UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission File Number: 001-34139

FreddieMac

Federal Home Loan Mortgage Corporation
(Exact name of registrant as specified in its charter)

Federally chartered corporation	52-0904874	8200 Jones Branch Drive McLean, Virginia	22102-3110	(703) 903-2000
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*	*(Address of principal executive offices)*	*(Zip Code)*	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 16, 2020, there were 650,059,033 shares of the registrant's common stock outstanding.

Table of Contents

MD&A TABLE INDEX

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q includes forward-looking statements that are based on current expectations, including the effects the COVID-19 pandemic and the actions taken in response may have on our liquidity, business activities, financial condition, and results of operations, and are subject to significant risks and uncertainties. These forward-looking statements are made as of the date of this Form 10-Q. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q. Actual results might differ significantly from those described in or implied by such statements due to various factors and uncertainties, including those described in the **Forward-Looking Statements** *and* **Other Information - *Risk Factors*** *sections of this Form 10-Q and the* **Business, Forward-Looking Statements,** *and* **Risk Factors** *sections of our Annual Report on Form 10-K for the year ended December 31, 2019, or 2019 Annual Report.*

Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the **Glossary** *of our 2019 Annual Report.*

You should read the following **MD&A** *in conjunction with our 2019 Annual Report and our condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2020 included in* **Financial Statements***.*

INTRODUCTION

Freddie Mac is a GSE chartered by Congress in 1970. Our public mission is to provide liquidity, stability, and affordability to the U.S. housing market. We do this primarily by purchasing residential mortgage loans originated by lenders. In most instances, we package these loans into guaranteed mortgage-related securities, which are sold in the global capital markets and transfer interest-rate and liquidity risks to third-party investors. In addition, we transfer mortgage credit risk exposure to third-party investors through our credit risk transfer programs, which include securities- and insurance-based offerings. We also invest in mortgage loans and mortgage-related securities. We do not originate loans or lend money directly to mortgage borrowers.

We support the U.S. housing market and the overall economy by enabling America's families to access mortgage loan funding with better terms and by providing consistent liquidity to the multifamily mortgage market. We have helped many distressed borrowers keep their homes or avoid foreclosure. We are working with FHFA, our customers, and the industry to build a better housing finance system for the nation.

COVID-19 Pandemic Response Efforts

Late last year, a novel coronavirus disease, later named COVID-19, was detected, and outbreaks of COVID-19 have since spread globally, causing significant adverse effects on populations and economies. The outbreak of COVID-19 was declared a pandemic by the World Health Organization (WHO) on March 11, 2020. President Trump declared the COVID-19 pandemic a national emergency in the United States on March 13, 2020, and all states have declared states of emergency. The COVID-19 pandemic continues to evolve rapidly both globally and domestically. In response, many state and local governments have enacted measures designed to curb the spread of the disease that have severely curtailed economic activity and significantly increased unemployment levels. We remain focused on serving our mission and the crucial role we play in the U.S. housing finance system while supporting the health and safety of our communities, customers, and staff. We continue to actively monitor the situation and make decisions based on guidance from national and state governments and public health authorities, including the WHO and U.S. Centers for Disease Control and Prevention (CDC).

Ensuring Business Continuity and Supporting Our Staff and Community

We have business continuity plans in place to ensure we are fulfilling our mission while protecting our staff and community. We have activated our Crisis Management Team (CMT), consisting of representatives from across the company. The CMT and senior leaders are meeting regularly, closely monitoring the situation, and providing frequent updates to our Board of Directors and staff.

We have taken several actions in line with guidance from national and state governments and public health authorities to ensure business continuity, including requiring more than 95% of our staff to work remotely and taking specific actions to protect and support essential staff working in our offices, such as social distancing, face coverings, and frequent deep cleanings.

In addition to these actions, we have been engaging with FHFA and third parties to ensure continuity of critical business activities that will allow us to serve our mission and support the U.S. housing finance system during this pandemic.

We have also taken actions to support our staff and community, including providing additional paid sick leave to our staff to care for themselves or family members due to COVID-19 related illness, partnering with our vendors to ensure workers dedicated to Freddie Mac continue to receive pay and benefits, and launching virtual volunteering opportunities for staff to support their communities.

Providing Assistance to Homeowners and Supporting the Single-Family Mortgage Market

We have taken actions to help make sure homeowners with Freddie Mac-owned mortgages who are directly or indirectly affected by COVID-19 are able to stay in their homes during this challenging time. In March 2020, FHFA directed Freddie Mac and Fannie Mae (the Enterprises) to suspend foreclosures and evictions for homeowners with an Enterprise-backed single-family mortgage for at least 60 days due to the COVID-19 pandemic. The suspension of foreclosures and evictions will remain in effect until May 17, 2020, and if necessary, at the direction of FHFA, may be extended beyond that date.

We are also offering additional mortgage relief options for borrowers affected by COVID-19, including:

- Providing mortgage forbearance for up to 12 months;
- Waiving assessments of penalties and late fees;
- Suspending reporting to credit bureaus of delinquency related to forbearance; and
- Offering loan modification options that lower payments or keep payments the same after the forbearance period.

These measures apply to borrowers who are unable to make their mortgage payments due to financial hardship resulting from the impact of COVID-19, regardless of whether they have contracted the virus. Borrowers are eligible for forbearance regardless of whether their property is owner occupied, a second home, or an investment property.

We will also be providing servicers a payment deferral option to offer to eligible homeowners beginning on July 1, 2020. This solution, a broad offering that, at the direction of FHFA, is aligned with Fannie Mae's approach, is available to homeowners who have endured a short-term hardship and subsequently resolved it (including but not limited to hardships related to COVID-19), and provides them with a means to make up for missed payments. The payment deferral provides relief to eligible borrowers who have the financial capacity to resume making their monthly payments, but who are unable to afford the additional monthly contributions required by a repayment plan. An eligible borrower will be brought current by deferring delinquent principal and interest to the end of their existing mortgage term. Under this offering, servicers will need to evaluate the following key criteria:

- Whether the hardship has been resolved;
- Whether the borrower has the financial capacity to continue making the existing contractual monthly mortgage payment and does not require a payment reduction; and
- Whether a repayment plan or full reinstatement of the mortgage is not a viable option to cure the delinquency.

In addition, in coordination with Fannie Mae and under the guidance of FHFA, we have introduced temporary measures to help provide sellers with the clarity and flexibility to continue to lend in a prudent and responsible manner. These measures are in effect for mortgages for which applications were received on or after April 14, 2020 and before May 17, 2020. If necessary, at the direction of FHFA, the application date window may be extended beyond May 17, 2020. These temporary requirements include:

- Allowing flexibility in demonstrating a borrower's current employment status or the existence of a borrower's business;
- Establishing underwriting restrictions applicable to a borrower's accounts containing stocks, stock options, and mutual funds due to current market volatility; and
- Requiring income and asset documentation, including that associated with self-employed borrowers, to be dated closer to the loan closing date in order to ensure the most up-to-date information is being used to support the borrower's ability to repay.

Working closely with Fannie Mae and under the guidance of FHFA, we have also announced loan processing flexibilities to expedite loan closings and help keep homebuyers, sellers, and appraisers safe during the pandemic. The flexibilities are in effect for mortgages with application dates on or before May 17, 2020, and if necessary, at the direction of FHFA, the application date window may be extended beyond that date. The flexibilities include:

- Allowing desktop appraisals or exterior-only inspection appraisals for certain purchase transactions;
- Allowing exterior-only appraisals for certain no cash-out refinances;
- Allowing desktop appraisals on new construction properties (purchase transactions);
- Allowing flexibility on demonstrating that construction has been completed;
- Allowing flexibility for borrowers to provide documentation (rather than requiring an inspection) to allow renovation disbursements (draws);
- Offering flexibility in condominium project reviews; and
- Expanding the use of powers of attorney and remote online notarizations.

We have also permanently expanded our automated collateral evaluation eligibility for certain mortgages.

In April 2020, working in coordination with Fannie Mae and under the guidance of FHFA, we announced we would begin purchasing certain single-family mortgage loans that have entered into forbearance as a result of borrower hardship caused by the COVID-19 pandemic in order to help provide liquidity to the mortgage market and allow originators to keep lending. Due to the unprecedented economic impact of the pandemic, some borrowers have sought forbearance shortly after closing on their single-family mortgage loan and before the lender could sell the mortgage loan to us. Although mortgage loans that have been placed into forbearance are normally ineligible for sale to us, we are removing this restriction for a limited period of time and only for mortgage loans for which the borrower:

- Requested forbearance and attested to or otherwise informed the seller/servicer that, after the mortgage note date, he or she suffered financial hardship caused directly or indirectly by COVID-19, or
- Was approved for a forbearance plan based on a COVID-19 related financial hardship that occurred after the mortgage note date.

Mortgage loans in forbearance are eligible for purchase by us provided the loans are either purchase mortgage loans or no cash-out refinance mortgage loans and are no more than 30 days delinquent. These temporary requirements are effective for mortgages with note dates on or after February 1, 2020 and on or before May 31, 2020, and settlement dates on or after May 1, 2020 and on or before July 31, 2020. Eligible loans will be priced to reflect the heightened risk of loss from these loans.

Providing Assistance to Renters and Multifamily Borrowers and Supporting the Multifamily Mortgage Market

To keep renters in multifamily properties in their homes and to support multifamily borrowers during the COVID-19 pandemic, FHFA announced in March 2020 that we and Fannie Mae will offer multifamily borrowers mortgage forbearance, with the condition that they suspend all evictions for renters unable to pay rent due to this pandemic. Under this program, multifamily borrowers with a fully performing loan as of February 1, 2020 may defer their loan payments for up to 90 days (three consecutive monthly payments) by showing hardship as a consequence of the COVID-19 pandemic and by gaining servicer approval. To align with the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), a stimulus package designed to mitigate the effects of the COVID-19 pandemic that was enacted on March 27, 2020, multifamily borrowers may enter into forbearance agreements until termination of the national emergency related to the COVID-19 pandemic, but not later than December 31, 2020. Multifamily borrowers have an option to enter into a forbearance agreement to help until normal operations can be restored. In addition:

- Multifamily borrowers must repay forborne amounts in no more than 12-equal monthly installments, but they will have the option to repay such amounts sooner. No late fees or interest charges will be assessed during the 90-day forbearance period;
- Multifamily borrowers must submit a hardship letter explaining their circumstances, and a tenant delinquency and forbearance report demonstrating the effect of the COVID-19 pandemic on the property's operation and performance;
- Each multifamily borrower that is approved for forbearance must execute a Freddie Mac standard form of forbearance agreement; and
- Multifamily borrowers must remain in compliance with all other terms and conditions of the loan documents and with all laws (including the CARES Act), ordinances, rules, regulations and requirements of any governmental authority having jurisdiction over the property.

Federal Reserve Response

In March 2020, the Federal Reserve committed to use its full range of tools to support the U.S. economy during the COVID-19 pandemic. The Federal Reserve announced that the Federal Open Market Committee (FOMC) would purchase Treasury securities and agency MBS in the amounts needed to help provide this support. In addition, the Federal Reserve noted that the FOMC will include purchases of agency CMBS in its agency MBS purchases.

The CARES Act

The CARES Act provides assistance for homeowners, renters, and multifamily borrowers, including a foreclosure moratorium, a renter eviction moratorium, and single-family and multifamily forbearance, similar to the plans we had previously announced that are discussed above. For more information on the CARES Act, see **MD&A - Regulation and Supervision - *Legislative and Regulatory Developments - The CARES Act***.

Business Outlook

We expect the COVID-19 pandemic to have a significant adverse effect on our business for the remainder of 2020 and into 2021, and perhaps beyond. The duration and continued severity of the COVID-19 pandemic will determine the extent of the effect on our business. Given the substantial decline in economic activity, including the likelihood of a recession, and the unprecedented nature and scope of government relief efforts, our economic and business forecasts are more uncertain than usual and there are significant downside risks. Over the past month, economic data, such as unemployment insurance claims and payroll employment growth, have been worse than expected.

With large parts of the U.S. economy shut down to fight the pandemic, the housing market faces its greatest challenge in over a decade. We expect home sales to fall significantly in 2Q 2020 and then begin to recover over the next year, but home sales may be slower to recover and improvement in homes sales may be dampened or delayed if potential buyers do not come to market. While home prices increased during 1Q 2020, the future effect of the COVID-19 pandemic on home prices is highly uncertain and dependent on the pace of economic recovery, and home price declines could be significant if forbearance and foreclosure mitigation programs do not successfully limit contagion effects on home prices. The Federal Reserve’s purchases of mortgage securities have stabilized the mortgage market and lowered mortgage rates. We expect mortgage rates to remain low over the next two years and result in an increase in mortgage refinance activity. However, the volume of borrowers eligible for refinancing may decline due to a combination of the deterioration in their credit profile and credit overlays implemented by market participants. Given these offsetting factors, we estimate that overall single-family mortgage originations will remain near pre-pandemic levels for both full-year 2020 and 2021.

We also anticipate that supply and demand in the multifamily housing market will be affected over the next year due to the COVID-19 pandemic, which could flow through to multifamily fundamentals. The lack of ability to move and form new households, as well as economic uncertainty for renter households, will make it difficult to fill vacancies, but as people shelter in place, the number of lease renewals will also increase, partially offsetting the lack of new tenants moving in. New completions are expected to slow due to the pandemic, which should limit supply. The multifamily sector entered the COVID-19 pandemic on solid ground, with below historical average vacancy rates and above average rent growth. The higher unemployment rate resulting from the COVID-19 pandemic will cause some renters to face financial hardships. However, federal interventions from enhanced unemployment benefits and other forms of direct relief for the multifamily mortgage market could help lessen the impact of the COVID-19 pandemic on the multifamily sector. Multifamily delinquency rates could increase in the near term due to the effects of the pandemic. However, we currently do not expect to experience significant credit losses based on the strong fundamentals of the multifamily market, combined with our risk transfer business model. For additional information on market and macroeconomic indicators that can affect our business and financial results, see **Market Conditions and Economic Indicators**.

Our allowance for credit losses has increased significantly, and we expect single-family serious delinquency rates and the volume of loss mitigation activity to increase significantly in the near-term as a result of the COVID-19 pandemic and the forbearance programs we have announced. While we expect that the actions we have taken to support the mortgage markets as a result of the COVID-19 pandemic will improve borrower outcomes, these actions may not be as successful as we hope. In addition, these actions may negatively affect our financial condition and results of operations, perhaps significantly. The ultimate success of these programs will depend on the duration and severity of the economic downturn. In addition, our counterparty credit risk level has increased, particularly with respect to non-depository institutions and credit enhancement providers, as a result of financial strains and liquidity pressures on our counterparties due to the pandemic. For additional information, see **MD&A - Risk Management** - ***Credit Risk***.

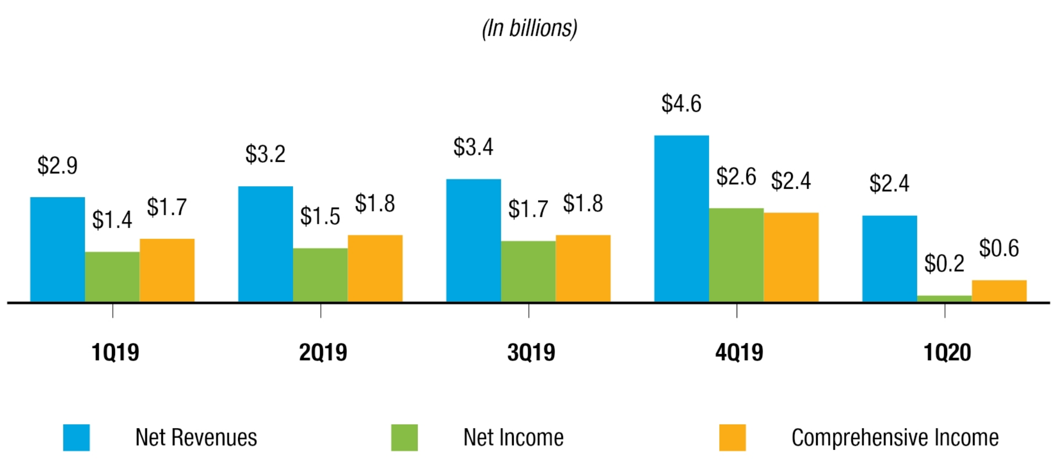
We maintained excess liquidity during 1Q 2020 due to volatile market conditions driven by the COVID-19 pandemic, and we expect to continue to do so in the near term, which may negatively affect our net interest income. Additionally, we expect to advance significant amounts to cover principal and interest payments to security holders for loans in forbearance in the coming months. We have also maintained adequate access to debt markets to meet our financial obligations as they come due and to meet the needs of customers in a timely and cost-efficient manner throughout the course of the pandemic, and we expect to continue to do so. However, certain of our important business activities have been negatively affected by the market volatility caused by the pandemic. Our ability to transfer single-family credit risk has been, and may continue to be, negatively affected by the COVID-19 pandemic. In addition, the cost to us of doing so has been fluctuating more significantly and rapidly than usual as a result of developments related to the COVID-19 pandemic, and may continue to change significantly and rapidly depending on the continuing effects of the pandemic on market conditions. While CRT remains a critical component of our business strategy and we intend to continue to pursue our existing CRT strategies, there may not be sufficient investor demand for single-family CRT transactions at acceptable prices for the foreseeable future, and it is uncertain if there will be adequate demand for them over the longer term based on the potential impacts of the pandemic on mortgage performance. In addition, while we continued to actively reduce our holdings of less liquid assets during 1Q 2020, the effect of the COVID-19 pandemic on market conditions negatively affected the overall liquidity of our portfolios. Although FHFA has instructed us to maintain loans in COVID-19 payment forbearance plans in mortgage-backed security pools for at least the duration of the forbearance plan, our less liquid assets are likely to increase in future periods as we will likely purchase a higher amount of delinquent and modified loans out of Freddie Mac mortgage-backed security pools. We also expect our ability to continue to sell less liquid assets at acceptable prices may be negatively affected by the market volatility caused by the COVID-19 pandemic.

For additional information on the risks associated with the COVID-19 pandemic, see **Other Information - *Risk Factors***.

Business Results

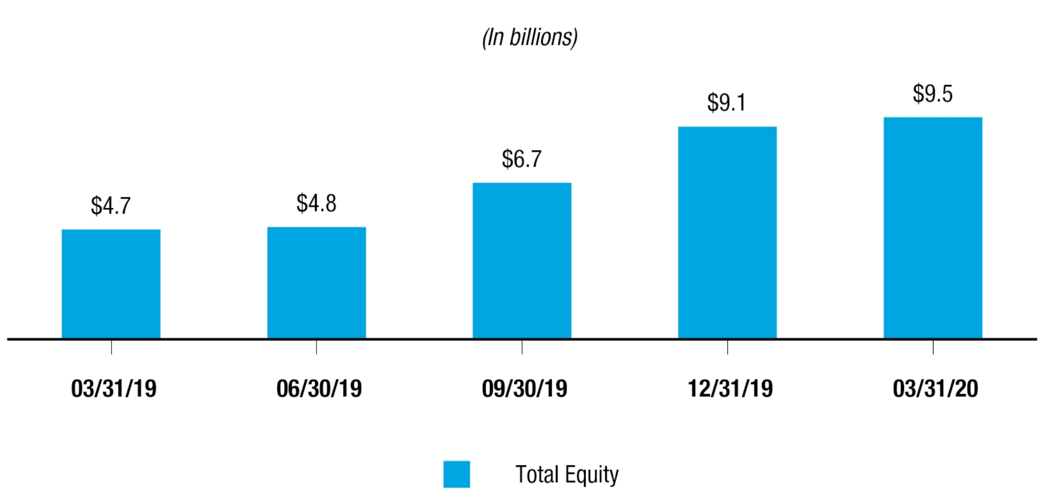
Consolidated Financial Results

Net Revenues, Net Income, and Comprehensive Income



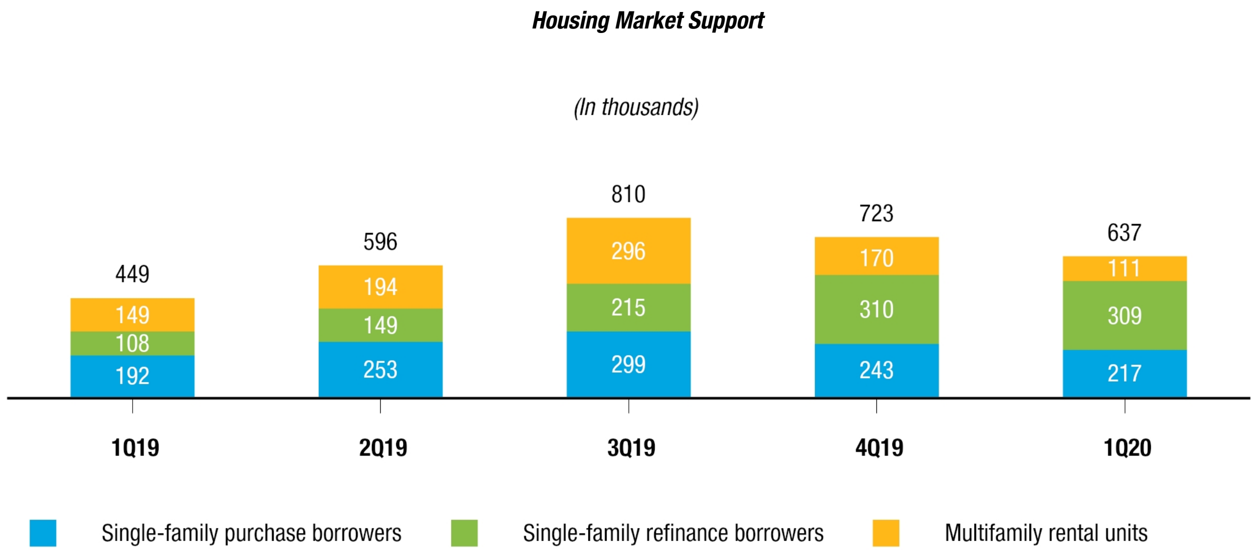
- Comprehensive income was $0.6 billion for 1Q 2020, a decrease of $1.1 billion, or 63%, from 1Q 2019, primarily driven by higher provision for credit losses due to our forecasts of higher expected credit losses from our single-family credit guarantee portfolio as a result of the COVID-19 pandemic.
- Net revenues declined $0.5 billion compared to 1Q 2019, primarily due to lower net interest income as a result of unfavorable hedge accounting impacts and a decrease in investment gains (losses), net due to the significant market volatility from the COVID-19 pandemic.

Total Equity



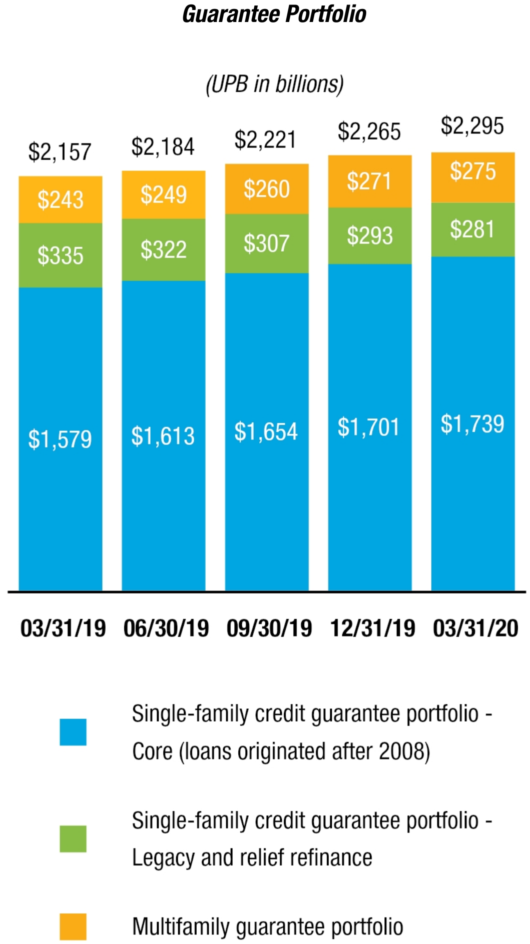
- Total equity was $9.5 billion as of March 31, 2020, up from $9.1 billion as of December 31, 2019.
- Pursuant to the September 2019 Letter Agreement, the liquidation preference of the senior preferred stock increased from $79.3 billion on December 31, 2019 to $81.8 billion on March 31, 2020 based on the $2.4 billion increase in our Net Worth Amount during 4Q 2019, and will increase to $82.2 billion on June 30, 2020 based on the $0.4 billion increase in our Net Worth Amount during 1Q 2020.

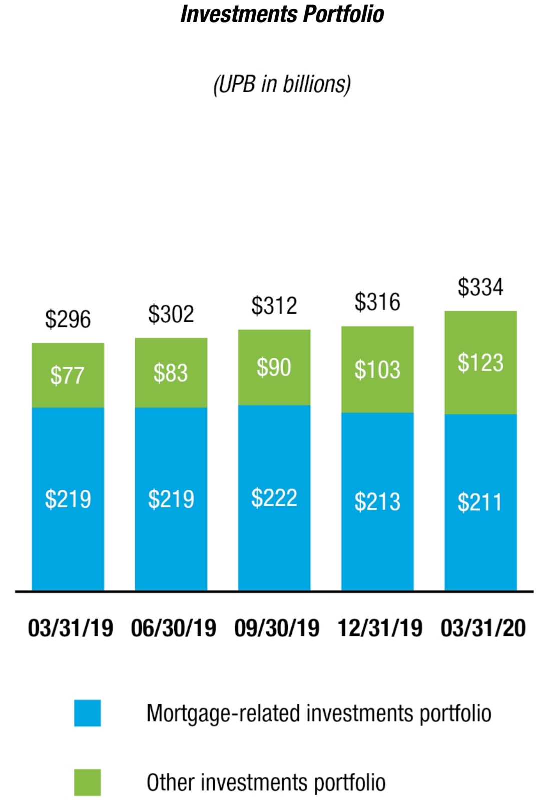
Housing Market Support



We support the U.S. housing market by executing our Charter Mission to ensure credit availability for new and refinanced single-family mortgages as well as for rental housing. Despite the significant challenges presented by the COVID-19 pandemic, we remain open for business. We provided $152.5 billion in liquidity to the mortgage market in 1Q 2020, which enabled the financing of 637,000 home purchases, refinancings, or rental units.

