment decisions

<sup>2</sup> WI K-Deal trust certificates issued pursuant to Master Trust Agreement and Terms Supplement

## Pool Parameters

### K-Deal collateral criteria<sup>1</sup> will generally be:

- **WA DSCR > 1.35x**, though typical deals range between 1.40x and 1.50x
- **WA LTV < 73%**, though typical deals range between 69% and 71%
- **Student Loan Concentration < 10%**, though typical deals < 5%
- **Seniors Housing Concentration < 10%**, though typical deals < 5%
- **Manufactured Housing Community < 15%**, though typical deals < 10%
- **Largest Loan or Crossed Loan Group Concentration < 15%**
- **Top 10 Loan Concentration < 65%**
- **WA Loan Seasoning < 9 months**
- **Standard Defeasance Call Protection > 90%**

#### WA LTV and DSCR for K-100 to K-130<sup>2</sup>

	WA LTV	WA DSCR
<b>WA</b>	69%	1.64x
<b>Min</b>	65%	1.40x
<b>Max</b>	71%	2.12x

<sup>1</sup> The Pool Parameters for any particular deal may differ from the Pool Parameters outlined here. Please review the offering documents before making your investment decisions.

<sup>2</sup> Future collateral characteristics may differ from historical averages.

## Tax Considerations

- K-Deal REMIC qualification is not impacted
- Solely for U.S. federal income tax purposes, the arrangement will be treated as a forward contract
- Tax opinions to be provided generally to the effect that:
  - The WI Trust will be classified as a “grantor trust”
  - A transfer of A-M Certificates to the WI Trust in performance of the forward contract on the K-Deal settlement date will not result in tax gain or loss to an investor
- An Automatic Termination may result in a tax gain or loss to an investor
- Coupon payments prior to the K-Deal settlement date will be treated as payments of U.S.-source income and non-U.S. investors will be subject to U.S. withholding tax

## Automatic Termination

Automatic Termination if the target K-Deal is not issued in Settlement Window

- Settlement Window: The corresponding K-Deal must be placed into the WI K-Deal Trust within 90 days. If the window is passed, WI K-Deal trust certificates will be redeemed at the original principal balance plus a Yield Maintenance Payment (see Yield Maintenance Payment in the attached Appendix) to compensate the investor for changes in reference interest rates.



## Appendix A: A-M Class Overview

**K-Deal A-M class is a guaranteed agency target par bond with a bullet-like structure, fixed interest payments and 5.0% credit enhancement**

### A-M Class Highlights

- Freddie Mac guaranteed class: A-M Class is ~13.5% of the structure
- Bullet-like structure: Steady cash flows with a tight principal window
- Credit enhancement of 5%: Freddie Mac has not realized any credit losses on our K-Deal guarantees as of June 30, 2021
- Target par price

### A-M vs. A-2 Class

- A-M benefits from a bullet-like structure: See prepayment speeds in A-M and A-2 class below\*

### Percentage of Initial Principal Balance Outstanding

**Class A-M Certificates**  
0% CPR During Lockout, Defeasance, Yield Maintenance and Static Prepayment Premium Periods  
— Otherwise at Indicated CPR

Following the Distribution Date in—	Prepayments				
	0% CPR	25% CPR	50% CPR	75% CPR	100% CPR
Closing Date.....	100%	100%	100%	100%	100%
August 2022 .....	100%	100%	100%	100%	100%
August 2023 .....	100%	100%	100%	100%	100%
August 2024 .....	100%	100%	100%	100%	100%
August 2025 .....	100%	100%	100%	100%	100%
August 2026 .....	100%	100%	100%	100%	100%
August 2027 .....	100%	100%	100%	100%	100%
August 2028 .....	100%	100%	100%	100%	100%
August 2029 .....	100%	100%	100%	100%	100%
August 2030 .....	100%	100%	100%	100%	100%
August 2031 and thereafter.....	0%	0%	0%	0%	0%
Weighted average life (in years) .....	9.94	9.93	9.93	9.91	9.69

**Class A-2 Certificates**  
0% CPR During Lockout, Defeasance, Yield Maintenance and Static Prepayment Premium Periods  
— Otherwise at Indicated CPR

Following the Distribution Date in—	Prepayments				
	0% CPR	25% CPR	50% CPR	75% CPR	100% CPR
Closing Date.....	100%	100%	100%	100%	100%
August 2022 .....	100%	100%	100%	100%	100%
August 2023 .....	100%	100%	100%	100%	100%
August 2024 .....	100%	100%	100%	100%	100%
August 2025 .....	100%	100%	100%	100%	100%
August 2026 .....	100%	100%	100%	100%	100%
August 2027 .....	100%	100%	100%	100%	100%
August 2028 .....	100%	100%	100%	100%	100%
August 2029 .....	100%	100%	100%	100%	100%
August 2030 .....	100%	100%	100%	100%	100%
August 2031 and thereafter.....	0%	0%	0%	0%	0%
Weighted average life (in years) .....	9.72	9.70	9.69	9.66	9.47