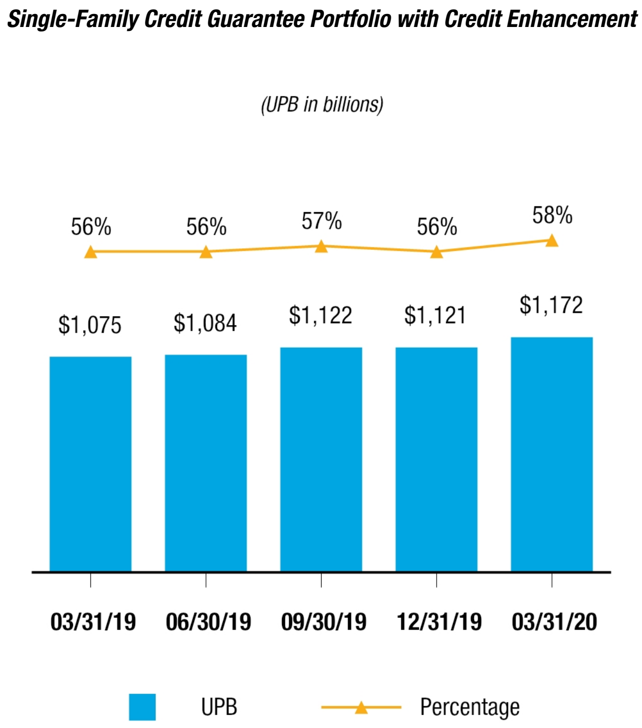
Portfolio Balances

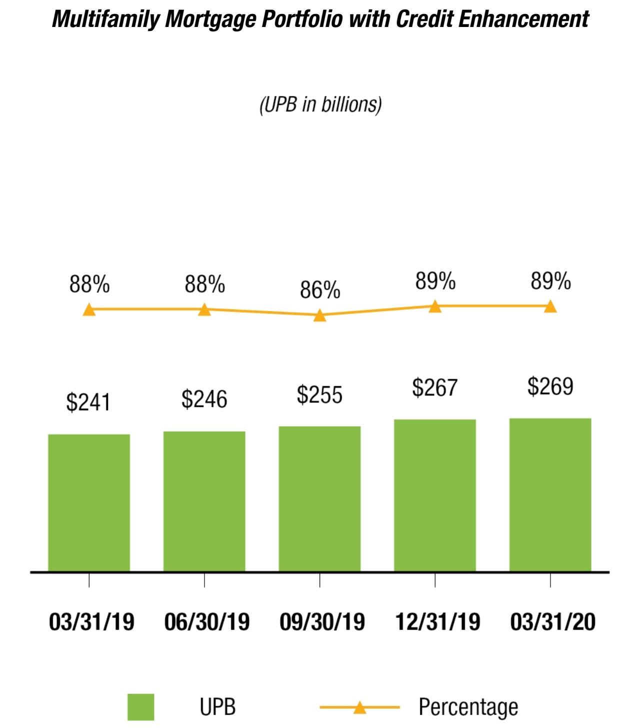




- Our total guarantee portfolio grew $138 billion, or 6%, from March 31, 2019 to March 31, 2020, driven by a 6% increase in our single-family credit guarantee portfolio and a 13% increase in our multifamily guarantee portfolio.
  - The growth in our single-family credit guarantee portfolio continued in 1Q 2020 driven by home price appreciation contributing to new business acquisitions having a higher average loan size compared to older vintages that continued to run off.
  - The growth in our multifamily guarantee portfolio also continued in 1Q 2020, primarily driven by strong loan purchase and securitization activity attributable to healthy multifamily market fundamentals and strong demand for multifamily loan products.
- Our total investments portfolio at March 31, 2020 increased compared to March 31, 2019, primarily due to an increase in our other investments portfolio driven by higher near-term cash needs for upcoming debt maturities and anticipated calls of other debt and a higher expected loan purchase forecast. We also maintained excess liquidity due to volatile market conditions driven by the COVID-19 pandemic. In February 2019, FHFA directed us to maintain the mortgage-related investments portfolio at or below $225 billion at all times.

Credit Risk Transfer





In addition to transferring interest-rate and liquidity risk to third-party investors through our securitization activities, we have developed innovative CRT programs that distribute mortgage credit risk to third-party investors and have transformed our business model from one where we buy and hold credit risk to one where we buy and transfer a portion of such credit risk. Our programmatic offerings regularly transfer a portion of the credit risk primarily on recently acquired loans, with the percentage of our single-family credit guarantee portfolio and the percentage of our multifamily mortgage portfolio covered by credit enhancements at 58% and 89%, respectively, as of March 31, 2020. However, our ability to transfer single-family credit risk has been, and may continue to be, negatively affected by the COVID-19 pandemic. See ***COVID-19 Pandemic Response Efforts - Business Outlook*** and **Other Information** - ***Risk Factors*** for additional information. See **MD&A - Our Business Segments - Single-Family Guarantee -** ***Products and Activities*** and **MD&A - Our Business Segments - Multifamily -** ***Products and Activities*** in our 2019 Annual Report for additional information on our credit enhancements.

New Accounting Guidance for Credit Losses on Financial Instruments

On January 1, 2020, we adopted CECL, which replaces the previous incurred loss impairment methodology with a new methodology that measures the allowance for credit losses for financial instruments at amortized cost and off-balance sheet credit exposures based on current expected credit losses. CECL also changes the methodology for accounting for credit losses on debt securities classified as available-for-sale. We recorded a cumulative-effect adjustment on January 1, 2020, to recognize the impact of adopting CECL. This adjustment reduced our opening retained earnings balance by $0.2 billion, net of income taxes. See **Note 1** for additional information on our adoption of CECL. See **Note 4**, **Note 5**, **Note 6**, and **Note 7** for additional information on the changes in our significant accounting policies as a result of our adoption of CECL.

The adoption of CECL significantly changes how we measure credit losses on mortgage loans classified as held-for-investment and off-balance sheet credit exposures and may result in additional volatility in our credit-related expenses, as our estimate of credit losses now incorporates both our forecasts of certain future economic conditions and our expectations of credit losses over the entire contractual term of the instruments, which for many of our mortgage loans is 30 years. The length and severity of the economic downturn caused by the COVID-19 pandemic, and its impact on the housing market, is subject to significant uncertainty, which makes it difficult to estimate credit losses. These developments may have a material effect on our allowance for credit losses in future periods. See **Risk Management - Credit Risk** and **Critical Accounting Policies and Estimates** for additional information.

Conservatorship and Government Support for Our Business

Since September 2008, we have been operating in conservatorship, with FHFA as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. Our future is uncertain, and the conservatorship has no specified termination date. We do not know what changes may occur to our business model during or following conservatorship, including whether we will continue to exist.

In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury, under which we issued Treasury both senior preferred stock and a warrant to purchase common stock. Our Purchase Agreement with Treasury and the terms of the senior preferred stock also affect our business activities and are critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe that the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities.

Treasury, as the holder of the senior preferred stock, is entitled to receive cumulative quarterly cash dividends, when, as, and if declared by the Conservator, acting as successor to the rights, titles, powers, and privileges of our Board of Directors. The dividends we have paid to Treasury on the senior preferred stock have been declared by, and paid at the direction of, the Conservator.

Under the August 2012 amendment to the Purchase Agreement, our cash dividend requirement each quarter is the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. Pursuant to the September 2019 Letter Agreement, the Capital Reserve Amount is $20.0 billion. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period, the unpaid amount would be added to the liquidation preference and our applicable Capital Reserve Amount would thereafter be zero. This would not affect our ability to draw funds from Treasury under the Purchase Agreement.

The September 2019 Letter Agreement also provides that the liquidation preference of the senior preferred stock will be increased, at the end of each fiscal quarter, beginning on September 30, 2019, by an amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter, until the liquidation preference has increased by $17.0 billion. See **Note 2** for more information about our Purchase Agreement with Treasury.

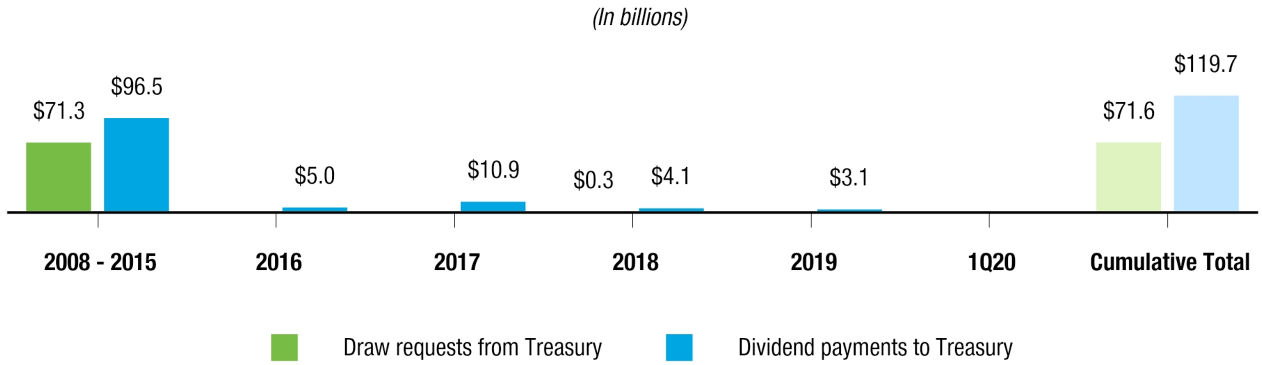
Under the September 2019 Letter Agreement, Freddie Mac and Treasury agreed to negotiate and execute an amendment to the Purchase Agreement that further enhances taxpayer protections by adopting covenants broadly consistent with recommendations for administrative reform contained in Treasury's September 2019 Housing Reform Plan. For more information regarding Treasury's Plan, see **MD&A - Regulation and Supervision - *Legislative and Regulatory Developments - Treasury Housing Reform Plan*** in our 2019 Annual Report.

Draw Requests From and Dividend Payments To Treasury

At March 31, 2020, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. In addition, because our Net Worth Amount did not exceed the applicable Capital Reserve Amount of $20.0 billion, we did not declare or pay a dividend to Treasury on the senior preferred stock during the three months ended March 31, 2020. The amount of available funding remaining under the Purchase Agreement was $140.2 billion at March 31, 2020 and will be reduced by any future draws.

The graph below shows our cumulative draw requests from Treasury and cumulative dividend payments to Treasury. The Treasury draw request amounts reflect the total draws requested based on our quarterly net deficits for the periods presented. Draw requests are funded in the quarter subsequent to any net deficit. The dividend payment amounts reflect the total dividend payments made to Treasury as required by the Purchase Agreement for the periods presented. Dividend payments are currently based on the prior quarter's Net Worth Amount. Under the Purchase Agreement, the payment of dividends does not reduce the outstanding liquidation preference of the senior preferred stock. For more information on the conservatorship and government support for our business, see **MD&A - Conservatorship and Related Matters** and **Note 2** in our 2019 Annual Report.

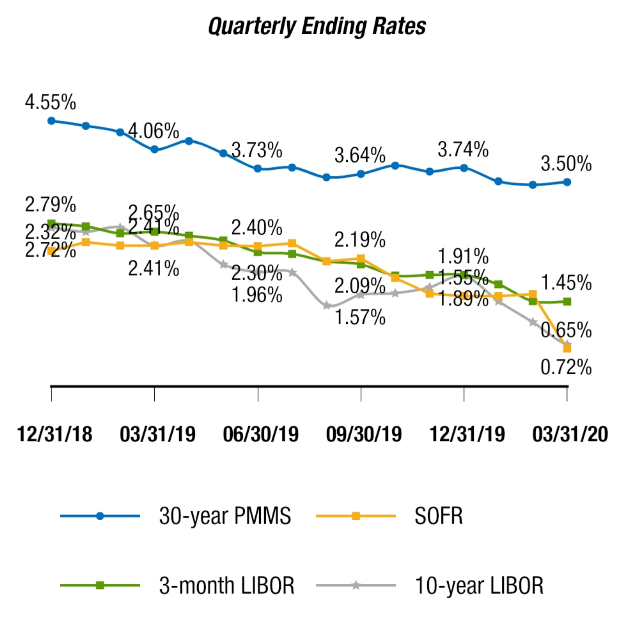
Draw Requests From and Dividend Payments To Treasury



MARKET CONDITIONS AND ECONOMIC INDICATORS

The following graphs and related discussions present certain market and macroeconomic indicators that can significantly affect our business and financial results.

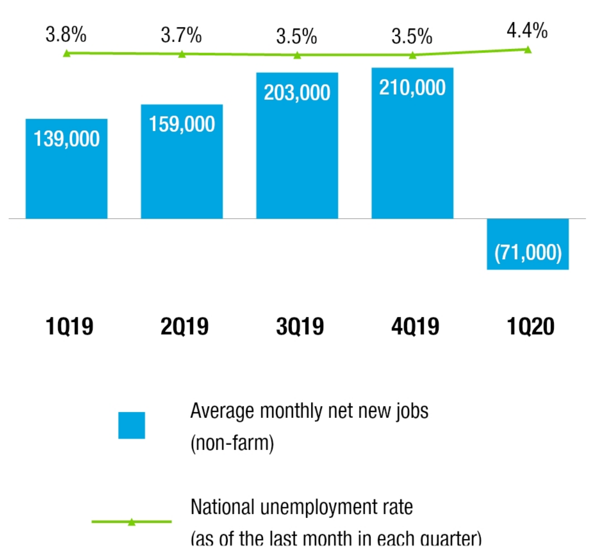
Interest Rates(1)



(1) 30-year PMMS interest rates are as of the last week in each quarter. SOFR interest rates are 30-day average rates.

- The 30-year Primary Mortgage Market Survey (PMMS) interest rate is indicative of what a consumer could expect to be offered on a first-lien prime conventional conforming home purchase mortgage with an LTV of 80%. Increases (decreases) in the PMMS rate typically result in decreases (increases) in refinancing activity and originations.
- Changes in the 10-year LIBOR interest rate and other benchmark rates can significantly affect the fair value of our financial instruments. We have elected hedge accounting for certain assets and liabilities in an effort to reduce GAAP earnings variability attributable to changes in benchmark interest rates.
- Changes in the 3-month LIBOR rate affect the interest earned on our short-term investments and interest expense on our short-term funding.
- SOFR is a benchmark rate for secured overnight dollar denominated financing identified by certain banking regulators and market participants as a potential replacement for LIBOR.
- Interest rates declined dramatically across the yield curve during 1Q 2020, in many cases reaching record lows, as the Federal Reserve announced several emergency rate cuts and unlimited purchases of Treasuries and agency MBS in response to the COVID-19 pandemic.

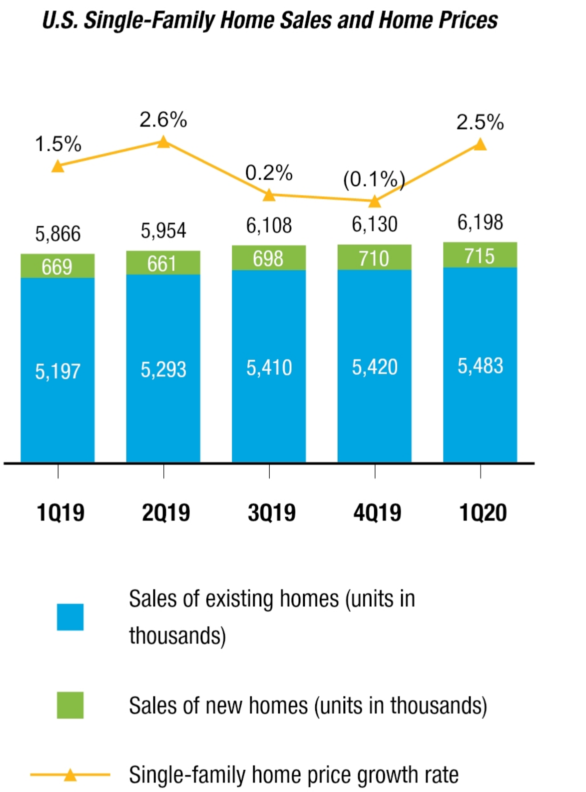
Unemployment Rate and Monthly Net New Jobs



Source: U.S. Bureau of Labor Statistics.

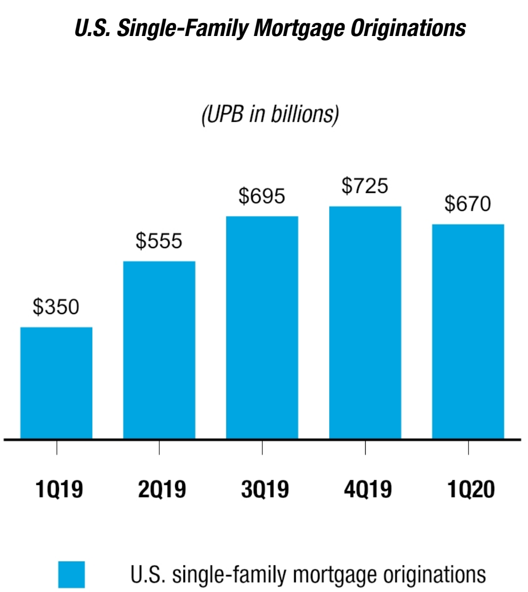
- Changes in the national unemployment rate can affect several market factors, including the demand for both single-family and multifamily housing and the level of loan delinquencies.
- The COVID-19 pandemic has resulted in many state and local governments enacting measures designed to curb the spread of COVID-19 that have severely curtailed economic activity and significantly increased unemployment levels, which continued to rise in April 2020.

Single-Family Housing and Mortgage Market Conditions



Sources: National Association of Realtors, U.S. Census Bureau, and Freddie Mac House Price Index.

- For full-year 2020, due to the COVID-19 pandemic, we expect U.S. single-family home purchase volume to decline, while low mortgage interest rates are expected to result in higher refinance volume. Freddie Mac's single-family loan purchase volumes follow a similar trend.
- Changes in home prices affect the amount of equity that borrowers have in their homes. Borrowers with less equity typically have higher delinquency rates. As home prices decline, the severity of losses we incur on defaulted loans that we hold or guarantee increases because the amount we can recover from the property securing the loan decreases.
- Single-family home prices increased 2.5% during 1Q 2020, compared to an increase of 1.5% during 1Q 2019. The future effect of the COVID-19 pandemic on home prices is highly uncertain and dependent on the economic impact of the COVID-19 pandemic and the pace of economic recovery.

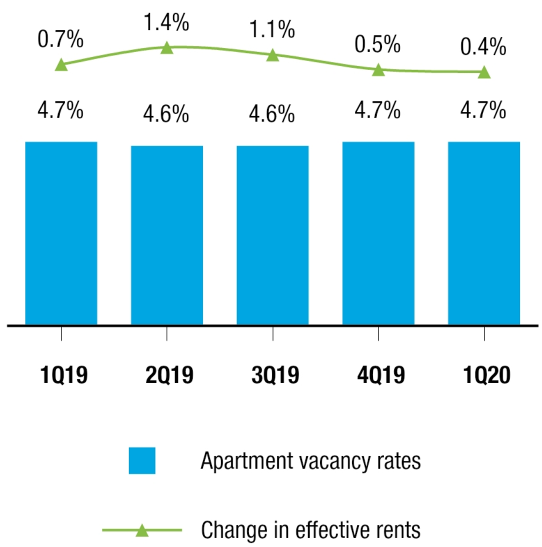


Source: Inside Mortgage Finance.

- U.S. single-family mortgage origination volume increased to $670 billion in 1Q 2020 from $350 billion in 1Q 2019, driven by higher refinance volume as a result of declining average mortgage interest rates in recent quarters.
- Mortgage interest rates are expected to remain low over the next two years, keeping single-family mortgage originations near pre-pandemic levels for both full-year 2020 and 2021.

Multifamily Housing and Mortgage Market Conditions

Apartment Vacancy Rates and Change in Effective Rents

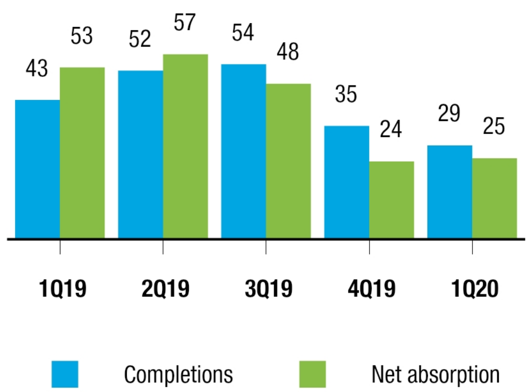


Source: Reis.

- Completions in 1Q 2020 totaled nearly 29,000 units, which slightly outpaced net absorptions of about 25,000 units. Despite new supply exceeding demand, the vacancy rate remained unchanged from 4Q 2019 at 4.7% nationally. This rate is below the long-term average vacancy rate of 5.3% dating back to 2000.
- Effective rent growth (i.e., the average rent paid by the tenant over the term of the lease, adjusted for concessions by the landlord and costs borne by the tenant) increased by 0.4% in 1Q 2020, and 3.4% over the past 12 months, just above the long-term average of 3.1% since 2000.

Apartment Completions and Net Absorption

(Units in thousands)

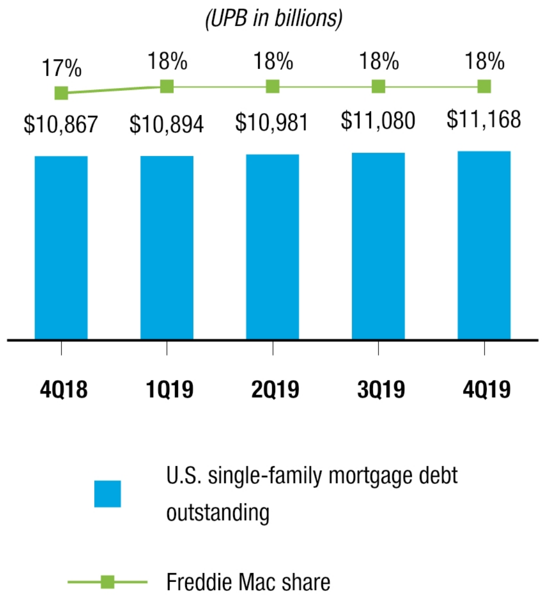


Source: Reis.

- Apartment completions are an indication of the supply of rental housing. Net absorption, which is a measurement of the rate at which available apartments are occupied, is an indication of demand for rental housing.
- Demand growth was in line with supply growth, as completions slightly outpaced net absorption.
- The economic impacts of the COVID-19 pandemic will affect renter households. Both supply and demand for rental housing will be affected over the next year which could flow through to multifamily fundamentals. The lack of ability to move and form new households as well as economic uncertainty for renter households will make it difficult to fill vacancies, but, as people shelter in place, the number of lease renewals will also increase. Also, new completions are expected to slow, which should limit supply.
- The multifamily sector entered the COVID-19 pandemic on solid ground, with below historical average vacancy rates and above average rent growth. The higher unemployment rate will cause some tenants to face financial hardships. However, federal interventions from enhanced unemployment benefits and other forms of direct relief could help lessen the impact of the COVID-19 pandemic on the multifamily sector.

Mortgage Debt Outstanding

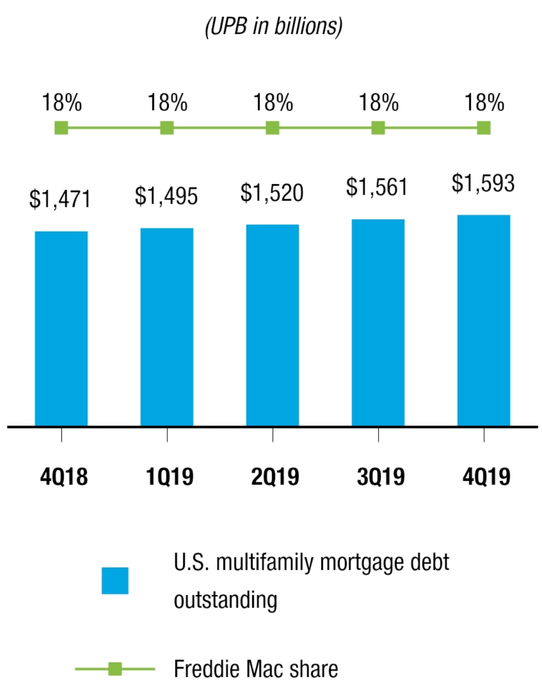
Single-Family Mortgage Debt Outstanding



Source: Federal Reserve Financial Accounts of the United States of America.

- During 1Q 2020, the single-family mortgage market grew primarily driven by house price appreciation. However, with large parts of the U.S. economy shut down to fight the COVID-19 pandemic, the housing market faces its greatest challenge in over a decade. The length and severity of the economic downturn caused by the COVID-19 pandemic, and its impact on the housing market, is subject to significant uncertainty.

Multifamily Mortgage Debt Outstanding

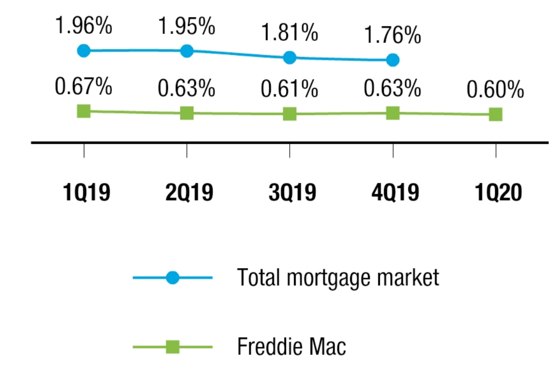


Source: Federal Reserve Financial Accounts of the United States of America. 1Q 2020 U.S. multifamily mortgage debt outstanding data is not yet available.

- During most of 1Q 2020, the multifamily mortgage market grew because of continued strong demand for multifamily loan products due to solid multifamily market fundamentals. Up until March 2020, multifamily market fundamentals were driven by a healthy job market, population growth, high propensity to rent among young adults, and rising single-family home prices. Since then the effects of the pandemic have slowed the economy significantly, which we believe could slow the multifamily mortgage market during 2020.

Delinquency Rates

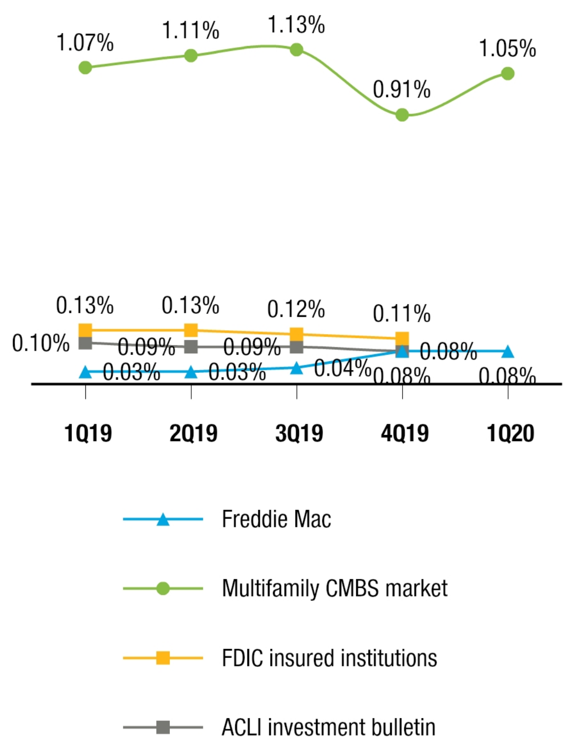
Single-Family Serious Delinquency Rates



Source: National Delinquency Survey from the Mortgage Bankers Association. Total mortgage market rate for 1Q 2020 is not yet available.

- We expect our single-family serious delinquency rate to increase significantly in the near term as a result of the COVID-19 pandemic and the forbearance programs we are offering in response.

Multifamily Delinquency Rates



Source: Freddie Mac, FDIC Quarterly Banking Profile, Intex Solutions, Inc., and Wells Fargo Securities (Multifamily CMBS market, excluding REOs), American Council of Life Insurers (ACLI). The 1Q 2020 delinquency rates for FDIC insured institutions and ACLI investment bulletin are not yet available.

- Our 1Q 2020 multifamily delinquency rate remained low compared to other market participants, ending the quarter at 8 basis points, primarily due to our prior-approval underwriting approach and strong multifamily market fundamentals. See **Risk Management - _Multifamily Mortgage Credit Risk_** for additional information on our delinquency rates.
- Multifamily delinquency rates could increase in the near term due to the effects of the COVID-19 pandemic. However, we currently do not expect to experience significant credit losses based on the strong fundamentals of the multifamily market, combined with our risk transfer business model.

CONSOLIDATED RESULTS OF OPERATIONS

You should read this discussion of our consolidated results of operations in conjunction with our condensed consolidated financial statements and accompanying notes.

On January 1, 2020, we adopted CECL, which changed our methodology for accounting for credit losses on financial assets measured at amortized cost, off-balance sheet credit exposures, and investments in debt securities classified as available-for-sale. See **Note 1** for additional information on our adoption of CECL. See **Note 4**, **Note 5**, **Note 6**, and **Note 7** for additional information on the changes in our significant accounting policies as a result of our adoption of CECL.

The table below compares our summarized consolidated results of operations. Certain prior period amounts have been revised to conform to the current period presentation. See **Note 1** in our 2019 Annual Report for additional information.

Table 1 - Summary of Condensed Consolidated Statements of Comprehensive Income (Loss)

			Change	
(Dollars in millions)	1Q 2020	1Q 2019	$	%
Net interest income	$2,785	$3,153	($368)	(12)%
Guarantee fee income	377	290	87	30
Investment gains (losses), net	(835)	(513)	(322)	(63)
Other income (loss)	95	(17)	112	659
Net revenues	**2,422**	**2,913**	**(491)**	**(17)**
Benefit (provision) for credit losses	(1,233)	135	(1,368)	(1,013)
Credit enhancement (expense) benefit, net	236	(158)	394	249
REO operations expense	(85)	(33)	(52)	(158)
Credit-related expense	**(1,082)**	**(56)**	**(1,026)**	**(1,832)**
Administrative expense	(587)	(578)	(9)	(2)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(432)	(390)	(42)	(11)
Other expense	(103)	(124)	21	17
Operating expense	**(1,122)**	**(1,092)**	(30)	(3)
Income (loss) before income tax (expense) benefit	**218**	**1,765**	**(1,547)**	**(88)**
Income tax (expense) benefit	(45)	(358)	313	87
Net income (loss)	**173**	**1,407**	**(1,234)**	**(88)**
Total other comprehensive income (loss), net of taxes and reclassification adjustments	449	258	191	74
Comprehensive income (loss)	**$622**	**$1,665**	**($1,043)**	**(63)%**

Net Revenues

Net Interest Income

The table below presents the components of net interest income.

Table 2 - Components of Net Interest Income

(Dollars in millions)	1Q 2020	1Q 2019	Change $	Change %
Guarantee portfolio net interest income:				
Contractual net interest income	$1,125	$906	$219	24 %
Net interest income related to the Temporary Payroll Tax Cut Continuation Act of 2011	429	377	52	14
Amortization	552	482	70	15
Total guarantee portfolio net interest income	**2,106**	**1,765**	**341**	**19**
Investments portfolio net interest income:				
Contractual net interest income	1,433	1,536	(103)	(7)
Amortization	(164)	(128)	(36)	(28)
Interest expense related to CRT debt	(240)	(287)	47	16
Total investments portfolio net interest income	**1,029**	**1,121**	**(92)**	**(8)**
Income (expense) from hedge accounting	(350)	267	(617)	(231)
Net interest income	**$2,785**	**$3,153**	**($368)**	**(12)%**

Key Drivers:

- **Guarantee portfolio contractual net interest income**
  - **1Q 2020 vs. 1Q 2019** - Increased primarily due to a higher contractual guarantee fee rate coupled with the continued growth of the core single-family loan portfolio.
- **Guarantee portfolio amortization**
  - **1Q 2020 vs. 1Q 2019** - Increased primarily due to income from upfront fees due to an increase in the liquidation rate, partially offset by higher loan premium amortization.
- **Investments portfolio contractual net interest income**
  - **1Q 2020 vs. 1Q 2019** - Decreased primarily due to the lower and flatter interest rate environment, coupled with a change in our investment mix as the other investments portfolio represented a larger percentage of our total investments portfolio.
- **Investments portfolio amortization**
  - **1Q 2020 vs. 1Q 2019** - Decreased primarily due to the change in our investment mix as the other investments portfolio represented a larger percentage of our total investments portfolio.
- **Interest expense related to CRT debt**
  - **1Q 2020 vs. 1Q 2019** - Decreased primarily due to a decline in volume as we no longer issue STACR debt notes on a regular basis.
- **Income (expense) from hedge accounting**
  - **1Q 2020 vs. 1Q 2019** - Shifted to expense in 1Q 2020 primarily due to an unfavorable earnings mismatch and amortization of hedge accounting related basis adjustments, partially offset by higher income related to accruals of periodic cash settlements on derivatives in hedging relationships.

Net Interest Yield Analysis

The table below presents an analysis of interest-earning assets and interest-bearing liabilities.

Table 3 - Analysis of Net Interest Yield

	1Q 2020			1Q 2019		
(Dollars in millions)	Average Balance	Interest Income (Expense)	Average Rate	Average Balance	Interest Income (Expense)	Average Rate
Interest-earning assets:						
Cash and cash equivalents	$12,232	$21	0.68%	$7,105	$38	2.14 %
Securities purchased under agreements to resell	72,291	261	1.44	47,224	297	2.51
Secured lending	3,680	26	2.72	1,567	16	4.08
Mortgage-related securities:						
Mortgage-related securities	130,721	1,358	4.16	133,925	1,461	4.36
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(85,720)	(829)	(3.87)	(84,709)	(895)	(4.23)
Total mortgage-related securities, net	**45,001**	**529**	**4.71**	**49,216**	**566**	**4.60**
Non-mortgage-related securities	28,616	123	1.71	19,408	123	2.54
Loans held by consolidated trusts(1)	1,964,613	15,857	3.23	1,847,861	16,977	3.68
Loans held by Freddie Mac(1)	78,406	775	3.95	89,152	969	4.35
Total interest-earning assets	**2,204,839**	**17,592**	**3.19**	**2,061,533**	**18,986**	**3.68**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including those held by Freddie Mac	1,987,187	(14,276)	(2.87)	1,871,847	(14,876)	(3.18)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(85,720)	829	3.87	(84,709)	895	4.23
Total debt securities of consolidated trusts held by third parties	**1,901,467**	**(13,447)**	**(2.83)**	**1,787,138**	**(13,981)**	**(3.13)**
Other debt:						
Short-term debt	119,222	(430)	(1.43)	70,192	(436)	(2.48)
Long-term debt	170,471	(930)	(2.18)	199,937	(1,416)	(2.83)
Total other debt	**289,693**	**(1,360)**	**(1.87)**	**270,129**	**(1,852)**	**(2.74)**
Total interest-bearing liabilities	**2,191,160**	**(14,807)**	**(2.70)**	**2,057,267**	**(15,833)**	**(3.08)**
Impact of net non-interest-bearing funding	13,679	—	0.02	4,266	—	0.01
Total funding of interest-earning assets	**2,204,839**	**(14,807)**	**(2.68)**	**2,061,533**	**(15,833)**	**(3.07)**
Net interest income/yield		**$2,785**	**0.51%**		**$3,153**	**0.61 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $838 million and $574 million for loans held by consolidated trusts and $21 million and $16 million for loans held by Freddie Mac during 1Q 2020 and 1Q 2019, respectively.

Guarantee Fee Income

The table below presents the components of guarantee fee income.

Table 4 - Components of Guarantee Fee Income

			Change	
(Dollars in millions)	1Q 2020	1Q 2019	$	%
Contractual guarantee fees	$240	$217	$23	11%
Guarantee obligation amortization	220	192	28	15
Guarantee asset fair value changes	(83)	(119)	36	30
Guarantee fee income	**$377**	**$290**	**$87**	**30%**

Key Drivers:

- **1Q 2020 vs. 1Q 2019** - Increased primarily driven by lower fair value losses on our multifamily guarantee asset due to declining interest rates coupled with continued growth in our multifamily guarantee portfolio.

Investment Gains (Losses), Net

The table below presents the components of investment gains (losses), net.

Table 5 - Components of Investment Gains (Losses), Net

			Change	
(Dollars in millions)	1Q 2020	1Q 2019	$	%
Mortgage loans gains (losses)	$1,172	$934	$238	25 %
Investment securities gains (losses)	1,055	144	911	633
Debt gains (losses)	700	15	685	4,567
Derivative gains (losses)	(3,762)	(1,606)	(2,156)	(134)
Investment gains (losses), net	**($835)**	**($513)**	**($322)**	**(63)%**

Mortgage Loans Gains (Losses)

The table below presents the components of mortgage loans gains (losses).

Table 6 - Components of Mortgage Loans Gains (Losses)

			Change	
(Dollars in millions)	1Q 2020	1Q 2019	$	%
Gains (losses) on certain multifamily loan purchase commitments	$532	$390	$142	36%
Gains (losses) on mortgage loans:				
Single-family	(22)	203	(225)	(111)
Multifamily	662	341	321	94
Total gains (losses) on mortgage loans	**640**	**544**	**96**	**18**
Mortgage loans gains (losses)	**$1,172**	**$934**	**$238**	**25%**

Key Drivers:

- **1Q 2020 vs. 1Q 2019** - Increased primarily due to interest rate-related fair value gains on multifamily loans and commitments driven by the decline in long-term interest rates, partially offset by spread-related fair value losses on multifamily loans and commitments and single-family seasoned loans as a result of the significant market volatility caused by the COVID-19 pandemic.

Investment Securities Gains (Losses)

The table below presents the components of investment securities gains (losses).

Table 7 - Components of Investment Securities Gains (Losses)

(Dollars in millions)	1Q 2020	1Q 2019	Change $	Change %
Realized gains (losses) on sales of available-for-sale securities	$10	$34	($24)	(71)%
Realized and unrealized gains (losses) on trading securities	1,069	139	930	669
Other	(24)	(29)	5	17
Investment securities gains (losses)	**$1,055**	**$144**	**$911**	**633 %**

Key Drivers:

- **1Q 2020 vs. 1Q 2019** - Increased primarily due to higher gains on trading securities as a result of the decline in long-term interest rates, partially offset by losses due to spread widening on mortgage-related securities as a result of the significant market volatility caused by the COVID-19 pandemic.

Debt Gains (Losses)

The table below presents the components of debt gains (losses).

Table 8 - Components of Debt Gains (Losses)

(Dollars in millions)	1Q 2020	1Q 2019	Change $	Change %
Fair value changes:				
Debt securities of consolidated trusts	$4	($2)	$6	300%
Other debt	548	(2)	550	27,500
Total fair value changes	**552**	**(4)**	**556**	13,900
Gains (losses) on extinguishment of debt:				
Debt securities of consolidated trusts	4	(7)	11	157
Other debt	144	26	118	454
Total gains (losses) on extinguishment of debt	**148**	**19**	**129**	**679**
Debt gains (losses)	**$700**	**$15**	**$685**	**4,567%**

Key Drivers:

- **1Q 2020 vs. 1Q 2019** - Increased primarily due to fair value gains on STACR debt notes for which we elected the fair value option as a result of spread widening caused by the significant market volatility related to the COVID-19 pandemic, coupled with an increase in gains on extinguishments of callable debt due to an increase in call volume.

Derivative Gains (Losses)

The table below presents the components of derivative gains (losses).

Table 9 - Components of Derivative Gains (Losses)

(Dollars in millions)	1Q 2020	1Q 2019	Change $	Change %
Fair value changes:				
Interest-rate swaps	($4,863)	($1,047)	($3,816)	(364)%
Option-based derivatives	4,222	(187)	4,409	2,358
Futures	(2,328)	(242)	(2,086)	(862)
Commitments	(726)	(96)	(630)	(656)
CRT-related derivatives	78	(1)	79	7,900
Other	31	21	10	48
Total fair value changes	**(3,586)**	**(1,552)**	**(2,034)**	**(131)**
Accrual of periodic cash settlements	(176)	(54)	(122)	(226)
Derivative gains (losses)	**($3,762)**	**($1,606)**	**($2,156)**	**(134)%**

Key Drivers:

- **1Q 2020 vs. 1Q 2019** - The decline in long-term interest rates during 1Q 2020 resulted in higher fair value losses on pay-fixed interest rate swaps, forward commitments to issue mortgage-related securities, and futures, partially offset by fair value gains on receive-fixed swaps and certain option-based derivatives. These interest rate-related derivative losses mostly offset the interest rate-related gains on our mortgage loans and investment securities.

Credit-Related Expense

Benefit (Provision) for Credit Losses

The table below presents the components of benefit (provision) for credit losses.

Table 10 - Components of Benefit (Provision) for Credit Losses

(Dollars in millions)	1Q 2020	1Q 2019	Change $	Change %
Benefit (provision) for credit losses:				
Single-family	($1,166)	$136	($1,302)	(957)%
Multifamily	(67)	(1)	(66)	(6,600)
Benefit (provision) for credit losses	**($1,233)**	**$135**	**($1,368)**	**(1,013)%**

Key Drivers:

- **Single-family**
  - **1Q 2020 vs. 1Q 2019** - Shifted to a provision for credit losses as we incorporated our forecasts of higher expected credit losses as a result of the COVID-19 pandemic. The $1.2 billion provision in 1Q 2020 resulted in an increase of more than 20% in the allowance for credit losses related to our single-family guarantee portfolio in 1Q 2020. The increase in the allowance from higher expected credit losses related to the pandemic was partially offset by a benefit from higher estimated prepayments as a result of the significant decline in interest rates during 1Q 2020.
- **Multifamily**
  - **1Q 2020 vs. 1Q 2019** - Increase in provision due to slightly higher expected credit losses as a result of the pandemic. However, we do not expect to experience significant credit losses related to our multifamily mortgage portfolio based on the strong fundamentals of the multifamily market and our risk transfer business model.

The decline in economic activity caused by the pandemic, and the corresponding government response, is unprecedented, and as a result, our estimate of expected credit losses is subject to significant uncertainty. See **MD&A - Risk Management - *Credit Risk*** and **Critical Accounting Policies and Estimates** for additional information.

Credit Enhancement (Expense) Benefit, Net

The table below presents the components of credit enhancement (expense) benefit, net.

Table 11 - Components of Credit Enhancement (Expense) Benefit, Net

			Change	
(Dollars in millions)	1Q 2020	1Q 2019	$	%
Premiums, amortization, and transaction costs	($231)	($162)	($69)	(43%)
Expected recoveries	467	4	463	11,575
Credit enhancement (expense) benefit, net	**$236**	**($158)**	**$394**	**249%**

Key Drivers:

- **1Q 2020 vs. 1Q 2019** - Shifted to a benefit primarily driven by an increase in expected recoveries from freestanding credit enhancements as a result of the corresponding increase in expected credit losses on the covered loans due to the COVID-19 pandemic.

Other Comprehensive Income (Loss)

Key Drivers:

- **1Q 2020 vs. 1Q 2019** - Increased $0.2 billion primarily due to fair value gains on available-for-sale securities as long-term interest rates declined, partially offset by fair value losses on agency and non-agency mortgage-related securities due to spread widening as a result of the significant market volatility caused by the COVID-19 pandemic.

CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized condensed consolidated balance sheets.

Beginning January 1, 2020, we elected to offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell when such amounts meet the conditions for balance sheet offsetting. Prior period amounts have been reclassified to conform to the current presentation. See **Note 1** and **Note 10** in this Form 10-Q for additional information.

Table 12 - Summarized Condensed Consolidated Balance Sheets

			Change	
(Dollars in millions)	March 31, 2020	December 31, 2019	$	%
Assets:				
Cash and cash equivalents	$24,324	$5,189	$19,135	369 %
Securities purchased under agreements to resell	45,968	56,271	(10,303)	(18)
Subtotal	**70,292**	**61,460**	**8,832**	**14**
Investment securities, at fair value	79,189	75,711	3,478	5
Mortgage loans, net	2,046,657	2,020,200	26,457	1
Accrued interest receivable	6,841	6,848	(7)	—
Derivative assets, net	2,815	844	1,971	234
Deferred tax assets, net	4,629	5,918	(1,289)	(22)
Other assets	31,561	22,799	8,762	38
Total assets	**$2,241,984**	**$2,193,780**	**$48,204**	**2 %**
Liabilities and Equity:				
Liabilities:				
Accrued interest payable	$6,271	$6,559	($288)	(4)%
Debt	2,216,135	2,169,685	46,450	2
Derivative liabilities, net	2,226	372	1,854	498
Other liabilities	7,848	8,042	(194)	(2)
Total liabilities	**2,232,480**	**2,184,658**	**47,822**	**2**
Total equity	**9,504**	**9,122**	**382**	**4**
Total liabilities and equity	**$2,241,984**	**$2,193,780**	**$48,204**	**2 %**

Key Drivers:

As of March 31, 2020 compared to December 31, 2019:

- **Cash and cash equivalents** and **securities purchased under agreements to resell** increased on a combined basis primarily due to higher near-term cash needs for upcoming debt maturities and anticipated calls of other debt and a higher expected loan purchase forecast. In addition, we carried higher cash and cash equivalents due to volatile market conditions driven by the COVID-19 pandemic.
- **Derivative assets, net and derivative liabilities, net** increased primarily due to significant changes in the fair value of forward commitments to purchase and sell mortgage loans and mortgage-related securities.
- **Deferred tax assets, net** declined primarily due to a lower deferred tax asset related to derivatives.
- **Other assets** increased primarily due to higher servicer receivables driven by an increase in mortgage loan payoffs reported but not yet remitted at the end of 1Q 2020.

OUR BUSINESS SEGMENTS

We have three reportable segments, which are based on the way we manage our business.

- **Single-Family Guarantee** - Reflects results from our purchase, securitization, and guarantee of single-family loans and the management of single-family mortgage credit risk.
- **Multifamily** - Reflects results from our purchase, sale, securitization, and guarantee of multifamily loans and securities, our investments in those loans and securities, and the management of multifamily mortgage credit risk and market risk.
- **Capital Markets** - Reflects results from managing our mortgage-related investments portfolio (excluding Multifamily segment investments, single-family seriously delinquent loans, and the credit risk of single-family performing and reperforming loans), single-family securitization activities, and treasury function, which includes interest-rate risk management for the company.

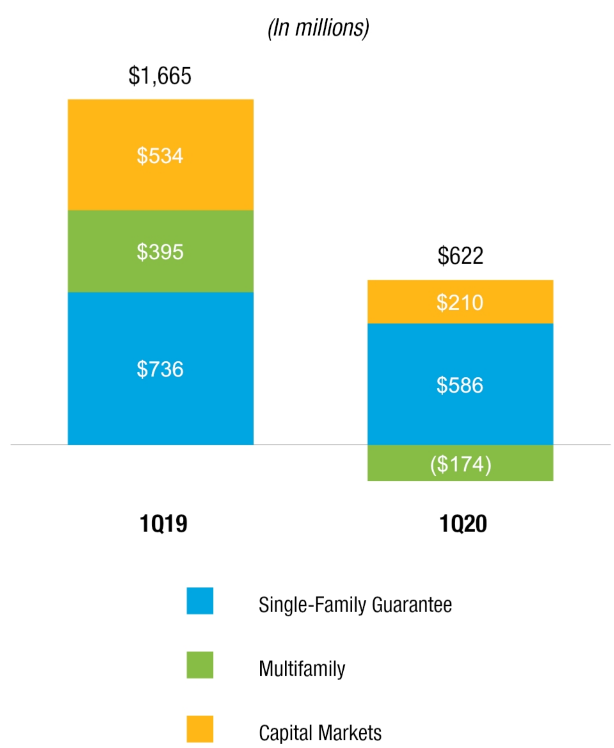
Certain activities that are not part of a reportable segment, such as material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments, are included in the **All Other** category.

Segment Earnings

We present Segment Earnings by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP condensed consolidated statements of comprehensive income (loss) and allocating certain revenues and expenses to our three reportable segments. For more information on our segment reclassifications, see **Note 13**.

Segment Comprehensive Income (Loss)

The graph below shows our comprehensive income (loss) by segment.



Single-Family Guarantee

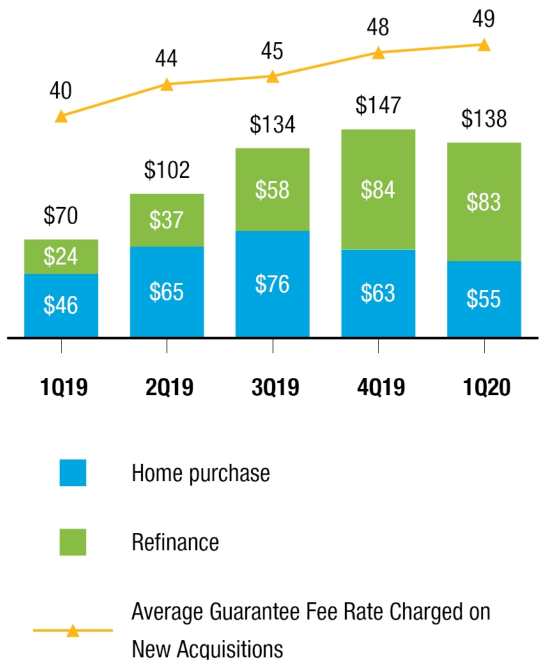
Business Results

The following tables, graphs, and related discussion present the business results of our Single-family Guarantee segment.

New Business Activity

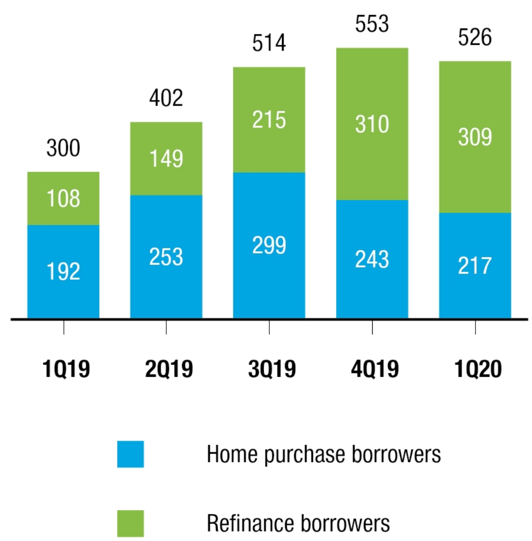
UPB of Single-Family Loan Purchases and Guarantees by Loan Purpose and Average Guarantee Fee Rate[1] Charged on New Acquisitions

(UPB in billions, guarantee fee in bps)



Number of Families Helped to Own a Home

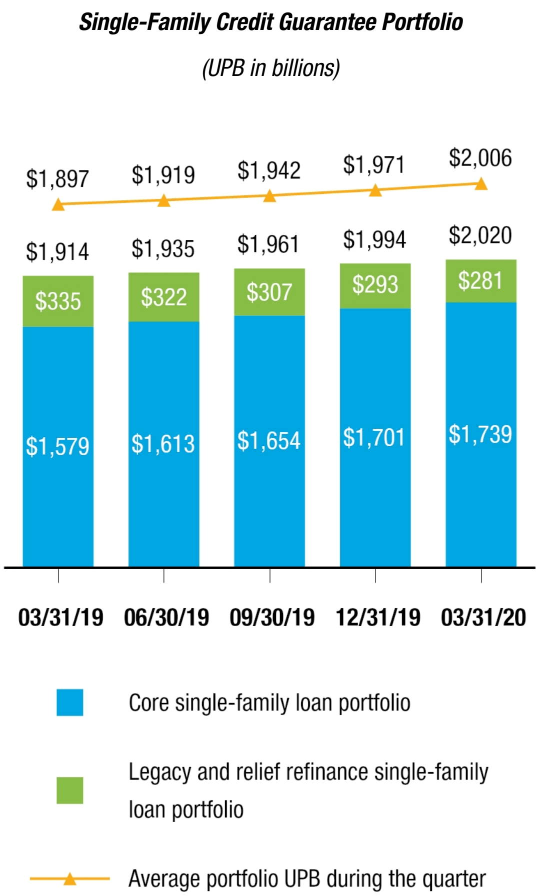
(In thousands)

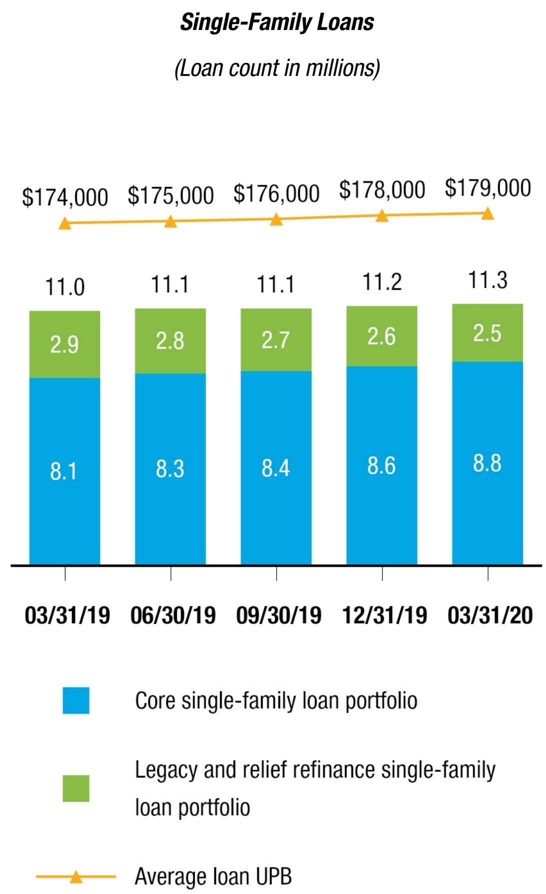


(1) Guarantee fee excludes legislated 10 basis point increase.