## Appendix B: General Performance Overview

### Freddie Mac Loan Performance

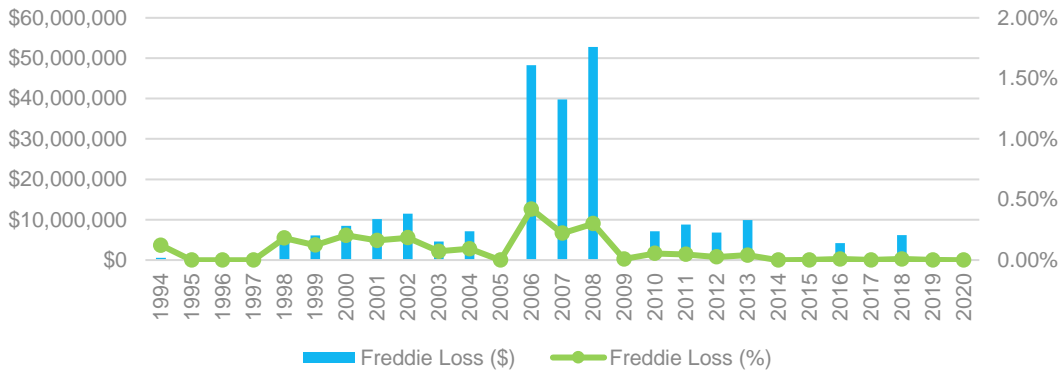
Historical loss severity is about 27% since 1994, as of December 31, 2020

Based on historic performance from 1994 through the end of 2020, which includes nearly 44,000 loans with a total origination unpaid principal balance of over \$570 billion that were purchased by Freddie Mac.

Losses and loss severity of disposed properties:

- Properties disposed (count) - 91
- Properties disposed (\$ millions) - \$835.50 million
- Total credit loss (\$ millions) - \$224.00 million
- Loss severity including REO, FCL and selling expenses (%) - 27%

**Freddie Mac Realized Loss by Acquisition Year (1994-2020)**



Source: Multifamily Loan Performance Database (MLPD) is available on [mf.freddiemac.com](http://mf.freddiemac.com). It provides quarterly performance information on Freddie Mac's loans, which includes nearly 44,000 loans with a total origination UPB of over \$570 billion that were purchased by Freddie Mac from 1994 through the end of 2020. 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 in K001 and K002

### Loss Scenarios

As of June 30, 2021, Freddie Mac has not realized any credit losses on our K-Deal guarantees. There has been \$30.13 million in total losses realized by B-piece investors (representing < 1 bp of total issuance) since the inception of K-Deals in 2009.

K-Deal	Prospectus Loan ID	UPB Amount at Transfer to SS	Realized Loss to Trust	% Loss to Deal Balance	% Loan Loss Severity
K003	25	\$14,953,039	\$5,000,000	0.47%	33.44%
K006	67	\$3,715,522	\$374,943	0.03%	10.09%
K009	41	\$9,109,329	\$1,890,194	0.15%	20.75%
K012	62	\$5,409,016	\$2,920,091	0.26%	53.99%
K014	27	\$14,542,220	\$1,750,639	0.15%	12.04%
K018	26	\$16,842,963	\$3,509,789	0.29%	20.84%
K057	51	\$7,964,399	\$3,018,419	0.25%	37.90%
KF01	62	\$7,895,422	\$3,399,207	0.25%	43.05%
KX01	14	\$12,794,106	\$8,266,719	2.10%	64.61%

### Certificate yields under various constant default rate (CDR) scenarios with 40% loss severity\*

	Class A-1	Class A-2	Class A-M
<b>0 CDR (0.00% Cumulative Net Loss)</b>			
Yield	1.23%	1.43%	1.49%
WAL (Years)	7.37	9.71	9.94
<b>1 CDR (2.95% Cumulative Net Loss)</b>			
Yield	1.22%	1.43%	1.49%
WAL (Years)	5.92	9.68	9.95
<b>2 CDR (5.71% Cumulative Net Loss)</b>			
Yield	1.22%	1.42%	1.49%
WAL (Years)	4.89	9.60	9.91
<b>5 CDR (12.94% Cumulative Net Loss)</b>			
Yield	1.21%	1.41%	1.49%
WAL (Years)	3.50	9.19	8.39
<b>10 CDR (22.06% Cumulative Net Loss)</b>			
Yield	1.21%	1.38%	1.48%
WAL (Years)	2.79	8.41	5.66

\* Illustrative and subject to final pricing, please refer to the applicable deal offering documents. Table calculated using Modeling Assumptions as described in the Offering Documents with the following exceptions: (i) defaults start immediately, (ii) 24 months recovery lag and no defaults 24 months prior to the applicable maturity date for all mortgage loans and (iii) loss severity of 40%

## Appendix C: Yield Maintenance Payment <sup>1,2</sup>

**Below is a sample Yield Maintenance (YM) payment in the event of an Automatic Termination. The YM payment is intended to compensate an investor who took duration risk.**

**N** – The number of months remaining to a date which is three months before the final payment date (minimum 84 or 120 months)

**Coupon** – The Coupon set at the time of pricing the WI K-Deal trust certificates

**ARR** – At the WI K-Deal Trust termination, the Assumed Reinvestment Rate is set based on the interpolated CMT curve for the remaining term of the WI K-Deal Trust, set five business days before the prepayment date

**PVF** – Present Value of Annuity :  $[ 1 - (1 / 1 + ARR)^N ] / ARR$

$UPB * [ (Coupon/12) - (ARR / 12) ] * [ [ 1 - (1 / (1 + ARR / 12))^N ] / (ARR/12) ] = YM Due$

**UPB** | **Excess Interest** | **PV Factor**

**Example** – Coupon = 1.50%, ARR = 1.30%, N = 120 months, Remaining UPB = \$10 million

$10,000,000 * [ (1.50\%/12) - (1.30\%/12) ] * [ [ 1 - (1 / (1 + 1.30\%/12))^120 ] / (1.30\%/12) ] = \$187,450$

<sup>1</sup> The YM payment for any particular deal may differ from the YM payment outlined here. Please review the offering documents before making your investment decisions.

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