- Our loan purchase and guarantee activity increased in 1Q 2020 compared to 1Q 2019, primarily due to higher refinance activity driven by the declining average mortgage interest rates in recent quarters and increased home purchase volume.
- The average guarantee fee rate charged on new acquisitions increased in 1Q 2020 compared to 1Q 2019, primarily due to an increase in contractual guarantee fees and an enhancement in our estimation methodology related to recognition of buy-up fees in 2Q 2019.
- We expect home sales to fall significantly in 2Q 2020 as a result of the COVID-19 pandemic and then begin to recover over the next year. We expect mortgage rates to remain low over the next two years and result in an increase in mortgage refinance activity. However, the volume of borrowers eligible for refinancing may decline due to a combination of the deterioration in their credit profile and credit overlays implemented by market participants. Given these offsetting factors, we expect overall mortgage origination volumes to remain near pre-pandemic levels for 2020 and 2021.

Single-Family Credit Guarantee Portfolio



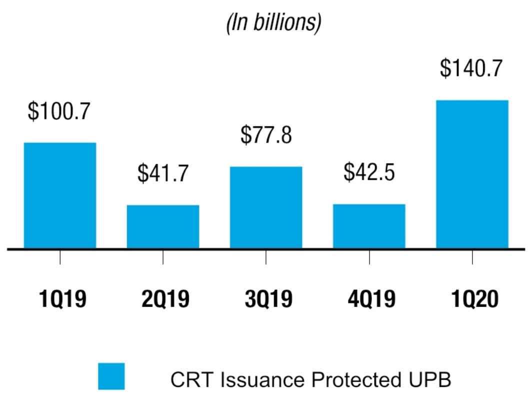


- The single-family credit guarantee portfolio increased at an annualized rate of approximately 5% between December 31, 2019 and March 31, 2020, driven by an increase in U.S. single-family mortgage debt outstanding. Continued home price appreciation contributed to new business acquisitions having a higher average loan size compared to older vintages that continued to run off.
- The core single-family loan portfolio grew to 86% of the single-family credit guarantee portfolio at March 31, 2020, compared to 85% at December 31, 2019. The legacy and relief refinance single-family loan portfolio declined to 14% of the single-family credit guarantee portfolio at March 31, 2020, compared to 15% at December 31, 2019.
- The average portfolio Segment Earnings guarantee fee rate was 42 bps during 1Q 2020 and 35 bps during 1Q 2019, both excluding the legislated 10 basis point increase in guarantee fees. The rate increased in 1Q 2020 compared to 1Q 2019 due to an increase in the recognition of upfront fees, net of hedging, driven by a higher prepayment rate and an increase in contractual guarantee fees as older vintages were replaced by acquisitions of new loans with higher contractual guarantee fees.

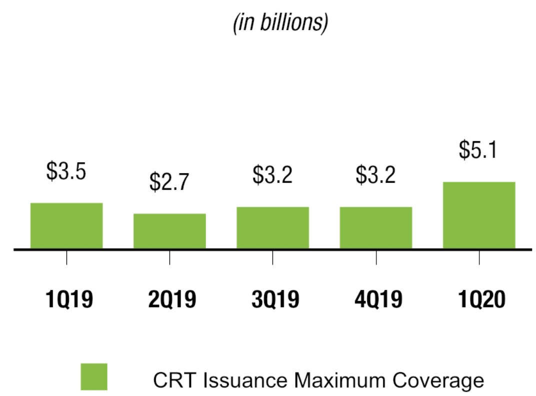
CRT Activities

We transfer credit risk on a portion of our single-family credit guarantee portfolio to the private market, which reduces the risk of future losses to us and taxpayers when borrowers go into default. The graphs below show the issuance amounts on the protected UPB and maximum coverage associated with CRT transactions for loans in our single-family credit guarantee portfolio.

CRT Issuance Protected UPB



CRT Issuance Maximum Coverage

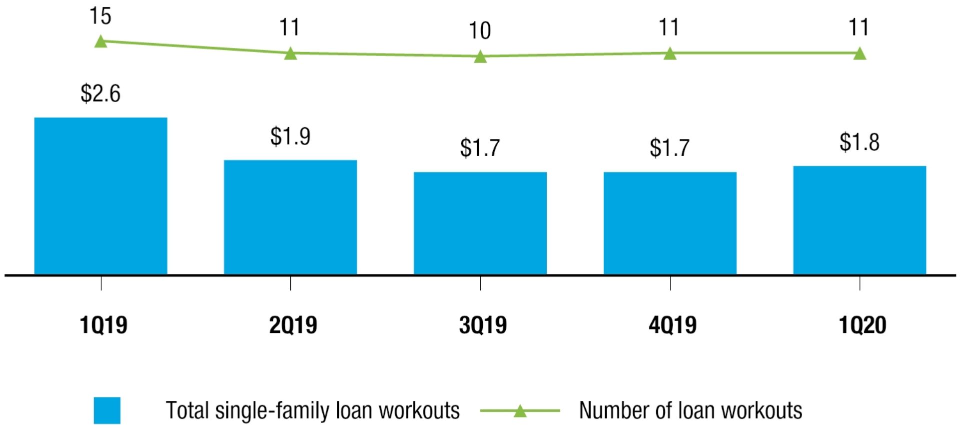


- During 1Q 2020, 70% of our single-family acquisitions were loans in the targeted population for our CRT transactions (primarily 30-year fixed rate loans with LTV ratios between 60% and 97%).
- The CRT transactions we executed during 1Q 2020 primarily related to loans we acquired during 2Q 2019 and 3Q 2019. As a result, our CRT protected UPB and maximum coverage issuance amounts increased during 1Q 2020 due to the increase in loan purchase activity that occurred in those prior periods.
- Our ability to transfer single-family credit risk has been, and may continue to be, negatively affected by the COVID-19 pandemic. In addition, the cost to us of doing so has been fluctuating more significantly and rapidly than usual as a result of developments related to the COVID-19 pandemic, and may continue to change significantly and rapidly depending on continuing effects of the pandemic on market conditions. While CRT remains a critical component of our business strategy and we intend to continue to pursue our existing CRT strategies, there may not be sufficient investor demand for CRT transactions at acceptable prices for the foreseeable future, and it is uncertain if there will be adequate demand for them over the longer term based on the potential impacts of the pandemic on mortgage performance. For additional information on the impact of COVID-19, see **MD&A - Introduction - *COVID-19 Pandemic Response Efforts*** and **Other Information - *Risk Factors***.
- We are continually evaluating our CRT strategy, and we make changes depending on market conditions, including the significant market volatility caused by the COVID-19 pandemic, and our business strategy. See **Risk Management - *Single-Family Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors*** for additional information on our CRT activities and other credit enhancements.

Loss Mitigation Activities

Loan Workout Activity

(UPB in billions, number of loan workouts in thousands)



- Our loan workout activity decreased in 1Q 2020 compared to 1Q 2019 primarily driven by the ongoing reduction in the impact of the hurricanes that occurred in late 2017.
- We expect the volume of our loss mitigation activities related to the effects of the COVID-19 pandemic to increase substantially over the next several quarters as a result of the actions we take to support the mortgage market. For additional information on our responses to the COVID-19 pandemic, see **MD&A - Introduction - *COVID-19 Pandemic Response Efforts***.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Single-family Guarantee segment.

Table 13 - Single-Family Guarantee Segment Financial Results

			Change	
(Dollars in millions)	1Q 2020	1Q 2019	$	%
Guarantee fee income	$2,093	$1,635	$458	28 %
Investment gains (losses), net	437	6	431	7,183
Other income (loss)	15	112	(97)	(87)
Net revenues	**2,545**	**1,753**	**792**	**45**
Benefit (provision) for credit losses	(1,222)	71	(1,293)	(1,821)
Credit enhancement (expense) benefit, net	28	(316)	344	109
REO operations expense	(87)	(38)	(49)	(129)
Credit-related expense	**(1,281)**	**(283)**	**(998)**	**(353)**
Administrative expense	(372)	(374)	2	1
Other expense	(151)	(168)	17	10
Operating expense	**(523)**	**(542)**	**19**	**4**
Segment Earnings (Losses) before income tax (expense) benefit	**741**	**928**	**(187)**	**(20)**
Income tax (expense) benefit	(153)	(188)	35	19
Segment Earnings (Losses), net of taxes	**588**	**740**	**(152)**	**(21)**
Total other comprehensive income (loss), net of tax	(2)	(4)	2	50
Total comprehensive income (loss)	**$586**	**$736**	**($150)**	**(20)%**

Key Business Drivers:

- **1Q 2020 vs. 1Q 2019**
  - Higher guarantee fee income primarily due to increased upfront fee amortization income driven by higher prepayments and a higher contractual guarantee fee rate.
  - Higher investment gains primarily due to higher gains on STACR debt notes for which we have elected the fair value option driven by significant widening of market spreads due to the COVID-19 pandemic, partially offset by higher lower-of-cost-or-fair-value losses related to held-for-sale loans.
  - Benefit (provision) for credit losses shifted to provision in 1Q 2020 primarily due to higher expected credit losses as a result of the COVID-19 pandemic.
  - Credit enhancement (expense) benefit, net shifted to benefit in 1Q 2020 primarily driven by higher expected CRT recoveries, which partially offset the higher provision for credit losses related to the adverse effects of the COVID-19 pandemic.

Multifamily

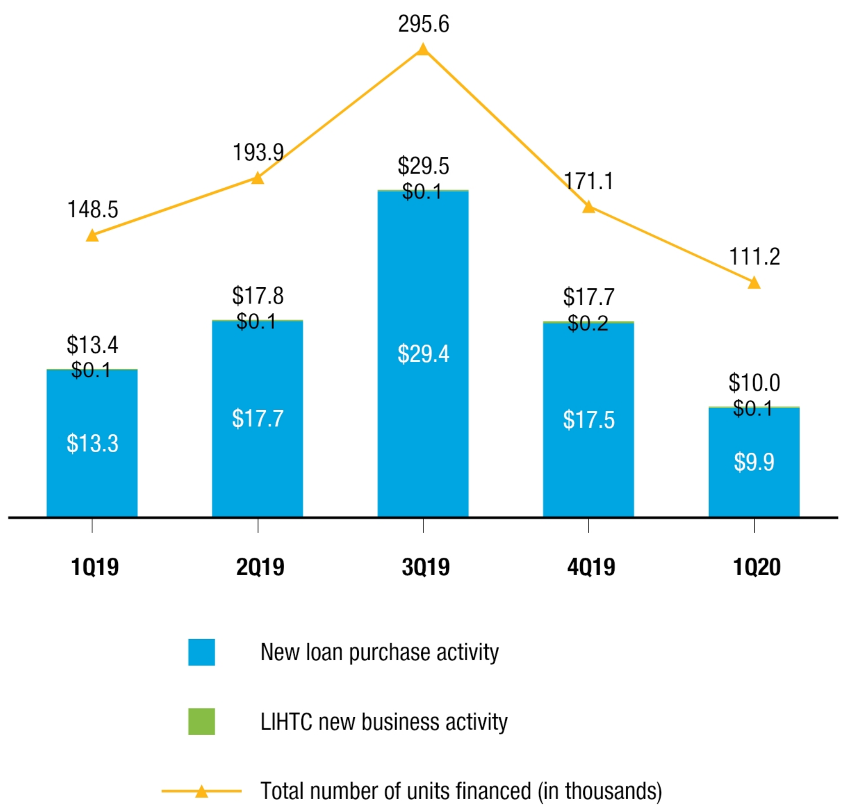
Business Results

The graphs, tables, and related discussion below present the business results of our Multifamily segment.

New Business Activity

New Business Activity

(UPB in billions)

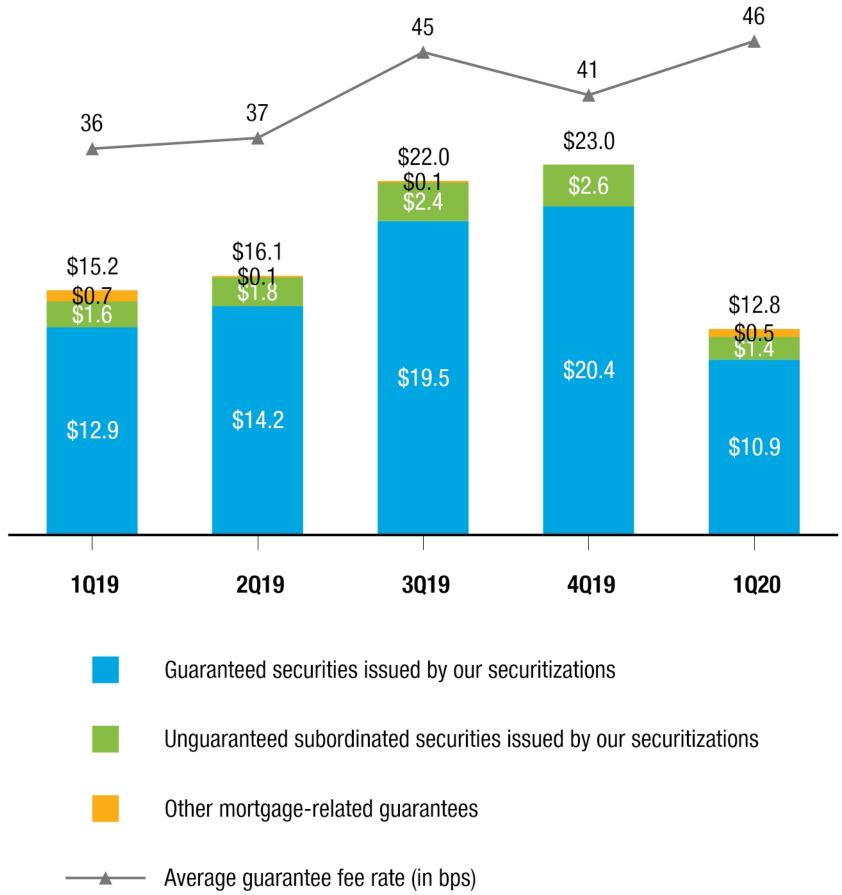


- In 3Q 2019, FHFA announced a revised loan purchase cap structure for the multifamily business. The loan purchase cap is $100.0 billion for the five-quarter period from 4Q 2019 through 4Q 2020 and applies to all multifamily business activity, with no exclusions. To ensure a strong focus on affordable housing and traditionally underserved markets, at least 37.5% of the new multifamily business activity must be mission-driven, affordable housing over the same five-quarter period.
  - As of March 31, 2020, the total cumulative new business activity counting toward the cap was $27.4 billion. Approximately 39% of this activity was mission-driven, affordable housing.
- Outstanding commitments, including index lock commitments and commitments to purchase or guarantee multifamily assets were $22.7 billion and $20.8 billion as of March 31, 2020 and March 31, 2019, respectively. At the end of March 2020, we temporarily suspended the availability of our index lock and early-rate lock commitment options for all loan products. The impact of this change on future new business activity is uncertain.
- The combination of our new business activity and outstanding commitments remained relatively flat for 1Q 2020 compared to 1Q 2019.
- The portion of our new mortgage loan purchase activity that was classified as held-for-sale and intended for our securitization pipeline decreased to 87% in 1Q 2020 from 92% in 1Q 2019 due to an increase in the issuance of fully guaranteed and consolidated other securitizations as we continued to refine the disposition path for certain loan products. The purchase activity in 1Q 2020, combined with market demand for our securities, will be a driver for our primary securitizations in the next two quarters of 2020.

Securitization, Guarantee, and Risk Transfer Activities

Securitization and Guarantee Activities

(UPB in billions)



- Total securitization UPB decreased during 1Q 2020 compared to 1Q 2019, primarily due to a lower held-for-sale loan portfolio available for securitization during the quarter.
- Approximately 86% and 96% of total securitization UPB related to our primary securitizations during 1Q 2020 and 1Q 2019, respectively.
- The average guarantee fee rate on new guarantees increased during 1Q 2020 compared to 1Q 2019, primarily driven by a higher volume of securitizations without subordination, which typically have higher guarantee fee rates than our primary securitizations with subordination.
- We further reduced our risk exposure through loan sales to whole loan funds of $0.2 billion and $0.4 billion in UPB during 1Q 2020 and 1Q 2019, respectively.

We continually evaluate our risk transfer strategy and make changes depending on market conditions and our business strategy. See **Risk Management - *Multifamily Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors*** for more information on risk transfer transactions and credit enhancements on our multifamily mortgage portfolio.

Multifamily Portfolio and Market Support

The following table summarizes our support of the multifamily portfolio and our support of the multifamily market by UPB.

Table 14 - Multifamily Portfolio and Market Support

(In millions)	March 31, 2020	December 31, 2019
Guarantee portfolio:		
Primary securitizations	$242,445	$240,134
Other securitizations	21,392	20,205
Other mortgage-related guarantees	10,937	10,514
Total guarantee portfolio	**274,774**	**270,853**
Mortgage-related investments portfolio:		
Unsecuritized mortgage loans held-for-sale	15,929	18,954
Unsecuritized mortgage loans held-for-investment	10,421	10,831
Mortgage-related securities(1)	5,651	5,889
Total mortgage-related investments portfolio	**32,001**	**35,674**
Other investments(2)	2,699	2,945
Total multifamily portfolio	**309,474**	**309,472**
Add: Unguaranteed securities(3)	41,076	40,666
Less: Acquired mortgage-related securities(4)	(5,508)	(5,709)
Total multifamily market support	**$345,042**	**$344,429**

(1) Includes mortgage-related securities acquired by us from our securitizations.

(2) Includes the carrying value of LIHTC investments and the UPB of non-mortgage loans, including financing provided to whole loan funds.

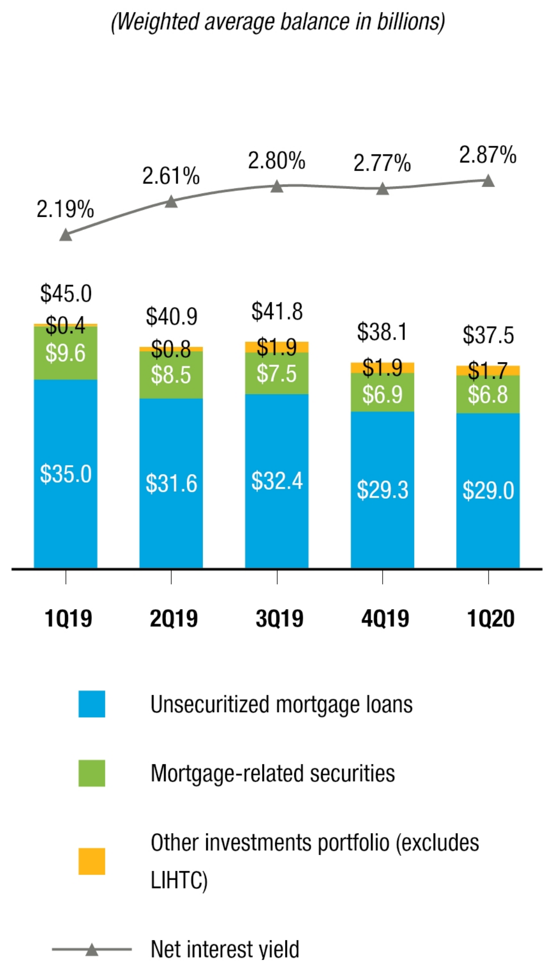
(3) Reflects the UPB of unguaranteed securities issued as part of our securitizations and amounts related to loans sold to whole loan funds that were not financed by Freddie Mac.

(4) Reflects the UPB of mortgage-related securities that were both issued as part of our securitizations and acquired by us. This UPB must be removed from the mortgage-related securities balance to avoid double-counting the exposure, as it is already reflected within the guarantee portfolio or unguaranteed securities.

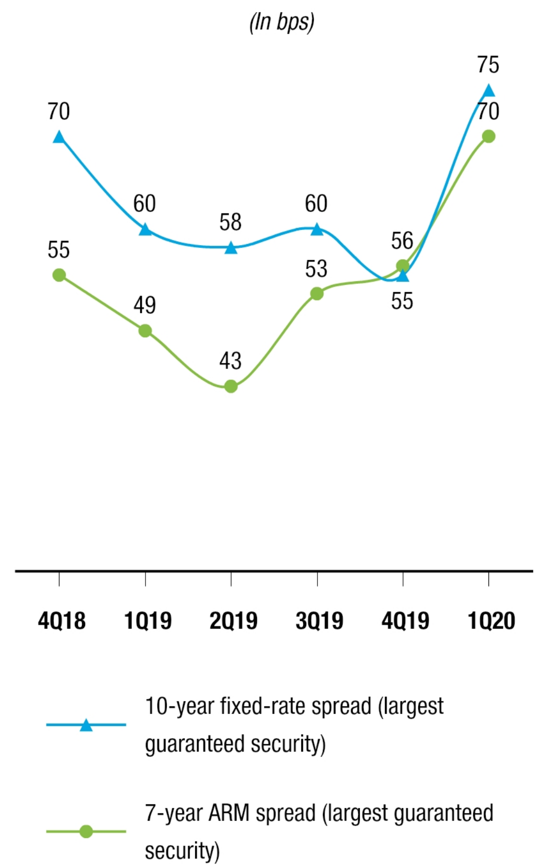
- Our total multifamily portfolio remained relatively flat during 1Q 2020. While we expect continued growth in our total portfolio as purchase and securitization activities should outpace run off, the near-term impacts to our new business activity and overall multifamily mortgage portfolio as a result of the COVID-19 pandemic are uncertain.
- At March 31, 2020, approximately 76% of our held-for-sale loans were fixed-rate, while the remaining 24% were floating-rate.
- As of March 31, 2020, we had cumulatively transferred the large majority of expected and stress credit risk on the multifamily guarantee portfolio primarily through subordination in our securitizations. In addition, nearly all of our securitization activities shifted substantially all of the interest-rate and liquidity risk associated with the underlying collateral away from Freddie Mac to third-party investors.
- We earn guarantee fees in exchange for providing our guarantee of some or all of the securities we issue as part of our securitizations. The average guarantee fee rate that we earn on our guarantee portfolio was 37 bps, and the average remaining guarantee term was eight years, as of both March 31, 2020 and December 31, 2019. While we expect to earn future guarantee fees at the average guarantee fee rate over the average remaining guarantee term, the actual amount earned will depend on the performance of the underlying collateral subject to our financial guarantee.

Net Interest Yield and K Certificate Benchmark Spreads

Net Interest Yield & Average Investment Portfolio Balance



K Certificate Benchmark Spreads



- Net interest yield increased during 1Q 2020 compared to 1Q 2019 due to lower funding costs on our held-for-sale loans driven by lower interest rates.
- The weighted average investment portfolio balance of interest-earning assets decreased during 1Q 2020 compared to 1Q 2019 due to a decrease in held-for-sale loans and mortgage-related securities.
- K Certificate benchmark spreads significantly widened during 1Q 2020 as a result of market volatility related to the COVID-19 pandemic, resulting in spread-related fair value losses on our held-for-sale loans and commitments and mortgage-related securities.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Multifamily segment.

Table 15 - Multifamily Segment Financial Results

			Change	
(Dollars in millions)	1Q 2020	1Q 2019	$	%
Net interest income	$269	$247	$22	9 %
Guarantee fee income	413	287	126	44
Investment gains (losses), net	(851)	(26)	(825)	(3,173)
Other income (loss)	37	29	8	28
Net revenues	**(132)**	**537**	**(669)**	**(125)**
Credit-related expense	**(43)**	**(5)**	**(38)**	**(760)**
Administrative expense	(120)	(112)	(8)	(7)
Other expense	(5)	(6)	1	17
Operating expense	**(125)**	**(118)**	**(7)**	**(6)**
Segment Earnings (Losses) before income tax benefit (expense)	**(300)**	**414**	**(714)**	**(172)**
Income tax (expense) benefit	62	(84)	146	174
Segment Earnings (Losses), net of taxes	**(238)**	**330**	**(568)**	**(172)**
Total other comprehensive income (loss), net of tax	64	65	(1)	(2)
Total comprehensive income (loss)	**($174)**	**$395**	**($569)**	**(144)%**

Key Business Drivers:

- **1Q 2020 vs. 1Q 2019**
  - Increase in net interest income due to lower funding costs on our held-for-sale loans, partially offset by a decline in our weighted average portfolio balance of interest earning assets.
  - Increase in guarantee fee income driven by lower fair value losses on our guarantee asset due to declining interest rates coupled with continued growth in our multifamily guarantee portfolio.
  - Shifted to investment losses (net of other comprehensive income) in 1Q 2020 primarily driven by increased spread-related fair value losses due to spread widening, coupled with larger losses on derivatives used to economically hedge index lock commitments due to greater interest rate declines as a result of the market volatility caused by the COVID-19 pandemic. We expect these economic hedging losses to be mostly offset in 2Q 2020 as the index locks become loan purchase commitments that are measured at fair value.

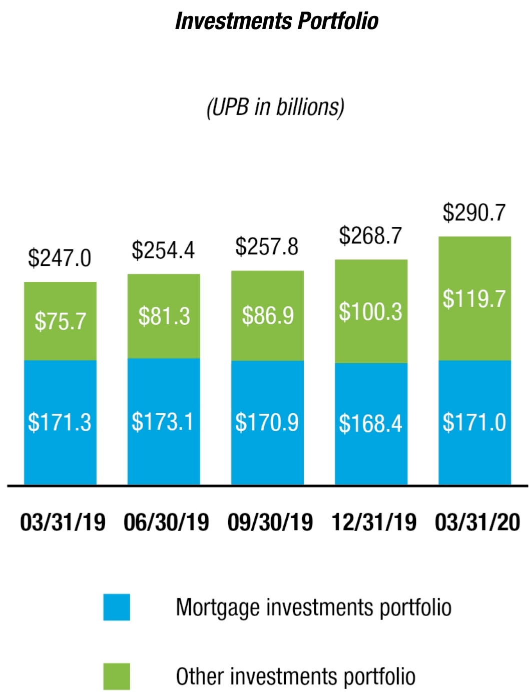
Capital Markets

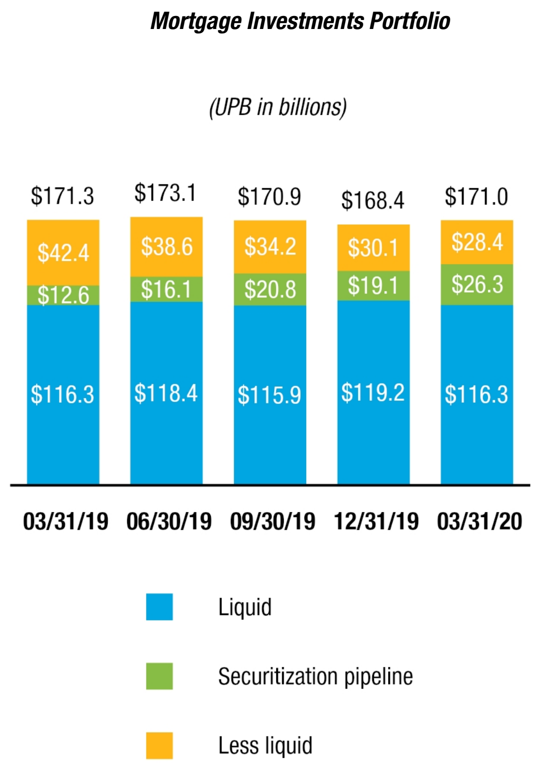
Business Results

The graphs and related discussion below present the business results of our Capital Markets segment.

Investing Activity

The following graphs present the Capital Markets segment's total investments portfolio and the composition of its mortgage investments portfolio by liquidity category.





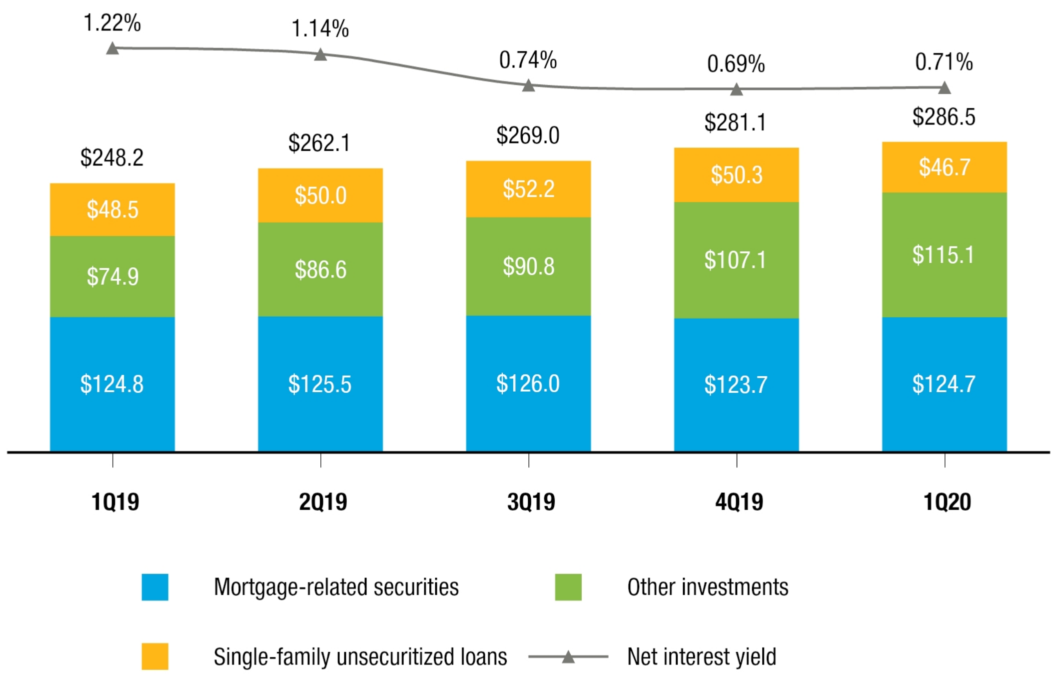
- The balance of our mortgage investments portfolio remained relatively flat from December 31, 2019 to March 31, 2020. See **Conservatorship and Related Matters - *Managing Our Mortgage-Related Investments Portfolio*** for additional details.
- The balance of our other investments portfolio increased by 19.3%, primarily due to higher near-term cash needs as of March 31, 2020 compared to December 31, 2019 for upcoming debt maturities and anticipated calls of other debt. We also maintained excess liquidity during 1Q 2020 due to volatile market conditions caused by the COVID-19 pandemic, which may negatively affect our net interest income. Additionally, we expect to advance significant amounts to cover principal and interest payments to security holders for loans in forbearance in the coming months.
- Our less liquid assets continued to decrease and the percentage of less liquid assets relative to our total mortgage investments portfolio declined from 17.9% at December 31, 2019 to 16.6% at March 31, 2020, primarily due to repayments, sales, and securitizations. We continued to actively reduce our holdings of less liquid assets during 1Q 2020 by selling $1.9 billion of reperforming loans using senior subordinate securitization structures. However the impact of COVID-19 on market conditions negatively affected the overall liquidity of our portfolios. Although FHFA has instructed us to maintain loans in COVID-19 payment forbearance plans in mortgage-backed security pools for at least the duration of the forbearance plan, our less liquid assets are likely to increase in future periods as we will likely purchase a higher amount of delinquent and modified loans out of Freddie Mac mortgage-backed security pools. We also expect our ability to continue to sell less liquid assets at acceptable prices may be negatively affected by the market volatility caused by the COVID-19 pandemic.
- We continue to participate in transactions that support the development of SOFR as an alternative rate to LIBOR. These transactions include investment in and issuance of SOFR indexed floating-rate debt securities and execution of SOFR indexed derivatives.

- We have maintained adequate access to the debt markets to meet our financial obligations as they come due and meet the needs of customers in a timely and cost-efficient manner. We expect to continue to maintain excess liquidity in the near term in order to be able to meet our financial obligations as they come due.

Net Interest Yield and Average Balances

Net Interest Yield & Average Investments Portfolio Balances

(Weighted average balance in billions)



- **1Q 2020 vs. 1Q 2019 -** Net interest yield decreased 51 basis points primarily due to the lower and flatter interest rate environment, which also resulted in an increase in amortization expense from higher loan liquidation rates and a change in our investment mix, as the other investments portfolio represented a larger percentage of our total investments portfolio.
- Net interest yield for the Capital Markets segment is not affected by our hedge accounting programs due to reclassifications made for Segment Earnings. See **Note 13** in our 2019 Annual Report for more information.

Financial Results

The table below presents the components of Segment Earnings and comprehensive income for our Capital Markets segment.

Table 16 - Capital Markets Segment Financial Results

			Change	
(Dollars in millions)	**1Q 2020**	**1Q 2019**	**$**	**%**
Net interest income	$509	$758	($249)	(33)%
Investment gains (losses), net	(427)	(36)	(391)	(1,086)
Other income (loss)	(201)	(206)	5	2
Net revenues	**(119)**	**516**	**(635)**	**(123)**
Administrative expense	(95)	(92)	(3)	(3)
Other expense	(9)	(1)	(8)	(800)
Operating expense	**(104)**	**(93)**	**(11)**	**(12)**
Segment Earnings (Losses) before income tax (expense) benefit	**(223)**	**423**	**(646)**	**(153)**
Income tax (expense) benefit	46	(86)	132	153
Segment Earnings (Losses), net of taxes	**(177)**	**337**	**(514)**	**(153)**
Total other comprehensive income (loss), net of tax	387	197	190	96
Total comprehensive income (loss)	**$210**	**$534**	**($324)**	**(61)%**

The portion of total comprehensive income (loss) driven by interest rate-related and market spread-related fair value changes, after-tax, is presented in the table below. These amounts affect various line items in the table above, including investment gains (losses), net, income tax expense, and total other comprehensive income (loss), net of tax.

Table 17 - Capital Markets Segment Interest Rate-Related and Market Spread-Related Fair Value Changes, Net of Tax

			Change	
(Dollars in billions)	**1Q 2020**	**1Q 2019**	**$**	**%**
Interest rate-related	$0.3	$0.1	$0.2	200%
Market spread-related	(0.4)	—	(0.4)	N/A

Key Drivers:

- **1Q 2020 vs. 1Q 2019**
  - Net interest income decreased primarily due to the lower and flatter interest rate environment, which also resulted in an increase in amortization expense due to higher loan liquidation rates and a change in our investment mix, as the other investments portfolio represented a larger percentage of our total investments portfolio.
  - Decrease in investment gains (losses), net of $0.4 billion, partially offset by an increase of $0.2 billion in other comprehensive income, primarily due to spread-related fair value losses as a result of significant market volatility caused by COVID-19. See **Risk Management - *Market Risk*** for additional information on the effect of market-related items on our comprehensive income.

RISK MANAGEMENT

Risk is an inherent part of our business activities. We are exposed to the following key types of risk: credit risk, operational risk, market risk, liquidity risk, strategic risk, and reputation risk.

For more discussion of these and other risks facing our business and our enterprise risk framework, see **Other Information - *Risk Factors*** and **MD&A - Liquidity and Capital Resources** in this Form 10-Q and **Risk Factors**, **MD&A - Risk Management,** and **MD&A - Liquidity and Capital Resources** in our 2019 Annual Report. See below for updates since our 2019 Annual Report.

Credit Risk

Overview

Credit risk is the risk associated with the inability or failure of a borrower, issuer, or counterparty to meet its financial and/or contractual obligations. We are exposed to both mortgage credit risk and counterparty credit risk.

Mortgage credit risk is the risk associated with the inability or failure of a borrower to meet its financial and/or contractual obligations. We are exposed to two types of mortgage credit risk:

- **Single-family mortgage credit risk**, through our ownership or guarantee of loans in the single-family credit guarantee portfolio and
- **Multifamily mortgage credit risk**, through our ownership or guarantee of loans in the multifamily mortgage portfolio.

On January 1, 2020, we adopted CECL, which changed our methodology for accounting for credit losses on financial assets measured at amortized cost and off-balance sheet credit exposures. See **Note 1** for additional information on our adoption of CECL. See **Note 4** and **Note 5** for additional information on the changes in our significant accounting policies that affect the accounting for credit losses on our single-family and multifamily credit risk exposures as a result of our adoption of CECL.

In the section below, we provide a discussion of the current risk environment for our mortgage credit risk.

Single-Family Mortgage Credit Risk

Maintaining Prudent Underwriting Standards and Quality Control Practices and Managing Seller/Servicer Performance

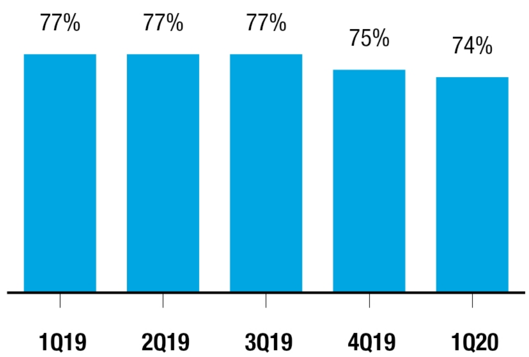
Loan Purchase Credit Characteristics

The credit quality of our single-family loan purchases remained strong during 1Q 2020 by historical standards. We continually monitor and evaluate market conditions that could impact the credit quality of our single-family loan purchases. We have announced temporary changes in our underwriting standards due to the COVID-19 pandemic, which may affect the expected performance of loans purchased while these changes are in effect.

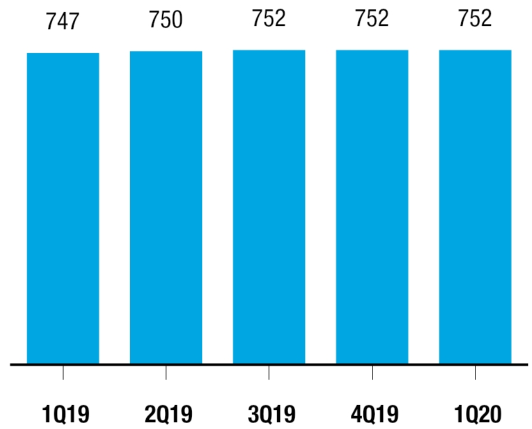
In April 2020, we announced that we would temporarily purchase certain single-family mortgage loans that have entered into forbearance as a result of borrower hardship caused by the COVID-19 pandemic to help provide liquidity to the mortgage market and allow originators to keep lending. These loans will be priced to mitigate the heightened risk of loss that they present. For additional information on these temporary changes, see **MD&A - Introduction - *COVID-19 Pandemic Response Efforts***.

The graphs below show the credit profile of the single-family loans we purchased or guaranteed in each of the last five quarters.

Weighted Average Original LTV Ratio



Weighted Average Original Credit Score (1)



(1) Original credit score is based on three credit bureaus (Equifax, Experian, and TransUnion).

The table below contains additional information about the single-family loans we purchased or guaranteed.

Table 18 - Single-Family New Business Activity

	1Q 2020		1Q 2019	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
30-year or more amortizing fixed-rate	$114,251	83%	$61,178	87%
20-year amortizing fixed-rate	6,097	4	1,441	2
15-year amortizing fixed-rate	17,400	13	5,600	8
Adjustable-rate	649	—	1,817	3
FHA/VA and other governmental	29	—	25	—
Total	**$138,426**	**100%**	**$70,061**	**100%**
Percentage of purchases				
DTI ratio > 45%		14%		16%
Property type:				
Detached single-family houses		62		60
Townhouse		30		31
Condominium or co-op		8		9
Occupancy type:				
Primary residence		91		90
Second home		4		4
Investment property		5		6
Loan purpose:				
Purchase		40		65
Cash-out refinance		21		20
Other refinance		39		15

Transferring Credit Risk to Third-Party Investors

To reduce our credit risk exposure, we engage in various credit enhancement arrangements, which include CRT transactions and other credit enhancements.

Single-Family Credit Guarantee Portfolio CRT Issuance

The table below provides the issuance amounts during 1Q 2020 and 1Q 2019, including the protected UPB and maximum coverage by loss position, associated with CRT transactions for loans in our single-family credit guarantee portfolio. While we successfully executed a number of CRT transactions in 1Q 2020, the COVID-19 pandemic has resulted in significant volatility in the single-family CRT markets, which may negatively affect our ability to transfer credit risk on single-family loans in future periods. See **MD&A - Introduction - *COVID-19 Pandemic Response Efforts - Business Outlook*** for additional information.

Table 19 - Single-Family Credit Guarantee Portfolio CRT Issuance

	Issuance for the Three Months Ended March 31, 2020				Issuance for the Three Months Ended March 31, 2019			
	Protected UPB[1]	Maximum Coverage[2]			Protected UPB[1]	Maximum Coverage[2]		
(In millions)	Total	First Loss[3]	Mezzanine	Total	Total	First Loss[3]	Mezzanine	Total
STACR	$132,571	$1,040	$2,667	$3,707	$74,849	$582	$1,660	$2,242
Insurance/reinsurance	97,758	221	633	854	65,230	275	611	886
Subordination	1,688	118	59	177	1,903	115	79	194
Lender risk-sharing	6,207	202	189	391	4,060	—	128	128
Less: UPB with more than one type of CRT activity	(97,505)	—	—	—	(45,368)	—	—	—
Total CRT Activities	**$140,719**	**$1,581**	**$3,548**	**$5,129**	**$100,674**	**$972**	**$2,478**	**$3,450**

(1) For STACR and certain insurance/reinsurance transactions (e.g., ACIS), represents the UPB of the assets included in the reference pool. For other insurance/reinsurance transactions, represents the UPB of the assets covered by the insurance policy. For subordination, represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities.

(2) For STACR transactions, represents the balance held by third parties at issuance. For insurance/reinsurance transactions, represents the aggregate limit of insurance purchased from third parties at issuance. For subordination, represents the UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

(3) First loss includes the most subordinate securities (i.e., B tranches) in our STACR Trust notes and their equivalent in ACIS and other CRT transactions.

Single-Family Credit Guarantee Portfolio Credit Enhancement Coverage Outstanding

The tables below provide information on the total protected UPB and maximum coverage associated with credit enhanced loans in our single-family credit guarantee portfolio as of March 31, 2020 and December 31, 2019.

Table 20 - Single-Family Credit Guarantee Portfolio Credit Enhancement Coverage Outstanding

	Outstanding as of March 31, 2020				
	Protected UPB[1]	Percentage of Single-Family Credit Guarantee Portfolio	Maximum Coverage[2]		
(Dollars in millions)	Total	Total	First Loss[3]	Mezzanine	Total
Primary mortgage insurance	$427,467	21%	$109,003	$—	$109,003
STACR	906,431	45	6,912	20,422	27,334
Insurance/reinsurance	907,873	45	2,709	7,733	10,442
Subordination	44,363	2	2,715	2,785	5,500
Lender risk-sharing	29,222	1	5,154	769	5,923
Other	879	—	874	—	874
Less: UPB with multiple CRT and/or other credit enhancements	(1,143,799)	(56)	—	—	—
Single-family credit guarantee portfolio with credit enhancement	**1,172,436**	**58**	**127,367**	**31,709**	**159,076**
Single-family credit guarantee portfolio without credit enhancement	847,483	42	—	—	—
Total	**$2,019,919**	**100%**	**$127,367**	**$31,709**	**$159,076**

	Outstanding as of December 31, 2019				
	Protected UPB(1)	Percentage of Single-Family Credit Guarantee Portfolio	Maximum Coverage(2)		
(Dollars in millions)	Total	Total	First Loss(3)	Mezzanine	Total
Primary mortgage insurance	$421,870	21%	$107,690	$—	$107,690
STACR	824,359	41	5,874	19,238	25,112
Insurance/reinsurance	863,149	43	2,483	7,674	10,157
Subordination	44,941	2	2,608	2,791	5,399
Lender risk-sharing	24,078	1	5,077	580	5,657
Other	1,056	—	1,051	—	1,051
Less: UPB with multiple CRT and/or other credit enhancements	(1,058,402)	(52)	—	—	—
Single-family credit guarantee portfolio with credit enhancement	**1,121,051**	**56**	**124,783**	**30,283**	**155,066**
Single-family credit guarantee portfolio without credit enhancement	873,398	44	—	—	—
Total	**$1,994,449**	**100%**	**$124,783**	**$30,283**	**$155,066**

(1) For STACR and certain insurance/reinsurance transactions (e.g., ACIS), represents the UPB of the assets included in the reference pool. For other insurance/reinsurance transactions, represents the UPB of the assets covered by the insurance policy. For subordination, represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities.

(2) For STACR transactions, represents the outstanding balance held by third parties. For insurance/reinsurance transactions, represents the remaining aggregate limit of insurance purchased from third parties. For subordination, represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

(3) First loss includes the most subordinate securities (i.e., B tranches) in our STACR transactions and their equivalent in ACIS and other CRT transactions.

We had outstanding maximum coverage of $159.1 billion and $155.1 billion on our single-family credit guarantee portfolio as of March 31, 2020 and December 31, 2019, respectively. CRT transactions provided 30.9% and 29.8% of the outstanding maximum coverage on those dates.

Credit Enhancement Coverage Characteristics

The table below provides information on the credit-enhanced and non-credit-enhanced loans in our single-family credit guarantee portfolio. The credit-enhanced categories are not mutually exclusive as a single loan may be covered by both primary mortgage insurance and other credit protection.

Table 21 - Credit-Enhanced and Non-Credit-Enhanced Loans in Our Single-Family Credit Guarantee Portfolio

	As of March 31, 2020		As of December 31, 2019	
(Percentage of portfolio based on UPB)	% of Portfolio	SDQ Rate	% of Portfolio	SDQ Rate
Credit-enhanced				
Primary mortgage insurance	21%	0.77%	21%	0.79%
Other	50	0.39	55	0.40
Non-credit-enhanced	43	0.67	45	0.70
Total	**N/A**	**0.60**	**N/A**	**0.63**

The table below provides information on the amount of credit enhancement coverage by year of origination associated with loans in our single-family credit guarantee portfolio.

Table 22 - Credit Enhancement Coverage by Year of Origination

	As of March 31, 2020		As of December 31, 2019	
(Dollars in millions)	UPB(1)	Percentage of UPB with Credit Enhancement	UPB(1)	Percentage of UPB with Credit Enhancement
Year of Loan Origination				
2020	$79,764	25%	N/A	N/A
2019	418,787	55	$383,003	40%
2018	200,563	81	221,712	81
2017	227,276	78	242,605	77
2016	264,988	71	277,762	71
2015 and prior	828,111	44	869,043	44
Total	**$2,019,489**	**57**	**$1,994,125**	**55**

(1) Excludes loans underlying certain securitization products for which loan-level data is not available.

Credit Enhancement Expenses and Recoveries

The recognition of expenses and estimated probable recoveries associated with credit enhancements in our condensed consolidated financial statements depends on the type of credit enhancement. See our 2019 Annual Report for more information. See **Note 6** for additional information on our credit enhancements. The table below contains details on the costs associated with our single-family credit enhancements.

Table 23 - Details of Single-Family Credit Enhancement (Expense) Benefit, Net

(In millions)	1Q 2020	1Q 2019
Credit enhancement costs (1)		
Credit enhancement (expense) benefit, net	$214	($153)
Interest expense related to CRT debt	(232)	(275)
Total costs	**(18)**	**(428)**
Estimated reinvestment income from proceeds of CRT debt issuance	46	112
Single-family credit enhancement (expense) benefit, net	**$28**	**($316)**

(1) Excludes fair value gains and losses on CRT derivatives and CRT debt recorded at fair value. See **MD&A - Consolidated Results of Operations** for additional information on these items.

Impact of CRT Transactions on Conservatorship Capital

We use FHFA's risk-based CCF guidelines to determine the amount of total conservatorship capital needed for our single-family credit guarantee portfolio. We reduce the amount of conservatorship capital needed for credit risk by shifting the risk of credit losses from Freddie Mac to third-party investors through our CRT transactions, primarily our STACR and ACIS transactions. The table below presents information on the impact of certain CRT transactions on the amount of capital needed for credit risk (conservatorship credit capital) pursuant to the CCF. For more information on the CCF, see **Liquidity and Capital Resources - *Capital Resources - Conservatorship Capital Framework.***

Table 24 - Reduction in Conservatorship Credit Capital (1) as a Result of Certain CRT Transactions

	As of March 31, 2020			As of December 31, 2019		
(Dollars in billions)	Single-Family Credit Guarantee Portfolio	Single-Family Credit Guarantee Portfolio - Covered by Certain CRT Transactions	Single-Family Credit Guarantee Portfolio - Other	Single-Family Credit Guarantee Portfolio	Single-Family Credit Guarantee Portfolio - Covered by Certain CRT Transactions	Single-Family Credit Guarantee Portfolio - Other
Conservatorship credit capital prior to CRT (2)	$32.7	$19.2	$13.5	$32.0	$16.1	$15.9
Conservatorship credit capital reduced by CRT (3)	(14.4)	(14.4)	—	(11.8)	(11.8)	—
Conservatorship credit capital needed after CRT	**$18.3**	**$4.8**	**$13.5**	**$20.2**	**$4.3**	**$15.9**
Reduction in conservatorship credit capital (%) (4)	**44.0%**	**75.0%**	**—%**	**36.9%**	**73.3%**	**—%**
UPB	**$2,020**	**$1,026**	**$994**	**$1,994**	**$945**	**$1,049**
% of portfolio	100%	51%	49%	100%	47%	53%

(1) Conservatorship credit capital figures for each period are based on the CCF in effect during the period. The CCF in effect as of March 31, 2020 was largely unchanged from the CCF as of December 31, 2019. The conservatorship credit capital figures as of March 31, 2020 are preliminary and subject to change until official submission to FHFA. The conservatorship credit capital figures as of December 31, 2019 have been revised to conform to the official submission to FHFA.

(2) Represents the total conservatorship credit capital prior to CRT on the outstanding balance of our single-family credit guarantee portfolio as of March 31, 2020 and December 31, 2019 based on prescribed CCF guidelines.

(3) Represents the amount of conservatorship credit capital released from certain CRT transactions, including STACR, ACIS/AFRM, certain senior subordination securitization structures, and certain lender risk-sharing transactions, based on prescribed CCF guidelines.

(4) Calculated as conservatorship credit capital reduced by CRT divided by conservatorship credit capital prior to CRT.

Monitoring Loan Performance and Characteristics

We review loan performance, including monitoring credit quality characteristics in conjunction with housing market and economic conditions, to assess credit risk when estimating our allowance for credit losses.

Allowance for Credit Losses

Upon the adoption of CECL on January 1, 2020, we recognized an increase to the opening balance of the allowance for credit losses on single-family loans classified as held-for-investment. Under CECL, we recognize an allowance for credit losses before a loss event has been incurred, which results in earlier recognition of credit losses compared to the previous incurred loss impairment methodology. Under CECL, we estimate the allowance for credit losses for loans on a pooled basis using a discounted cash flow model that evaluates a variety of factors to estimate the cash flows we expect to collect. The discounted cash flow model forecasts cash flows over the loan's remaining contractual life, adjusted for expectations of prepayments and TDRs we reasonably expect will occur, and using our historical experience, adjusted for current and future economic forecasts. These projections require significant management judgment and we face uncertainties and risks related to the models we use for financial accounting and reporting purposes. In particular, the length and severity of the economic downturn caused by the COVID-19 pandemic and its impact on home prices and the housing market, the number of borrowers that require assistance under the COVID-19 forbearance programs we are offering, and the ultimate success of those programs in resolving borrower hardships are all subject to significant uncertainty and may have a material effect on our allowance for credit losses in future periods.

For further information on our accounting policies and methods for estimating our allowance for credit losses and related management judgments, see **Critical Accounting Policies and Estimates**.

The table below summarizes our single-family allowance for credit losses activity.

Table 25 - Single-Family Allowance for Credit Losses Activity

(Dollar in millions)	1Q 2020	1Q 2019
Ending balance, December 31	$4,268	$6,176
Cumulative-effect adjustment recognized upon adoption of CECL	965	—
Beginning balance, January 1	5,233	6,176
(Benefit) provision for credit losses	1,166	(136)
Charge-offs	(164)	(605)
Recoveries collected	88	106
Other	24	41
Ending balance	**$6,347**	**$5,582**
As a percentage of our single-family credit guarantee portfolio	0.31%	0.29%

Credit Losses and Recoveries

The table below contains certain credit performance metrics for our single-family credit guarantee portfolio.

Table 26 - Single-Family Credit Guarantee Portfolio Credit Performance Metrics

(Dollars in millions)	1Q 2020	1Q 2019
Charge-offs	$164	$605
Recoveries collected	(88)	(106)
Charge-offs, net	76	499
REO operations expense	85	33
Total credit losses	**$161**	**$532**
Total credit losses (in bps)	4.6	11.5
Recoveries from gains on loan sales	($29)	$—
Recoveries collected under freestanding credit enhancements and write-offs of CRT debt	(3)	—

TDRs and Non-Accrual Loan Activity

Single-family loans that have been modified or placed on non-accrual status generally have a higher associated allowance for credit losses. Due to the large number of loan modifications completed in past years, a significant portion of our allowance for credit losses is attributable to TDR loans:

- As of March 31, 2020, 25% of the allowance for credit losses for single-family loans related to interest-rate concessions provided to borrowers as part of loan modifications.
- Most of our modified single-family loans, including TDRs, were current and performing at March 31, 2020.
- In general, we expect our allowance for credit losses associated with existing single-family TDRs to decline over time as borrowers continue to make monthly payments under the modified terms and interest-rate concessions are amortized into earnings. In addition, our sales of reperforming loans will decrease these allowances for credit losses. However, the COVID-19 pandemic is likely to cause some borrowers to have difficulty making their monthly payments under the modified terms, and our ability to sell reperforming loans at acceptable prices has been negatively affected by the COVID-19 pandemic and may continue to be negatively affected in the near term.

The CARES Act provides temporary relief from the accounting requirements for TDRs for certain loan modifications that are the result of a hardship that is related, either directly or indirectly, to the COVID-19 pandemic. We have elected to apply this temporary relief and therefore will not account for qualifying loan modifications as TDRs. In addition, interpretive guidance issued by federal banking regulators and endorsed by the FASB staff has indicated that borrowers who receive relief through government-mandated modification or deferral programs related to COVID-19 are not experiencing financial difficulty and, therefore, such modifications or deferral programs should not be accounted for as TDRs. As a result, we expect that substantially all of the forbearance and other relief programs we are offering as a result of COVID-19 will not be accounted for as TDRs, and we therefore expect the volume of TDRs to decline in the near term. In addition, we are currently evaluating our policy for interest income recognition for loans that receive forbearance as a result of a hardship related to COVID-19. See **Note 4** for additional information on our accounting policies for forbearance programs related to COVID-19.

The table below presents information about the UPB and interest income of single-family TDR loans and non-accrual loans on our condensed consolidated balance sheets.

Table 27 - Single-Family TDR and Non-Accrual Loans

	As of March 31, 2020			As of December 31, 2019		
(Dollars in millions)	Mortgage Loans Held-for-Investment	Mortgage Loans Held-for-Sale	Total	Mortgage Loans Held-for-investment	Mortgage Loans Held-for-Sale	Total
UPB:						
TDRs on accrual status(1)	$30,288	$11,604	$41,892	$32,188	$11,576	$43,764
Non-accrual loans	6,279	4,477	10,756	6,529	4,654	11,183
Total TDRs and non-accrual loans	**$36,567**	**$16,081**	**$52,648**	**$38,717**	**$16,230**	**$54,947**
Allowance for credit losses associated with:						
TDRs on accrual status	$1,354	$7	$1,361	$2,452	$—	$2,452
Non-accrual loans	436	159	595	597	—	597
Total	**$1,790**	**$166**	**$1,956**	**$3,049**	**$—**	**$3,049**
Allowance as % of UPB:						
TDRs on accrual status	4%	—%	3%	8%	—%	6%
Non-accrual loans	7	4	6	9	—	5
Total	**5**	**1**	**4**	**8**	**—**	**6**

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
(In millions)	Mortgage Loans Held-for-Investment	Mortgage Loans Held-for-Sale	Total	Mortgage Loans Held-for-Investment	Mortgage Loans Held-for-Sale	Total
Interest on TDRs and non-accrual loans:						
At original contractual rates	$464	$223	$687	$603	$253	$856
Recognized	(331)	(129)	(460)	(401)	(143)	(544)
Foregone interest income on TDRs and non-accrual loans(2)	**$133**	**$94**	**$227**	**$202**	**$110**	**$312**

(1) In prior periods, UPB amounts included only loans classified as held-for-investment.

(2) Represents the amount of interest income that we did not recognize but would have recognized during the period for loans outstanding at the end of each period, had the loans performed according to their original contractual terms.

The table below summarizes the UPB of single-family held-for-investment TDR loan activity.

Table 28 - Single-Family TDR Loan Activity

	March 31, 2020		March 31, 2019[1]	
(Dollars in millions)	Loan Count	Amount	Loan Count	Amount
Beginning balance, as of January 1	249,182	$35,623	290,255	$42,254
New additions	7,424	1,215	8,734	1,347
Repayments and reclassifications to held-for-sale	(19,741)	(3,223)	(21,347)	(3,809)
Foreclosure sales and foreclosure alternatives	(864)	(127)	(1,373)	(185)
Ending balance, as of March 31	236,001	33,488	276,269	39,607
Loans impaired upon purchase	—	—	2,403	158
Total impaired loans with an allowance recorded	**—**	**—**	**278,672**	**39,765**
Allowance for credit losses		(1,699)		(3,820)
Net investment, as of March 31		**$31,789**		**$35,945**

(1) Excludes held-for-investment TDRs with no allowance for credit losses based on the individual impairment assessment according to the previous incurred loss impairment methodology.

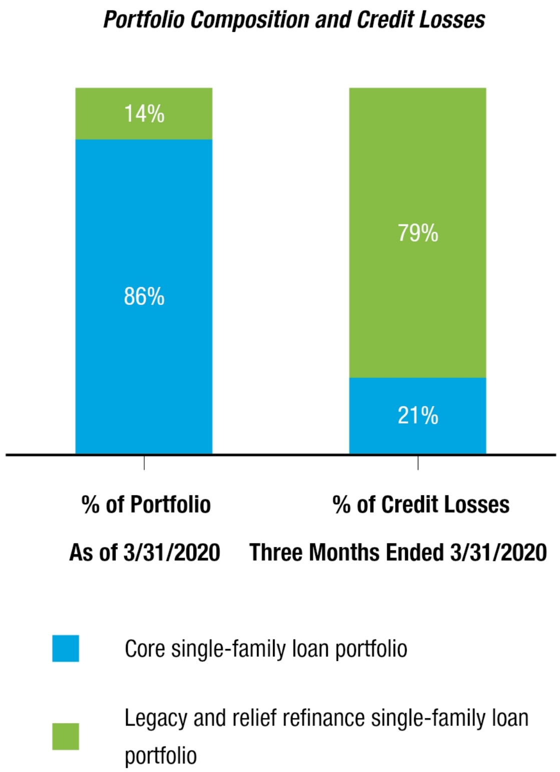
Delinquency Rates

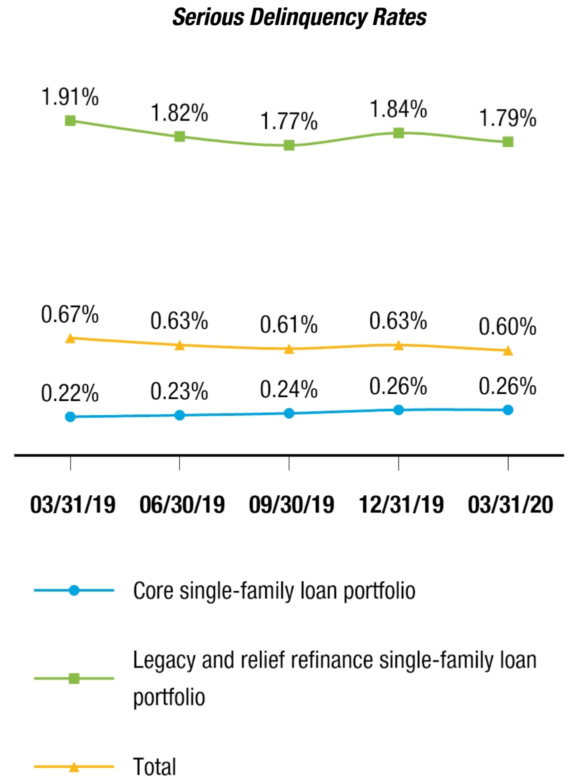
The charts below show the credit losses and serious delinquency rates for each of our single-family loan portfolios. Our core single-family loan portfolio continued to perform well through March 31, 2020 and accounted for a small percentage of our credit losses at that date, as shown below. Our legacy and relief refinance single-family loan portfolio continues to decline as a percentage of our overall portfolio, but continues to account for the majority of our credit losses.

The total serious delinquency rate on our single-family credit guarantee portfolio was 0.60% as of March 31, 2020. However, 42% of the seriously delinquent loans at March 31, 2020 were covered by credit enhancements designed to reduce our credit risk exposure. See **Note 4** for additional information on our single-family delinquency rates.

Our total single-family serious delinquency rate was lower as of March 31, 2020 compared to March 31, 2019 due to the continued shift in the single-family credit guarantee portfolio mix, as the legacy and relief refinance single-family loan portfolio runs off and we add higher credit quality loans to our core single-family loan portfolio. This decline is also attributable to our continued loss mitigation efforts and sales of certain seriously delinquent loans, as well as home price appreciation and a low unemployment rate.

The ongoing COVID-19 pandemic has caused an unprecedented disruption in the mortgage market. While we expect the actions we take to support the mortgage market to improve borrower outcomes, these actions may not be as successful as we hope, and we expect the serious delinquency rates for our single-family loan portfolio to increase substantially in the near term.





Loan Characteristics

The table below contains details on characteristics of the loans in our single-family credit guarantee portfolio.

Table 29 - Credit Quality Characteristics of Our Single-Family Credit Guarantee Portfolio

	As of March 31, 2020						
(Dollars in billions)	UPB	Original Credit Score [(1)]	Current Credit Score [(1)]	Original LTV Ratio	Current LTV Ratio	Current LTV Ratio >100%	Alt-A %
Core single-family loan portfolio	$1,739	750	751	75%	60%	—%	—%
Legacy and relief refinance single-family loan portfolio	281	711	692	83	51	2	7
Total	**$2,020**	**745**	**748**	**76**	**58**	**—**	**1**

Referenced footnotes are included after the next table.

	As of December 31, 2019						
(Dollars in billions)	UPB	Original Credit Score [(1)]	Current Credit Score [(1)]	Original LTV Ratio	Current LTV Ratio	Current LTV Ratio >100%	Alt-A %
Core single-family loan portfolio	$1,701	750	752	75%	60%	—%	—%
Legacy and relief refinance single-family loan portfolio	293	712	692	83	52	2	7
Total	**$1,994**	**745**	**749**	**76**	**59**	**—**	**1**

(1) Original credit score is based on three credit bureaus (Equifax, Experian, and TransUnion). Current credit score is based on Experian only.

Higher Risk Loan Attributes and Attribute Combinations

Certain combinations of loan attributes can indicate a higher degree of credit risk, such as loans with both higher LTV ratios and lower credit scores. The following table presents the combination of credit score and CLTV ratio attributes of loans in our single-family credit guarantee portfolio.

Table 30 - Single-Family Credit Guarantee Portfolio Attribute Combinations for Higher Risk Loans

	As of March 31, 2020								
	CLTV ≤ 80		CLTV > 80 to 100		CLTV > 100		All Loans		
(Original credit score)	% Portfolio	SDQ Rate	% Portfolio	SDQ Rate(1)	% Portfolio	SDQ Rate(1)	% Portfolio	SDQ Rate	% Modified
Core single-family loan portfolio:									
< 620	0.3%	2.89%	—%	NM	—%	NM	0.3%	3.02%	3.4%
620 to 659	2.2	1.24	0.3	1.58%	—	NM	2.5	1.28	2.0
≥ 660	70.7	0.20	12.4	0.28	—	NM	83.1	0.21	0.3
Not available	0.1	1.40	—	NM	—	NM	0.1	1.95	3.7
Total	**73.3%**	**0.25**	**12.7%**	**0.34**	**—%**	**NM**	**86.0%**	**0.26**	**0.4**
Legacy and relief refinance single-family loan portfolio:									
< 620	1.1%	4.10	0.1%	8.97	0.1%	15.57%	1.3%	4.72	17.1
620 to 659	1.4	2.94	0.2	7.86	0.1	12.51	1.7	3.39	15.8
≥ 660	10.1	1.02	0.6	3.97	0.2	6.23	10.9	1.18	5.7
Not available	0.1	4.37	—	NM	—	NM	0.1	4.68	19.7
Total	**12.7%**	**1.54**	**0.9%**	**5.42**	**0.4%**	**8.95**	**14.0%**	**1.79**	**8.1**

Referenced footnotes are included after the next table.

	As of December 31, 2019								
	CLTV ≤ 80		CLTV > 80 to 100		CLTV > 100		All Loans		
(Original credit score)	% Portfolio	SDQ Rate	% Portfolio	SDQ Rate(1)	% Portfolio	SDQ Rate(1)	% Portfolio	SDQ Rate	% Modified
Core single-family loan portfolio:									
< 620	0.3%	2.68%	—%	NM	—%	NM	0.3%	2.87%	3.5%
620 to 659	2.1	1.26	0.4	1.59%	—	NM	2.5	1.30	1.9
≥ 660	69.8	0.20	12.6	0.26	—	NM	82.4	0.20	0.3
Not available	0.1	1.23	—	NM	—	NM	0.1	1.96	3.6
Total	**72.3%**	**0.24**	**13.0%**	**0.33**	**—%**	**NM**	**85.3%**	**0.26**	**0.4**
Legacy and relief refinance single-family loan portfolio:									
< 620	1.1%	4.16	0.2%	9.33	0.1%	15.03%	1.4%	4.83	17.7
620 to 659	1.5	3.01	0.2	7.91	0.1	12.84	1.8	3.52	16.3
≥ 660	10.5	1.06	0.7	3.91	0.2	6.32	11.4	1.23	5.9
Not available	0.1	4.39	—	NM	—	NM	0.1	4.68	19.6
Total	**13.2%**	**1.58**	**1.1%**	**5.39**	**0.4%**	**8.96**	**14.7%**	**1.84**	**8.3**

(1) NM - not meaningful due to the percentage of the portfolio rounding to zero.

Alt-A and Subprime Loans

While we have referred to certain loans as subprime or Alt-A for purposes of the discussion below and elsewhere in this Form 10-Q, there is no universally accepted definition of subprime or Alt-A, and the classification of such loans may differ from company to company. We do not rely on these loan classifications to evaluate the credit risk exposure relating to such loans in our single-family credit guarantee portfolio.

Participants in the mortgage market have characterized single-family loans based upon their overall credit quality at the time of origination, including as prime or subprime. While we have not historically characterized the loans in our single-family credit guarantee portfolio as either prime or subprime, we monitor the amount of loans we have guaranteed with characteristics that indicate a higher degree of credit risk. In addition, we estimate that approximately $0.7 billion and $0.8 billion of security collateral underlying our other securitization products at March 31, 2020 and December 31, 2019, respectively, were identified as subprime based on information provided to us when we entered into these transactions.

Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between their prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. Although we have discontinued new purchases of loans with lower documentation standards, we continue to purchase certain amounts of such loans in cases where the loan was either purchased pursuant to a previously issued guarantee, part of our relief refinance initiative or part of another refinance loan initiative and the pre-existing loan was originated under less than full documentation standards. In the event we purchase a refinance loan and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as an Alt-A loan in this Form 10-Q and our other financial reports because the new refinance loan replacing the original loan would not be identified by the seller or servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred. From the time the relief refinance initiative began in 2009 to March 31, 2020, we have purchased approximately $36.4 billion of relief refinance loans that were previously categorized as Alt-A loans in our portfolio.

The table below contains information on Alt-A loans in our single-family credit guarantee portfolio.

Table 31 - Alt-A Loans in Our Single-Family Credit Guarantee Portfolio

	As of March 31, 2020				As of December 31, 2019			
(Dollars in billions)	UPB	CLTV	% Modified	SDQ Rate	UPB	CLTV	% Modified	SDQ Rate
Alt-A	$20.5	60%	18.0%	3.64%	$21.1	61%	18.4%	3.75%

The UPB of Alt-A loans in our single-family credit guarantee portfolio is continuing to decline due to borrowers refinancing into other mortgage products, foreclosure sales, and other liquidation events.

Geographic Concentrations

The table below summarizes the concentration by geographic area of our single-family credit guarantee portfolio as of March 31, 2020 and December 31, 2019, respectively. While our portfolio is well-diversified geographically, the economic effects of the COVID-19 pandemic may be disproportionately concentrated in certain geographic regions or areas. See **Risk Management - Single-Family Mortgage Credit Risk** in our 2019 Annual Report for additional information on geographic concentrations. See **Note 14** for more information about credit risk associated with loans that we hold or guarantee.

Table 32 - Concentration of Credit Risk of Our Single-Family Credit Guarantee Portfolio

	March 31, 2020		December 31, 2019		Percent of Credit Losses	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate	1Q 2020	1Q 2019
Region(1)						
West	30%	0.35%	30%	0.36%	8%	15%
Northeast	24	0.83	24	0.87	36	37
North Central	16	0.59	16	0.61	29	16
Southeast	16	0.70	16	0.73	18	25
Southwest	14	0.52	14	0.54	9	7
Total	**100%**	**0.60**	**100%**	**0.63**	**100%**	**100%**
State(2)						
Illinois	4%	0.82	4%	0.85	16%	10%
New York	5	1.13	5	1.21	9	12
Florida	6	0.71	6	0.77	9	18
New Jersey	3	1.01	3	1.08	8	10
Maryland	3	0.82	3	0.88	5	4
All other	79	0.52	79	0.54	53	46
Total	**100%**	**0.60**	**100%**	**0.63**	**100%**	**100%**

(1) Region designation: West (AK, AZ, CA, GU, HI, ID, MT, NV, OR, UT, WA); Northeast (CT, DE, DC, MA, ME, MD, NH, NJ, NY, PA, RI, VT, VA, WV); North Central (IL, IN, IA, MI, MN, ND, OH, SD, WI); Southeast (AL, FL, GA, KY, MS, NC, PR, SC, TN, VI); Southwest (AR, CO, KS, LA, MO, NE, NM, OK, TX, WY).

(2) States presented based on those with the highest percentage of credit losses during 1Q 2020.

Engaging in Loss Mitigation Activities

Loan Workout Activities

Pursuant to FHFA guidance and the CARES Act, we are required to offer mortgage relief options for borrowers affected by the COVID-19 pandemic. Among other things, we are offering forbearance of up to 12 months to single-family borrowers experiencing a financial hardship, either directly or indirectly, related to COVID-19. We will also be providing servicers a payment deferral option to offer to eligible homeowners beginning on July 1, 2020. This solution, a broad offering that, at the direction of FHFA, is aligned with Fannie Mae's approach, is available to homeowners who have endured a short-term hardship and subsequently resolved it (including but not limited to hardships related to COVID-19) and provides them with a means to make up for missed payments. The payment deferral provides relief to eligible borrowers who have the financial capacity to resume making their monthly payments, but who are unable to afford the additional monthly contributions required by a repayment plan. We expect these programs to result in a substantial increase in our loss mitigation activity in the near term.

For additional information on actions we have taken in response to the COVID-19 pandemic, see **MD&A - Introduction - *COVID-19 Pandemic Response Efforts***.

Sales and Securitization of Certain Seasoned Loans

We pursue sales of seriously delinquent loans when we believe the sale of these loans provides better economic returns than continuing to hold them. During 1Q 2020 and 1Q 2019, we completed sales of $0.3 billion and $0.0 billion, respectively, in UPB of seriously delinquent single-family loans. Of the $18.5 billion in UPB of single-family loans classified as held-for-sale at March 31, 2020, $3.9 billion related to loans that were seriously delinquent.

In addition to sales of seriously delinquent loans, we sell certain reperforming loans. Our sales of reperforming loans typically involve securitization of the loans using our senior subordinate securitization structures. During 1Q 2020 and 1Q 2019, we sold $1.9 billion and $2.1 billion, respectively, in UPB of reperforming loans through these structures.

Our ability to sell seriously delinquent loans and reperforming loans at acceptable prices has been negatively affected by the COVID-19 pandemic and may continue to be negatively affected in the near term.

Managing Foreclosure and REO Activities

Pursuant to FHFA guidance and the CARES Act, we are required to suspend foreclosures and evictions due to the COVID-19 pandemic until May 17, 2020, and this suspension period may be extended by FHFA, if necessary.

Our REO ending inventory declined in 1Q 2020, primarily due to a decrease in REO acquisitions driven by fewer loans in foreclosure and a large proportion of property sales to third parties at foreclosure.

The table below presents a summary of our single-family REO activity.

Table 33 - Single-Family REO Activity

	1Q 2020		1Q 2019	
(Dollars in millions)	**Number of Properties**	**Amount**	**Number of Properties**	**Amount**
Beginning balance — REO	4,989	$565	7,100	$780
Additions	1,441	136	2,156	208
Dispositions	(2,262)	(227)	(2,542)	(234)
Ending balance — REO	**4,168**	**474**	**6,714**	**754**
Beginning balance, valuation allowance		(10)		(11)
Change in valuation allowance		(7)		1
Ending balance, valuation allowance		**(17)**		**(10)**
Ending balance — REO, net		**$457**		**$744**

Multifamily Mortgage Credit Risk

Pursuant to FHFA guidance and the CARES Act, Freddie Mac will offer multifamily borrowers mortgage forbearance, with the condition that they suspend all evictions for renters unable to pay rent due to the impact of this pandemic. Under this forbearance program, multifamily borrowers with a fully performing loan as of February 1, 2020 can defer their loan payment for up to 90 days by showing hardship as a consequence of the COVID-19 pandemic and by gaining lender approval. We have various forms of credit enhancements that reduce our credit risk exposure to the underlying mortgage borrower. As a result, we currently do not expect to experience significant credit losses due to the COVID-19 pandemic. For additional information on our responses to the COVID-19 pandemic, see **MD&A - Introduction - *COVID-19 Pandemic Response Efforts***.

Transferring Credit Risk to Third-Party Investors

To reduce our credit risk exposure, we engage in various credit enhancement arrangements, which include securitizations and other credit enhancements. Our securitizations remain our principal risk transfer mechanism. Through these securitizations, we have transferred a large majority of the expected and stress credit risk on the multifamily guarantee portfolio, thereby reducing our overall credit risk exposure and required conservatorship capital.

The table below presents the delinquency rates and current expected credit losses for both credit-enhanced and non-credit enhanced loans underlying our multifamily mortgage portfolio.

Table 34 - Credit-Enhanced and Non-Credit-Enhanced Loans Underlying Our Multifamily Mortgage Portfolio

	March 31, 2020				December 31, 2019		
(Dollars in millions)	UPB	% of Portfolio	Delinquency Rate	Current Expected Credit Losses	UPB	% of Portfolio	Delinquency Rate
Credit-enhanced:							
Subordination	$253,547	84%	0.09%	$8	$251,008	84%	0.09%
Other[(1)]	15,418	5	0.06	44	16,069	5	0.06
Total credit-enhanced	**268,965**	**89**	**0.09**	**52**	**267,077**	**89**	**0.09**
Non-credit-enhanced	31,706	11	0.03	64	33,091	11	—
Total	**$300,671**	**100%**	**0.08%**	**$116**	**$300,168**	**100%**	**0.08%**

(1) Includes lender risk-sharing agreements related to certain securitizations, insurance/reinsurance contracts, SCR, and other credit enhancements.

The following table provides information on the level of subordination outstanding on our securitizations with subordination.

Table 35 - Level of Subordination Outstanding

	March 31, 2020		December 31, 2019	
(Dollars in millions)	UPB	Delinquency Rate	UPB	Delinquency Rate
Less than 10%	$2,078	0.04%	$2,094	0.04%
10% or greater	251,469	0.09	248,914	0.09
Total	**$253,547**	**0.09%**	**$251,008**	**0.09%**
Weighted average subordination level	14%		14%	

The table below contains details on the loans underlying our multifamily mortgage portfolio that are not credit-enhanced.

Table 36 - Credit Quality of Our Multifamily Mortgage Portfolio Without Credit Enhancement

	March 31, 2020			December 31, 2019	
(Dollars in millions)	UPB	Delinquency Rate	Current Expected Credit Losses	UPB	Delinquency Rate
Unsecuritized loans:					
Held-for-sale	$13,070	0.07%	N/A	$15,930	0.01%
Held-for-investment	9,204	—	$40	9,408	—
Securitization-related products	4,841	—	20	3,656	—
Other mortgage-related guarantees	4,591	—	4	4,097	—
Total	**$31,706**	**0.03%**	**$64**	**$33,091**	**—%**

We continue to develop other strategies to reduce our credit risk exposure to multifamily loans and securities. See **Our Business Segments - Multifamily - *Business Overview - Products and Activities - Securitization and Guarantee Products*** in our 2019 Annual Report for additional information.

Counterparty Credit Risk

We are exposed to counterparty credit risk, which is a type of institutional credit risk, as a result of our contracts with sellers and servicers, credit enhancement providers (mortgage insurers, investors, etc.), financial intermediaries, clearinghouses, and other counterparties. During 1Q 2020, many of our counterparties, primarily non-depository institutions, faced financial strains and liquidity pressure due to the economic downturn and market volatility caused by the COVID-19 pandemic. If these financial strains and liquidity pressure continue, our counterparties may not be able to perform under their contracts and as a result our counterparty credit risk exposure may increase. We have heightened our monitoring of counterparty credit risk and continue to assess impacts on an ongoing basis.

We have activated counterparty contingency plans that are responsible for safeguarding us from counterparty losses related to our business either directly from taking mortgage credit risk or to support customer and market transactions. Despite our active monitoring and communication, as the effect of COVID-19 continues to evolve, it is difficult to currently assess the impact on our financial results of increased counterparty credit risk.

Sellers and Servicers

Single-Family

We perform ongoing monitoring and review of our exposure to individual sellers or servicers in accordance with our institutional credit risk management framework, including requiring our counterparties to provide regular financial reporting to us. We have significant exposure to non-depository and smaller depository financial institutions in our single-family business. In March 2020, as the COVID-19 pandemic evolved rapidly, liquidity concerns primarily regarding non-depository financial institutions arose as market conditions changed and borrowers affected by COVID-19 were offered widespread forbearance, including forbearance on loans purchased and securitized by Freddie Mac. Servicers must continue to advance mortgage interest payments for Freddie Mac loans for up to 120 days during the forbearance period, which may increase liquidity pressures on certain of our counterparties.

In response to these potential liquidity concerns, we have heightened our monitoring and review of the financial stability of our non-depository institutional counterparties. However, if these counterparties continue to experience financial difficulty, we could experience a decline in mortgage servicing quality and/or be less likely to recover losses. In order to reduce our credit exposure, we may use a variety of tools and techniques to engage our single-family sellers and servicers and limit our losses, including providing incentives and compensatory fees and facilitating servicing transfers.

The table below summarizes the concentration of non-depository servicers of our single-family credit guarantee portfolio.

Table 37 - Single-Family Credit Guarantee Portfolio Non-Depository Servicers

	March 31, 2020		December 31, 2019	
	% of Portfolio(1)	% of Serious Delinquent Single-Family Loans	% of Portfolio(1)	% of Serious Delinquent Single-Family Loans
Top five non-depository servicers	18%	11%	18%	13%
Other non-depository servicers	21	55	20	55
Total	**39%**	**66%**	**38%**	**68%**

(1) Excludes loans where we do not exercise control over the associated servicing.

Multifamily

The majority of our multifamily loans are securitized using trusts that are administered by master servicers who bear responsibility to advance funds in the event of payment shortfalls. In the majority of our primary securitization transactions, we utilize one of three large financial depository institutions as master servicers, except for small balance loan securitizations where we serve as master servicer. In instances where payment shortfalls occur, the master servicer is required to make advances as long as such advances have not been deemed non-recoverable. For loans purchased and held in our mortgage-related investment portfolio, the primary servicers are not required to advance funds in the event of payment shortfalls and therefore do not present significant counterparty credit risk.

Credit Enhancement Providers

We monitor our exposure to individual insurers by performing periodic analysis of the financial capacity of each insurer under various adverse economic conditions. The COVID-19 pandemic may increase financial strains on our credit enhancement providers, and as a result, we have heightened our monitoring and are actively communicating with our counterparties to assess potential risk impacts. If our credit enhancement providers fail to meet their obligations to reimburse us for claims, we could experience an increase in credit losses.

The table below summarizes our exposure to single-family mortgage insurers as of March 31, 2020. In the event a mortgage insurer fails to perform, the coverage amounts represent our maximum exposure to credit losses resulting from such a failure.

Table 38 - Single-Family Mortgage Insurers

			As of March 31, 2020	
(In millions)	Credit Rating[1]	Credit Rating Outlook[1]	UPB	Coverage
Arch Mortgage Insurance Company	A-	Negative	$93,062	$23,838
Radian Guaranty Inc. (Radian)	BBB+	Negative	85,071	21,454
Mortgage Guaranty Insurance Corporation (MGIC)	BBB+	Negative	74,822	19,203
Genworth Mortgage Insurance Corporation	BB+	Watch Dev	65,077	16,619
Essent Guaranty, Inc.	BBB+	Negative	64,081	16,343
National Mortgage Insurance (NMI)	BBB	Negative	39,243	10,042
PMI Mortgage Insurance Co. (PMI)	Not Rated	N/A	2,676	668
Republic Mortgage Insurance Company (RMIC)	Not Rated	N/A	1,988	494
Triad Guaranty Insurance Corporation (Triad)	Not Rated	N/A	1,151	289
Others	N/A	N/A	296	53
Total			**$427,467**	**$109,003**

(1) Ratings and outlooks are for the corporate entity to which we have the greatest exposure. Coverage amounts may include coverage provided by consolidated affiliates and subsidiaries of the counterparty. Latest rating available as of March 31, 2020. Represents the lower of S&P and Moody's credit ratings and outlooks stated in terms of the S&P equivalent.

Other Counterparties

We have exposure to institutions that act as counterparties to other types of transactions that we enter into in the ordinary course of business, including securities purchased under agreements to resell, secured lending transactions, and forward settlement of our loans and securities. We monitor the financial strength of these institutions and may use collateral maintenance requirements to manage our exposure to individual counterparties.

During 1Q 2020, certain of our counterparties engaging in securities purchased under agreements to resell on Freddie Mac securities defaulted under the terms of the governing legal agreements by failing to meet margin requirements. The transactions were terminated in accordance with the terms of the agreements and we recognized the collateral at fair value, which was in excess of the counterparties' outstanding obligations. We did not recognize a financial loss as a result of these defaults.

Operational Risk

Overview

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or systems or from external events. Operational risk is inherent in all of our activities. For additional discussion of operational risk events and our operational risk environment, see **Risk Management - Operational Risk** in our 2019 Annual Report.

See below for updates to operational risk since our 2019 Annual Report.

Business Resiliency Risk

As a result of the COVID-19 pandemic, our business resiliency risk has increased. We have instituted temporary operational changes, such as shifting to remote work for more than 95% of our staff. We have not yet experienced significant operational or technological issues associated with these operational changes. However, a prolonged period of remote work for us or our counterparties or vendors, or any significant technological or infrastructure-related disruptions during this period of remote work, could affect our ability to conduct normal business operations, perhaps significantly.

To manage this increased risk, we are leveraging our business resiliency and crisis management capabilities to mitigate the impact of the COVID-19 pandemic on our operations. Our business resiliency and executive crisis management teams have been meeting daily to address issues as they arise. These teams have developed a series of scenarios anticipating various degrees of impact on our resources and business operations and corresponding action plans that can be leveraged, if needed, as the situation evolves. The crisis management team and our senior leaders are providing frequent updates to our Board of Directors and staff. We are also working with FHFA and third parties to ensure continuity of critical business activities.

Third-Party Risk

We anticipate that our third-party service providers, sellers, servicers, and other counterparties are facing challenges due to the unprecedented events surrounding the COVID-19 pandemic. To address the elevated third-party risks arising from these anticipated challenges, we have increased our monitoring of third parties we deem to be critical or high risk to our operations. For example, we are using market intelligence sources to assess a number of risk factors for certain critical third parties, including financial health, geographic risk, and liquidity risk. We have also evaluated the contingency plans provided to us by significant third parties as well as our internal plans in the event that these third parties were to fail. We will continue to assess the contingency plans as the situation evolves and, where necessary, will invoke our plans to ensure continuity of operations.

See **Risk Management - Credit Risk - *Counterparty Credit Risk*** for additional information on our monitoring of our sellers and servicers.

Model Risk

The unprecedented events surrounding the COVID-19 pandemic, along with the associated severe market dislocation, has generated an increased degree of model risk and uncertainty. As a result, we expect our models to face significant challenges in accurately forecasting key inputs into our financial cash flows. These can include, but are not limited to, projections of mortgage rates, home prices, credit defaults, negative yields, prepayments and interest rates. In response, we are attempting to mitigate this increased risk by monitoring model performance and applying model overlays and adjustments when deemed appropriate. These will be driven by the latest developments and emerging trends in the economy, as well as any additional government interventions and internal policy changes. However, these adjustments have an element of subjectivity and are based upon difficult and complex judgments. Actual results could differ from our estimates, and the use of different judgments and assumptions related to these estimates could have a material impact on our condensed consolidated financial statements.

For additional information on risks associated with our use of models, see **Other Information - *Risk Factors*** in this Form 10-Q and **MD&A - Risk Management - Operational Risk - *Model Risk*** and **Risk Factors - Operational Risks - *We face risks and uncertainties associated with the models that we use to inform business and risk management decisions and for financial accounting and reporting purposes*** in our 2019 Annual Report.

Market Risk

Overview

Our business segments have embedded exposure to market risk, which is the economic risk associated with adverse changes in interest rates, volatility, and spreads. Interest-rate risk is consolidated and primarily managed by the Capital Markets segment, while spread risk is owned by each individual business segment. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth.

The majority of our interest-rate risk comes from our investments in mortgage-related assets (securities and loans), the debt we issue to fund our assets, and upfront fees (including buy-downs) related to our single-family credit guarantee activity. Our primary goal in managing interest-rate risk is to reduce the amount of change in the value of our future cash flows due to future changes in interest rates. We use models to analyze possible future interest-rate scenarios, along with the cash flows of our assets and liabilities over those scenarios.

Interest-Rate Risk

Our primary interest-rate risk measures are duration gap and Portfolio Value Sensitivity (PVS). Duration gap measures the difference in price sensitivity to interest rate changes between our financial assets and liabilities and is expressed in months relative to the value of assets. PVS is our estimate of the change in the value of our financial assets and liabilities from an instantaneous shock to interest rates, assuming spreads are held constant and no rebalancing actions are undertaken. PVS is measured in two ways, one measuring the estimated sensitivity of our portfolio value to a 50 basis point parallel movement in interest rates (PVS-L) and the other to a non-parallel movement resulting from a 25 basis point change in slope of the LIBOR yield curve (PVS-YC). While we believe that duration gap and PVS are useful risk management tools, they should be understood as estimates rather than as precise measurements.

The following tables provide our duration gap, estimated point-in-time and minimum and maximum PVS-L and PVS-YC results, and an average of the daily values and standard deviation. The tables below also provide PVS-L estimates assuming an immediate 100 basis point shift in the LIBOR yield curve. The interest-rate sensitivity of a mortgage portfolio varies across a wide range of interest rates.

Table 39 - PVS-YC and PVS-L Results Assuming Shifts of the LIBOR Yield Curve

	March 31, 2020			December 31, 2019		
	PVS-YC	PVS-L		PVS-YC	PVS-L	
(In millions)	25 bps	50 bps	100 bps	25 bps	50 bps	100 bps
Assuming shifts of the LIBOR yield curve, (gains) losses on:(1)						
Assets:						
Investments	$248	$4,522	$9,277	($307)	$4,840	$10,011
Guarantees(2)	249	335	894	(224)	351	706
Total Assets	**497**	**4,857**	**10,171**	**(531)**	**5,191**	**10,717**
Liabilities	(58)	(1,245)	(2,315)	20	(1,563)	(3,413)
Derivatives	(431)	(3,474)	(7,525)	513	(3,646)	(7,409)
Total	**$8**	**$138**	**$331**	**$2**	**($18)**	**($105)**
PVS	**$8**	**$138**	**$331**	**$2**	**$—**	**$—**

(1) The categorization of the PVS impact between assets, liabilities, and derivatives on this table is based upon the economic characteristics of those assets and liabilities, not their accounting classification. For example, purchase and sale commitments of mortgage-related securities and debt securities of consolidated trusts held by the mortgage-related investments portfolio are both categorized as assets on this table.

(2) Represents the interest-rate risk from our single-family guarantee portfolio, which includes buy-ups, float, and upfront fees (including buy-downs).

Table 40 - Duration Gap and PVS Results

	1Q 2020			1Q 2019		
(Duration gap in months, **dollars in millions**)	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps
Average	0.4	$10	$62	0.1	$10	$15
Minimum	(0.1)	—	—	(0.2)	—	—
Maximum	1.5	28	236	0.4	30	46
Standard deviation	0.4	7	73	0.1	8	15

Derivatives enable us to reduce our economic interest-rate risk exposure as we continue to align our derivative portfolio with the changing duration of our economically hedged assets and liabilities. The table below shows that the PVS-L risk levels, assuming a 50 basis point shift in the LIBOR yield curve for the periods presented, would have been higher if we had not used derivatives.

Table 41 - PVS-L Results Before Derivatives and After Derivatives

	PVS-L (50 bps)		
(In millions)	Before Derivatives	After Derivatives	Effect of Derivatives
March 31, 2020	$3,612	$138	($3,474)
December 31, 2019	3,628	—	(3,628)

Earnings Sensitivity to Market Risk

The accounting treatment for our financial assets and liabilities (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our earnings when interest rates and spreads change. We have elected fair value hedge accounting for certain assets and liabilities in an effort to reduce this earnings variability and better align our financial results with the economics of our business. See **Consolidated Results of Operations** and **Our Business Segments** for additional information on the effect of changes in interest rates and market spreads on our financial results for 1Q 2020 and 1Q 2019.

Interest Rate-Related Earnings Sensitivity

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, changes in interest rates may still result in significant earnings variability from period to period. Based upon the composition of our financial assets and liabilities, including derivatives, at March 31, 2020, we would generally recognize fair value losses when interest rates decline if we did not apply fair value hedge accounting.

By electing fair value hedge accounting for certain single-family mortgage loans and certain debt instruments, we are able to reduce the potential variability in our earnings attributable to changes in interest rates. See **Note 9** for additional information on hedge accounting.

Earnings Sensitivity to Changes in Interest Rates

We evaluate a range of interest rate scenarios to determine the sensitivity of our earnings due to changes in interest rates and to determine our fair value hedge accounting strategies. The interest rate scenarios evaluated include parallel shifts in the yield curve in which interest rates increase or decrease by 100 basis points, non-parallel shifts in the yield curve in which long-term interest rates increase or decrease by 100 basis points, and non-parallel shifts in the yield curve in which short-term and medium-term interest rates increase or decrease by 100 basis points. This evaluation identifies the net effect on comprehensive income from changes in fair value attributable to changes in interest rates for financial instruments measured at fair value, including the effects of fair value hedge accounting, for each of the identified scenarios. This evaluation does not include the net effect on comprehensive income from interest-rate sensitive items that are not measured at fair value (e.g., amortization of mortgage loan premiums and discounts, changes in fair value of held-for-sale mortgage loans for which we have not elected the fair value option, etc.) or from changes in our future contractual net interest income due to repricing of our interest-bearing assets and liabilities. The results of this evaluation are shown in the table below.

Table 42 - Earnings Sensitivity to Changes in Interest Rates

	Changes in Fair Value Due to Changes in Interest Rates for Financial Instruments Measured at Fair Value, Net of Hedge Accounting (Before-Tax)	
(In billions)	March 31, 2020	March 31, 2019
Interest Rate Scenarios		
Parallel yield curve shifts:		
+100 basis points	$0.3	$—
-100 basis points	(0.3)	—
Non-parallel yield curve shifts - long-term interest rates:		
+100 basis points	0.1	(0.2)
-100 basis points	(0.1)	0.2
Non-parallel yield curve shifts - short-term and medium-term interest rates:		
+100 basis points	0.2	0.2
-100 basis points	(0.2)	(0.2)

The actual effect of changes in interest rates on our comprehensive income in any given period may vary based on a number of factors, including, but not limited to, the composition of our assets and liabilities, the actual changes in interest rates that are realized at different terms along the yield curve, and the effectiveness of our hedge accounting strategies. Even if implemented properly, our hedge accounting programs may not be effective in reducing earnings volatility, and our hedges may fail in any given future period, which could expose us to significant earnings variability in that period. See **Risk Factors - Market Risk - *Changes in interest rates could negatively affect the fair value of financial assets and liabilities, our results of operations, and our net worth*** in our 2019 Annual Report for additional information.

Spread-Related Earnings Sensitivity

We have limited ability to manage our spread risk exposure in a cost beneficial manner, and therefore the changes in market spreads may contribute to significant earnings variability from period to period. For financial assets measured at fair value, we generally recognize fair value losses when market spreads widen. Conversely, for financial liabilities measured at fair value, we generally recognize fair value gains when market spreads widen. See **MD&A - Our Business Segments** for additional information on the impact of market spreads on our results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Our business activities require that we maintain adequate liquidity to meet our financial obligations as they come due and meet the needs of customers in a timely and cost-efficient manner. We also must maintain adequate capital resources to avoid being placed into receivership by FHFA. For further discussion of our liquidity framework and profile, see **MD&A - Liquidity and Capital Resources** in our 2019 Annual Report.

Liquidity

Primary Sources of Liquidity

The following table lists the sources of our liquidity, the balances as of March 31, 2020, and a brief description of their importance to Freddie Mac.

Table 43 - Liquidity Sources

Source	Balance(1) (In billions)	Description
Liquidity		
• Other Investments Portfolio - Liquidity and Contingency Operating Portfolio	$80.4	• The liquidity and contingency operating portfolio, included within our other investments portfolio, is primarily used for short-term liquidity management.
• Liquid Portion of the Mortgage-Related Investments Portfolio	$121.3	• The liquid portion of our mortgage-related investments portfolio can be pledged or sold for liquidity purposes. The amount of cash we may be able to successfully raise may be substantially less than the balance.

(1) Represents carrying value for the liquidity and contingency operating portfolio, included within our other investments portfolio, and UPB for the liquid portion of the mortgage-related investments portfolio.

Other Investments Portfolio

The investments in our other investments portfolio are important to our cash flow, collateral management, asset and liability management, and ability to provide liquidity and stability to the mortgage market. The table below summarizes the balances in our other investments portfolio, which includes the liquidity and contingency operating portfolio.

Table 44 - Other Investments Portfolio

	March 31, 2020				December 31, 2019			
(In billions)	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio (1)	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio (1)
Cash and cash equivalents	$6.4	$17.9	$—	$24.3	$4.2	$0.9	$0.1	$5.2
Securities purchased under agreements to resell	45.8	13.5	1.0	60.3	40.6	23.1	2.4	66.1
Non-mortgage related securities	28.2	—	4.6	32.8	23.2	—	3.9	27.1
Secured lending and other	—	—	6.1	6.1	—	—	5.2	5.2
Total	**$80.4**	**$31.4**	**$11.7**	**$123.5**	**$68.0**	**$24.0**	**$11.6**	**$103.6**

(1) Represents carrying value.

Our non-mortgage-related investments in the liquidity and contingency operating portfolio consist of U.S. Treasury securities and other investments that we could sell to provide us with an additional source of liquidity to fund our business operations. We also maintain non-interest-bearing deposits at the Federal Reserve Bank of New York and interest-bearing deposits at commercial banks. Our interest-bearing deposits at commercial banks totaled $3.8 billion and $3.7 billion as of March 31, 2020 and December 31, 2019, respectively.

The liquidity and contingency operating portfolio also included collateral posted to us in the form of cash primarily by derivatives counterparties of $6.4 billion and $2.6 billion as of March 31, 2020 and December 31, 2019, respectively. We have invested this collateral in securities purchased under agreements to resell and non-mortgage-related securities as part of our liquidity and contingency operating portfolio, although the collateral may be subject to return to our counterparties based on the terms of our master netting and collateral agreements.

Mortgage Loans and Mortgage-Related Securities

We invest principally in mortgage loans and mortgage-related securities, certain categories of which are largely unencumbered and liquid. Our primary source of liquidity among these mortgage assets is our holdings of single-class and multiclass agency securities, excluding certain structured agency securities collateralized by non-agency mortgage-related securities. Our ability to pledge certain of these assets as collateral or sell them enhances our liquidity profile, although the amount of cash we may be able to successfully raise in the event of a liquidity crisis or significant market disruption may be substantially less than the amount of mortgage-related assets we hold. See **Conservatorship and Related Matters** for additional details on the liquidity of our mortgage-related investments portfolio.

Primary Sources of Funding

The following table lists the sources and balances of our funding as of March 31, 2020 and a brief description of their importance to Freddie Mac.

Table 45 - Funding Sources

Source	Balance[1] (In billions)	Description
Funding		
• Other Debt	$286.1	• Other debt is used to fund our business activities, including single-family guarantee activities not funded by debt securities of consolidated trusts.
• Debt Securities of Consolidated Trusts	$1,930.0	• Debt securities of consolidated trusts are used primarily to fund our single-family guarantee activities. This type of debt is principally repaid by the cash flows of the associated mortgage loans. As a result, our repayment obligation is limited to amounts paid pursuant to our guarantee of principal and interest and purchasing modified or seriously delinquent loans from the trusts.

(1) Represents carrying value of debt balances after consideration of offsetting arrangements.

Other Debt Activities

We issue other debt to fund our business activities. Competition for funding can vary with economic, financial market, and regulatory environments. We issue other debt based on a variety of factors, including market conditions and our liquidity requirements. We currently favor a mix of derivatives and shorter-term and callable debt to fund our business and manage interest-rate risk. Generally, this funding mix is a less expensive method than relying more extensively on long-term debt.

Beginning in March 2020, we ceased issuing LIBOR-indexed floating-rate unsecured debt securities that mature beyond the end of 2021. As of March 31, 2020, we did not have any outstanding LIBOR-indexed unsecured debt securities, except for our remaining outstanding STACR debt notes, which we are no longer issuing on a regular basis.

Despite the impact of COVID-19, we have had adequate access to the debt markets to meet our financial obligations as they come due.

The table below summarizes the par value and the average rate of other debt we issued or paid off, including regularly scheduled principal payments, payments resulting from calls, and payments for repurchases. We call, exchange, or repurchase our outstanding debt from time to time for a variety of reasons, including managing our funding composition and supporting the liquidity of our debt.

Table 46 - Other Debt Activity

	1Q 2020				1Q 2019			
(Dollars in millions)	Short-term	Average Rate(1)	Long-term	Average Rate(1)	Short-term	Average Rate(1)	Long-term	Average Rate(1)
Discount notes and Reference Bills®								
Beginning balance	$60,830	1.67%	$—	—%	$28,787	2.36%	$—	—%
Issuances	99,376	1.34	—	—	94,886	2.34	—	—
Repurchases	—	—	—	—	—	—	—	—
Maturities	(102,384)	1.62	—	—	(77,819)	2.28	—	—
Ending Balance	**57,822**	**1.33**	**—**	**—**	**45,854**	**2.46**	**—**	**—**
Securities sold under agreements to repurchase								
Beginning balance	9,843	1.46	—	—	6,019	2.40	—	—
Additions	299,679	1.10	—	—	50,157	2.45	—	—
Repayments	(295,217)	1.16	—	—	(41,214)	2.43	—	—
Ending Balance	**14,305**	**0.16**	**—**	**—**	**14,962**	**2.50**	**—**	**—**
Callable debt								
Beginning balance	1,000	2.36	94,152	2.03	2,000	2.53	105,206	2.09
Issuances	—	—	29,089	1.78	—	—	14,120	2.99
Repurchases	—	—	—	—	—	—	—	—
Calls	(1,000)	2.36	(36,102)	2.09	(2,000)	2.78	(14,171)	3.10
Maturities	—	—	(2,270)	1.48	—	—	(3,681)	1.23
Ending Balance	**—**	**—**	**84,869**	**1.92**	**—**	**—**	**101,474**	**2.10**
Non-callable debt								
Beginning balance	39,407	2.31	62,228	2.86	14,440	2.04	80,789	2.56
Issuances	14,356	1.57	31,656	0.85	8,119	2.43	—	—
Repurchases	—	—	—	—	—	—	(221)	1.50
Maturities	(13,450)	2.24	(3,589)	1.57	(6,050)	1.87	(4,872)	2.89
Ending Balance	**40,313**	**2.07**	**90,295**	**2.21**	**16,509**	**2.29**	**75,696**	**2.62**
STACR and SCR Debt(2)								
Beginning balance	—	—	15,497	5.55	—	—	17,729	6.02
Issuances	—	—	—	—	—	—	280	2.48
Repurchases	—	—	—	—	—	—	—	—
Maturities	—	—	(843)	3.83	—	—	(412)	4.65
Ending Balance	**—**	**—**	**14,654**	**5.57**	—	—	**17,597**	**6.17**
Total other debt	**$112,440**	**1.45%**	**$189,818**	**2.34%**	**$77,325**	**2.43%**	**$194,767**	**2.67%**

(1) Average rate is weighted based on par value.

(2) STACR debt notes and SCR debt notes are subject to prepayment risk as their payments are based upon the performance of a reference pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty and are therefore included as a separate category in the table.

As of March 31, 2020, our aggregate indebtedness, calculated as the par value of other debt, was $288.2 billion, which was below the $300.0 billion debt cap limit imposed by the Purchase Agreement. Beginning January 1, 2020, we elected to net securities sold under agreements to repurchase against securities purchased under agreements to resell when such amounts meet the conditions for balance sheet offsetting, both on our condensed consolidated balance sheets and for purposes of measuring our aggregate indebtedness under the debt cap limit. Prior period amounts have been reclassified to conform to the current presentation. See **Note 10** for additional information.

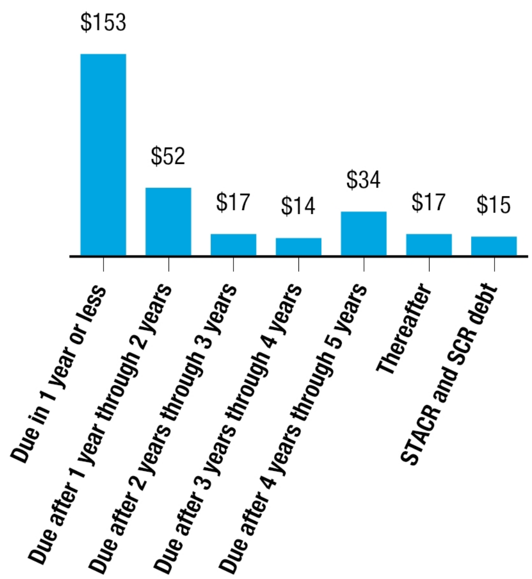
Our outstanding other debt balance increased during 1Q 2020 compared to 1Q 2019, driven by an increase in the issuance of short-term SOFR debt primarily due to higher near-term cash needs for upcoming debt maturities and anticipated calls. We also maintained excess liquidity due to volatile market conditions caused by the COVID-19 pandemic, which may negatively affect our net interest income. Additionally, we expect to advance significant amounts to cover principal and interest payments to security holders for loans in forbearance in the coming months.

Maturity and Redemption Dates

The following graphs present our other debt by contractual maturity date and earliest redemption date. The earliest redemption date refers to the earliest call date for callable debt and the contractual maturity date for all other debt.

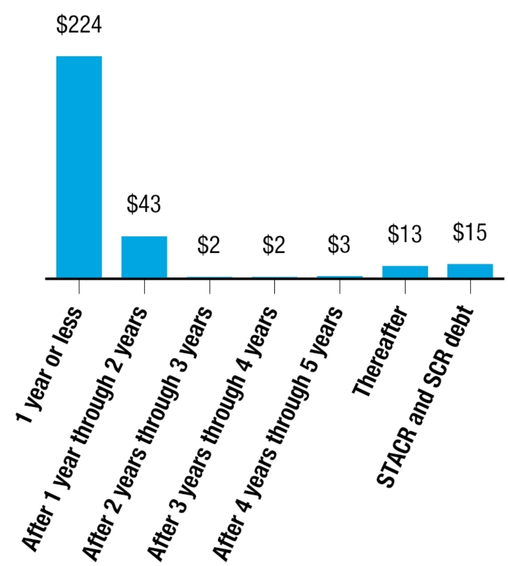
Contractual Maturity Date as of March 31, 2020 [(1)]

(Par value in billions)



Earliest Redemption Date as of March 31, 2020 [1)]

(Par value in billions)



(1) STACR debt notes and SCR debt notes are subject to prepayment risk as their payments are based upon the performance of a reference pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty and are therefore included as a separate category in the graphs.

Debt Securities of Consolidated Trusts

The largest component of debt on our condensed consolidated balance sheets is debt securities of consolidated trusts, which relates to securitization transactions that we consolidated for accounting purposes. We issue this type of debt by securitizing mortgage loans primarily to fund the majority of our single-family guarantee activities. When we consolidate securitization trusts, we recognize the following on our condensed consolidated balance sheets:

- The assets held by the securitization trusts, the majority of which are mortgage loans. We recognized $1,963.6 billion and $1,940.5 billion of mortgage loans, which represented 87.6% and 88.1% of our total assets, as of March 31, 2020 and December 31, 2019, respectively.
- The debt securities issued by the securitization trusts, the majority of which are Level 1 securitizations that are pass-through securities, where the cash flows of the mortgage loans held by the securitization trust are passed through to the holders of the securities. We recognized $1,930.0 billion and $1,898.4 billion of debt securities of consolidated trusts, which represented 87.1% of our total debt, as of both March 31, 2020 and December 31, 2019, respectively.

Debt securities of consolidated trusts are principally repaid from the cash flows of the mortgage loans held by the securitization trusts that issued the debt securities. In circumstances when the cash flows of the mortgage loans are not sufficient to repay the debt, we make up the shortfall because we have guaranteed the payment of principal and interest on the debt. In certain circumstances, we have the right and/or obligation to purchase the loan from the trust prior to its contractual maturity. In April, 2020, FHFA instructed us to maintain loans in COVID-19 payment forbearance plans in mortgage-backed security pools for at least the duration of the forbearance plan.

The table below shows the issuance and extinguishment activity for the debt securities of our consolidated trusts.

Table 47 - Activity for Debt Securities of Consolidated Trusts Held by Third Parties

(In millions)	1Q 2020	1Q 2019
Beginning balance	$1,854,802	$1,748,738
Issuances:		
New issuances to third parties	103,769	43,604
Additional issuances of securities	42,652	27,832
Total issuances	**146,421**	**71,436**
Extinguishments:		
Purchases of debt securities from third parties	(4,017)	(6,015)
Debt securities received in settlement of secured lending	(14,765)	(5,947)
Repayments of debt securities	(96,670)	(48,185)
Total extinguishments	**(115,452)**	**(60,147)**
Ending balance	**1,885,771**	**1,760,027**
Unamortized premiums and discounts	44,234	43,680
Debt securities of consolidated trusts held by third parties	**$1,930,005**	**$1,803,707**

Cash Flows

Cash and cash equivalents (including restricted cash and cash equivalents) increased by $18.1 billion from March 31, 2019 to March 31, 2020, primarily driven by an increase in proceeds from the issuance of debt and higher loan liquidations due to decreasing interest rates. In addition, we carried higher cash and cash equivalents due to volatile market conditions caused by the COVID-19 pandemic during March 2020.

Capital Resources

Primary Sources of Capital

Our entry into conservatorship resulted in significant changes to the assessment of our capital adequacy and our management of capital. Under the Purchase Agreement, Treasury made a commitment to provide us with funding, under certain conditions, to eliminate deficits in our net worth. At March 31, 2020, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. Based on our Net Worth Amount of $9.5 billion and the applicable Capital Reserve Amount of $20.0 billion, we will not have a dividend requirement to Treasury for the quarter ending March 31, 2020. See **Note 2** for details of the support we receive from Treasury.

The table below presents activity related to our net worth during 1Q 2020 and 1Q 2019.

Table 48 - Net Worth Activity

(In millions)	1Q 2020	1Q 2019
Ending balance, December 31	$9,122	$4,477
Cumulative-effect adjustment (1)	(240)	—
Beginning balance, January 1	8,882	4,477
Comprehensive income (loss)	622	1,665
Capital draw from Treasury	—	—
Senior preferred stock dividends declared	—	(1,477)
Total equity / net worth	**$9,504**	**$4,665**
Aggregate draws under Purchase Agreement	$71,648	$71,648
Aggregate cash dividends paid to Treasury	119,680	118,015
Liquidation preference of the senior preferred stock	81,770	75,648

(1) Cumulative-effect adjustment related to our adoption of CECL. See **Note 1** for additional information on our adoption of CECL.

Conservatorship Capital Framework

In May 2017, FHFA, as Conservator, issued guidance to us to evaluate and manage our financial risk and to make economic business decisions, while in conservatorship, utilizing a newly-developed risk-based CCF, a capital system with detailed formulae provided by FHFA. The CCF also provides the foundation for the risk-based component of the proposed Enterprise Capital Rule published by FHFA in the Federal Register in July 2018.

We use the CCF to evaluate business decisions and ensure the company makes such decisions prudently when pricing transactions and managing its businesses. This framework focuses on returns on conservatorship capital versus an estimated cost of equity capital needed to support the risk assumed to generate those returns.

The CCF has been and may be further revised by FHFA from time to time, including in connection with FHFA's consideration and adoption of a final Enterprise Capital Rule, which could possibly result in material changes in our conservatorship capital, and, thus, our returns on conservatorship capital. FHFA has announced that it plans to re-propose the Enterprise Capital Rule in 2020.

The existing regulatory capital requirements have been suspended by FHFA during conservatorship. Consequently, we refer to the capital needed under the CCF for analysis of transactions and businesses as "conservatorship capital."

Under the Purchase Agreement and the September 2019 Letter Agreement, we are not able to retain equity, as calculated under GAAP, in excess of the $20.0 billion Capital Reserve Amount. As a result, we do not have capital sufficient to support our aggregate risk-taking activities.

Return on Conservatorship Capital

The table below provides the ROCC, calculated as (1) annualized comprehensive income for the period divided by (2) average conservatorship capital during the period.

The ROCC shown in the table below is not based on our total equity and does not reflect actual returns on total equity. We do not believe that returns on total equity are meaningful because of the net worth limit imposed since 2012 under the Purchase Agreement.

Table 49 - Return on Conservatorship Capital[(1)]

(Dollars in billions)	1Q 2020	1Q 2019
Comprehensive income	$0.6	$1.7
Conservatorship capital (average during the period)[(2)]	50.5	52.4
ROCC, based on comprehensive income[(2)]	4.9%	12.7%

(1) Average conservatorship capital and ROCC for 1Q 2020 are preliminary and subject to change until official submission to FHFA.

(2) Average conservatorship capital for each period is based on the CCF in effect during that period. The CCF in effect as of March 31, 2020 was largely unchanged from the CCF as of March 31, 2019.

Our ROCC for 1Q 2020 decreased compared to the return for 1Q 2019, primarily driven by the significant decrease in comprehensive income due to higher provision for credit losses based on our forecasts of higher expected credit losses from our single-family credit guarantee portfolio as a result of the COVID-19 pandemic. Our ROCC in future periods may be affected by the significant adverse effect the COVID-19 pandemic may have on our business for the remainder of 2020 and into 2021, and perhaps beyond.

We find the returns calculated above, as well as the returns calculated on specific transactions and individual business lines, to be a reasonable measure of return-versus-risk to support our decision-making while we remain in conservatorship. These returns may not be indicative of the returns that would be generated if we were to exit conservatorship, especially as the terms and timing of any such exit are not currently known and will depend upon future actions by the U.S. government. Our belief, should we leave conservatorship, is that returns at that time would most likely be below the levels calculated above, assuming the same portfolio of risk assets, as we expect that we would hold capital post-conservatorship above the minimum required regulatory capital. It is also likely that we would be required to pay fees for federal government support, thereby reducing our total comprehensive income.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into certain off-balance sheet arrangements related to our securitization activities involving guaranteed loans and mortgage-related securities, though most of our securitization activities are on-balance sheet. For a description of our off-balance sheet arrangements, see **MD&A - Off-Balance Sheet Arrangements** in our 2019 Annual Report. See **Note 3** and **Note 5** for more information on our off-balance sheet securitization and guarantee activities. Our adoption of CECL on January 1, 2020 changed how we measure our allowance for credit losses on off-balance sheet credit exposures. See **Note 5** for additional information.

Our maximum potential off-balance sheet exposure to credit losses relating to these securitization activities and guarantees is primarily represented by the UPB of the underlying loans and securities, which was $300.5 billion and $296.5 billion at March 31, 2020 and December 31, 2019, respectively. These amounts exclude Fannie Mae securities backing Freddie Mac resecuritization products discussed below.

We commingle TBA-eligible Fannie Mae collateral in certain of our resecuritization products. When we resecuritize Fannie Mae securities in our commingled resecuritization products, our guarantee covers timely payments of principal and interest on such securities. Accordingly, commingling Fannie Mae collateral in our resecuritization transactions increases our off-balance sheet exposure as we do not have control over the Fannie Mae collateral. The total amount of our off-balance sheet exposure related to Fannie Mae securities backing Freddie Mac resecuritization products was $39.5 billion and $27.4 billion at March 31, 2020 and December 31, 2019, respectively. We expect this exposure to increase over time.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires us to make a number of judgments, estimates, and assumptions that affect the reported amounts within our condensed consolidated financial statements. Certain of our accounting policies, as well as estimates we make, are critical, as they are both important to the presentation of our financial condition and results of operations and require management to make difficult, complex, or subjective judgments and estimates, often regarding matters that are inherently uncertain. Actual results could differ from our estimates, and the use of different judgments and assumptions related to these policies and estimates could have a material impact on our condensed consolidated financial statements.

Our critical accounting policies and estimates relate to the single-family allowance for credit losses. For additional information about our critical accounting policies and estimates and other significant accounting policies, as well as recently issued accounting guidance, see **Note 1** in this Form 10-Q and in our 2019 Annual Report.

Single-Family Allowance for Credit Losses

Beginning on January 1, 2020, upon the adoption of CECL, the single-family allowance for credit losses represents our estimate of expected credit losses over the contractual term of the mortgage loans. The single-family allowance for credit losses pertains to all single-family loans classified as held-for-investment on our condensed consolidated balance sheets.

Determining the appropriateness of the single-family allowance for credit losses is a complex process that is subject to numerous estimates and assumptions requiring significant management judgment about matters that involve a high degree of subjectivity. This process involves the use of models that require us to make judgments about matters that are difficult to predict, the most significant of which are the probability of default, prepayment, and loss severity. We regularly evaluate the underlying estimates and models we use when determining the single-family allowance for credit losses and update our assumptions to reflect our historical experience and current view of economic factors. For additional information on uncertainty and risks related to models, see **Other Information - *Risk Factors*** in this Form 10-Q and **Risk Factors - Operational Risks - *We face risks and uncertainties associated with the models that we use to inform business and risk management decisions and for financial accounting and reporting purposes*** in our 2019 Annual Report. Upon adoption of CECL, the single-family allowance for credit losses also includes our reasonable and supportable forecast of certain future economic conditions, such as house prices and interest rates. Changes in our forecasts or the occurrence of actual economic conditions that differ significantly from our forecast may significantly affect the measurement of our single-family allowance for credit losses. The length and severity of the economic downturn caused by the COVID-19 pandemic, and its impact on the housing market, is subject to significant uncertainty, which makes it difficult to estimate credit losses. These developments may have a material effect on our allowance for credit losses in future periods.

We believe the level of our single-family allowance for credit losses is appropriate based on internal reviews of the factors and methodologies used. No single statistic or measurement determines the appropriateness of the allowance for credit losses. Changes in one or more of the estimates or assumptions used to calculate the single-family allowance for credit losses could have a material impact on the allowance for credit losses and benefit (provision) for credit losses.

Most single-family loans are aggregated into pools based on similar risk characteristics and measured collectively using a statistically based model that evaluates a variety of factors affecting collectability, including but not limited to current LTV ratios, trends in home prices, loan product type, delinquency/default status and history, and geographic location. Inputs used by the model are regularly updated for changes in the underlying data, assumptions, and market conditions. We review the output of this model by considering qualitative factors such as macroeconomic and other factors to see whether the model outputs are consistent with our expectations. Management adjustments may be necessary to take into consideration external factors and current economic events that have occurred but are not yet reflected in the factors used to derive the model outputs. Significant judgment is exercised in making these adjustments.

Some examples of the qualitative factors considered include:

- Regional housing trends;
- Applicable home price indices;
- Unemployment and employment dislocation trends;
- The effects of changes in government policies and programs;
- Industry trends;
- Consumer credit statistics;
- Third-party credit enhancements;
- Natural disasters (such as hurricanes and wildfires); and
- Other catastrophic events (such as the COVID-19 pandemic and the impact of associated relief programs).

The inability to realize the benefits of our loss mitigation activities, declines in home prices, deterioration in the financial condition of our mortgage insurers, or increases in delinquency rates would cause our losses to be significantly higher than those currently estimated.

CONSERVATORSHIP AND RELATED MATTERS

Managing Our Mortgage-Related Investments Portfolio

The table below presents the UPB of our mortgage-related investments portfolio. In February 2019, FHFA directed us to maintain this portfolio at or below $225 billion at all times. In November 2019, FHFA directed us, by January 31, 2020, to include 10% of the notional value of certain interest-only securities owned by Freddie Mac in the calculation of this portfolio, while continuing to maintain the portfolio below the limit imposed by FHFA. For this purpose, our mortgage-related investments portfolio was $215.5 billion as of March 31, 2020, including $4.3 billion representing 10% of the notional amount of the interest-only securities we held as of March 31, 2020.

Table 50 - Mortgage-Related Investments Portfolio Details

	March 31, 2020				December 31, 2019			
(Dollars in millions)	Liquid	Securitization Pipeline	Less Liquid	Total	Liquid	Securitization Pipeline	Less Liquid	Total
Capital Markets segment - Mortgage investments portfolio:								
Single-family unsecuritized loans								
Performing loans	$—	$26,300	$—	$26,300	$—	$19,144	$—	$19,144
Reperforming loans	—	—	24,622	24,622	—	—	26,134	26,134
Total single-family unsecuritized loans	**—**	**26,300**	**24,622**	**50,922**	**—**	**19,144**	**26,134**	**45,278**
Agency securities	116,291	—	2,385	118,676	119,156	—	2,518	121,674
Non-agency mortgage-related securities	—	—	1,421	1,421	—	—	1,458	1,458
Total Capital Markets segment - Mortgage investments portfolio	**116,291**	**26,300**	**28,428**	**171,019**	**119,156**	**19,144**	**30,110**	**168,410**
Single-family Guarantee segment - Single-family unsecuritized seriously delinquent loans	—	—	8,177	8,177	—	—	8,589	8,589
Multifamily segment:								
Unsecuritized loans	—	15,397	10,953	26,350	—	18,531	11,254	29,785
Mortgage-related securities	5,019	—	632	5,651	5,209	—	680	5,889
Total Multifamily segment	**5,019**	**15,397**	**11,585**	**32,001**	**5,209**	**18,531**	**11,934**	**35,674**
Total mortgage-related investments portfolio	**$121,310**	**$41,697**	**$48,190**	**$211,197**	**$124,365**	**$37,675**	**$50,633**	**$212,673**
Percentage of total mortgage-related investments portfolio	57%	20%	23%	100%	58%	18%	24%	100%

While we continued to purchase new single-family seriously delinquent loans from securities we guarantee and certain multifamily unsecuritized loans, which are classified as held-for-investment, our active disposition of less liquid assets during 1Q 2020 included the following:

- Sales of $1.9 billion in UPB of single-family reperforming loans and $0.3 billion in UPB of seriously delinquent unsecuritized single-family loans; and
- Securitizations of $1.2 billion in UPB of less liquid multifamily loans.

While we continued to actively reduce our holdings of less liquid assets during 1Q 2020, the effect of the COVID-19 pandemic on market conditions negatively affected the overall liquidity of our portfolios. In addition, although FHFA has instructed us to maintain loans in COVID-19 payment forbearance plans in mortgage-backed security pools for at least the duration of the forbearance plan, our less liquid assets are likely to increase in future periods as we will likely purchase a higher amount of delinquent and modified loans out of Freddie Mac mortgage-backed security pools. We also expect our ability to continue to sell less liquid assets at acceptable prices may be negatively affected by the market volatility caused by the COVID-19 pandemic.

REGULATION AND SUPERVISION

In addition to our oversight by FHFA as our Conservator, we are subject to regulation and oversight by FHFA under our Charter and the GSE Act and to certain regulation by other government agencies. Furthermore, regulatory activities by other government agencies can affect us indirectly, even if we are not directly subject to such agencies' regulation or oversight. For example, regulations that modify requirements applicable to the purchase or servicing of mortgages can affect us.

Federal Housing Finance Agency

Affordable Housing Fund Allocations

The GSE Act requires us to set aside in each fiscal year an amount equal to 4.2 basis points of each dollar of total new business purchases, and pay this amount to certain housing funds. During 1Q 2020, we completed $147.6 billion of new business purchases subject to this requirement and accrued $62 million of related expense. We are prohibited from passing through these costs to the originators of the loans that we purchase.

Affordable Housing Goals

In March 2020, we filed our Annual Housing Activities Report with FHFA. For 2019, we have determined that, based on the FHFA benchmarks for the affordable housing goals, we achieved all five of our single-family affordable housing goals and all three of our multifamily affordable housing goals.

FHFA will make the final determination as to whether we achieved compliance with our housing goals for 2019.

Duty to Serve

The GSE Act and FHFA regulation established a duty for us to facilitate a secondary mortgage market for mortgages on housing for very low-, low-, and moderate-income families in three underserved markets: manufactured housing, affordable housing preservation, and rural areas. Freddie Mac is currently operating under an underserved markets plan for 2018-2020. In March 2020, we submitted our 2019 Duty to Serve Annual Report, which includes information on activities and objectives undertaken during 2019. FHFA will use this report to evaluate our 2019 performance under our current underserved markets plan.

On March 30, 2020, in light of COVID-19, FHFA notified us that it has extended until September 1, 2020 the deadline for the submission of our draft 2021-2023 duty to serve underserved markets plan.

Legislative and Regulatory Developments

The CARES Act

On March 27, 2020, President Trump signed into law the CARES Act, which includes several provisions related to Freddie Mac and the mortgage industry. Key provisions include:

- **Credit Reporting:** If borrowers affected by COVID-19 are granted an accommodation, including partial payments, forbearance, or other relief, and the credit obligation was current at the time the accommodation was granted, the credit obligation is to be reported as current. If the credit obligation was delinquent before the accommodation and continues to be delinquent during the accommodation period, the credit obligation will continue to be reported as delinquent.
- **Forbearance for Homeowners:** Homeowners with federally backed mortgage loans, which include loans that are purchased or securitized by Freddie Mac, that are experiencing a financial hardship due to COVID-19 can request forbearance. Servicers must grant forbearance to any borrower claiming a financial burden arising from COVID-19, regardless of the delinquency status. Forbearance may be granted for a period of up to 180 days and may be extended for an additional period of up to 180 days if requested by the borrower. The initial or extended forbearance period may be shortened at the borrower’s request. During the forbearance period, no fees, penalties, or interest will accrue on the borrower’s account beyond what would have normally accrued if the borrower was current.
- **Foreclosure Moratorium:** Except with respect to vacant or abandoned properties, all foreclosure actions, from initial filing to eviction, by servicers of federally backed mortgage loans, including loans purchased or securitized by Freddie Mac, are forbidden for at least 60 days beginning on March 18, 2020.

- **Multifamily Forbearance:** During the covered period, multifamily borrowers with federally backed multifamily mortgage loans, including loans purchased or securitized by Freddie Mac, that are current as of February 1, 2020 may request forbearance if they are experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency. Servicers must grant forbearance for up to 30 days and extend the forbearance for up to two additional 30-day periods upon the request of the borrower. The borrower may discontinue the forbearance at any time. During the forbearance period, tenants may not be evicted for nonpayment of rent or other fees or charges or charged any late fees, penalties, or other charges for late payment of rent, and landlords cannot issue an eviction notice until after the end of the forbearance period. The covered period began on the date of the enactment of the CARES Act and ends on the sooner of the conclusion of the presidentially-declared natural emergency or December 31, 2020.
- **Renter Eviction Moratorium:** Independent of the optional forbearance program under the CARES Act, for a period of 120 days after enactment of the CARES Act, any borrower with a federally backed mortgage loan or a federally backed multifamily mortgage loan, which terms together include single-family and multifamily loans purchased or securitized by Freddie Mac, may not evict tenants for nonpayment of rent or charge any fees, penalties, or other charges related to such non-payment of rent. After this 120-day period, landlords must give tenants at least a 30-day eviction notice.

FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, the news media, securities analysts, and others as part of our normal operations. Some of these communications, including this Form 10-Q, contain "forward-looking statements." Examples of forward-looking statements include, but are not limited to, statements pertaining to the conservatorship, our current expectations and objectives for the Single-family Guarantee, Multifamily, and Capital Markets segments of our business, our efforts to assist the housing market, our liquidity and capital management, economic and market conditions and trends, the effects of the COVID-19 pandemic and actions taken in response thereto on our business, financial condition, and liquidity, our market share, the effect of legislative and regulatory developments and new accounting guidance, the credit quality of loans we own or guarantee, the costs and benefits of our CRT transactions, and our results of operations and financial condition on a GAAP, Segment Earnings, and fair value basis. Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond our control. Forward-looking statements are often accompanied by, and identified with, terms such as "could," "may," "will," "believe," "expect," "anticipate," "forecast," and similar phrases. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates, and projections. Actual results may differ significantly from those described in or implied by such forward-looking statements due to various factors and uncertainties, including those described in the **Other Information - *Risk Factors*** section of this Form 10-Q, the **Risk Factors** section in our 2019 Annual Report, and:

- Uncertainty regarding the duration and severity of the COVID-19 pandemic and the effects of the pandemic and actions taken in response thereto on the United States economy and housing market, which could, in turn, adversely affect our business in numerous ways, including, for example, by increasing our credit losses, impairing the value of our mortgage-backed securities, decreasing our liquidity and capital levels, and increasing our credit risk and operational risk;
- The actions the U.S. government (including FHFA, Treasury, and Congress) may take, or require us to take, including to support the housing markets (such as programs implemented in response to the COVID-19 pandemic) or to implement the recommendations in the Treasury Housing Reform Plan or FHFA's Conservatorship Scorecards and other objectives for us;
- The effect of the restrictions on our business due to the conservatorship and the Purchase Agreement;
- Changes in our Charter or in applicable legislative or regulatory requirements (including changes pursuant to the Treasury Housing Reform Plan or pursuant to any legislation affecting the future status of our company);
- Changes in the fiscal and monetary policies of the Federal Reserve (including purchasing agency MBS and agency CMBS in amounts needed to support the market during the COVID-19 pandemic);
- Changes in tax laws;
- Changes in accounting policies, practices, or guidance, such as our adoption of CECL;
- Changes in economic and market conditions generally, and as a result of the COVID-19 pandemic, including changes in employment rates, interest rates, spreads, and home prices;
- Changes in the U.S. residential mortgage market, including changes in the supply and type of loan products (e.g., refinance vs. purchase and fixed-rate vs. ARM);
- The success of our efforts to mitigate our losses on our legacy and relief refinance single-family loan portfolio;
- The success of our strategy to transfer mortgage credit risk through STACR debt note, STACR Trust note, ACIS, K Certificate, SB Certificate, and other CRT transactions;
- Our ability to maintain adequate liquidity to fund our operations;
- Our ability to maintain the security and resiliency of our operational systems and infrastructure, including against cyberattacks;
- Our ability to effectively execute our business strategies, implement new initiatives, and improve efficiency;
- The adequacy of our risk management framework, including the adequacy of the CCF for measuring risk;
- Our ability to manage mortgage credit risk, including the effect of changes in underwriting and servicing practices;
- Our ability to limit or manage our economic exposure and GAAP earnings exposure to interest-rate volatility and spread volatility, including the availability of derivative financial instruments needed for interest-rate risk management purposes;
- Our operational ability to issue new securities, make timely and correct payments on securities, and provide initial and ongoing disclosures;
- Our reliance on CSS and the CSP for the operation of the majority of our single-family securitization activities, our reduced influence over CSS Board decisions as a result of recent FHFA-required changes to the CSS LLC agreement, and any additional changes FHFA may require in our relationship with, or support of, CSS;
- Changes or errors in the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks;
- Changes in investor demand for our debt or mortgage-related securities;
- Our ability to align pooling practices and the treatment of forbearance loans with Fannie Mae;
- Changes in the practices of loan originators, servicers, investors, and other participants in the secondary mortgage market;

- The discontinuance of, transition from. or replacement of LIBOR and the adverse consequences it could have on our business and operations;
- The occurrence of a major natural or other catastrophic event (such as the COVID-19 pandemic) in areas in which our offices or significant portions of our total mortgage portfolio are located; and
- Other factors and assumptions described in this Form 10-Q and our 2019 Annual Report, including in the **MD&A** section.

Forward-looking statements are made only as of the date of this Form 10-Q, and we undertake no obligation to update any forward-looking statements we make to reflect events or circumstances occurring after the date of this Form 10-Q.

Financial Statements

FREDDIE MAC

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(**In millions**, except share-related amounts)	1Q 2020	1Q 2019
Interest income		
Mortgage loans	$16,632	$17,946
Investment securities	652	689
Other	308	351
Total interest income	**17,592**	**18,986**
Interest expense	(14,807)	(15,833)
Net interest income	**2,785**	**3,153**
Non-interest income (loss)		
Guarantee fee income	377	290
Investment gains (losses), net	(835)	(513)
Other income (loss)	95	(17)
Non-interest income (loss)	**(363)**	**(240)**
Net revenues	**2,422**	**2,913**
Benefit (provision) for credit losses	(1,233)	135
Non-interest expense		
Salaries and employee benefits	(341)	(322)
Professional services	(76)	(105)
Other administrative expense	(170)	(151)
Total administrative expense	(587)	(578)
Credit enhancement (expense) benefit, net (Note 6)	236	(158)
REO operations expense	(85)	(33)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(432)	(390)
Other expense	(103)	(124)
Non-interest expense	**(971)**	**(1,283)**
Income (loss) before income tax (expense) benefit	**218**	**1,765**
Income tax (expense) benefit	(45)	(358)
Net income (loss)	**173**	**1,407**
Other comprehensive income (loss), net of taxes and reclassification adjustments		
Changes in unrealized gains (losses) related to available-for-sale securities	438	246
Changes in unrealized gains (losses) related to cash flow hedge relationships	13	18
Changes in defined benefit plans	(2)	(6)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	**449**	**258**
Comprehensive income (loss)	**$622**	**$1,665**
Net income (loss)	$173	$1,407
Undistributed net worth sweep, senior preferred stock dividends, or future increase in senior preferred stock liquidation preference	(382)	(1,665)
Net income (loss) attributable to common stockholders	**($209)**	**($258)**
Net income (loss) per common share — basic and diluted	**($0.06)**	**($0.08)**
Weighted average common shares outstanding (in millions) — basic and diluted	3,234	3,234

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREDDIE MAC

Condensed Consolidated Balance Sheets (Unaudited)

(In millions, except share-related amounts)	March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents (Notes 1, 3, 14) (includes $17,920 and $991 of restricted cash and cash equivalents)	$24,324	$5,189
Securities purchased under agreements to resell (Notes 3, 10)	45,968	56,271
Investment securities, at fair value (Note 7)	79,189	75,711
Mortgage loans held-for-sale (Notes 3, 4) (includes $13,518 and $15,035 at fair value)	32,502	35,288
Mortgage loans held-for-investment (Notes 1, 3, 4) (net of allowance for credit losses of $6,121 and $4,234)	2,014,155	1,984,912
Accrued interest receivable (Notes 3, 4, 7, 10)	6,841	6,848
Derivative assets, net (Notes 9, 10)	2,815	844
Deferred tax assets, net (Note 12)	4,629	5,918
Other assets (Notes 3, 18) (includes $4,914 and $4,627 at fair value)	31,561	22,799
Total assets	**$2,241,984**	**$2,193,780**
Liabilities and equity		
Liabilities		
Accrued interest payable (Note 3)	$6,271	$6,559
Debt (Notes 3, 8) (includes $3,214 and $3,938 at fair value)	2,216,135	2,169,685
Derivative liabilities, net (Notes 9, 10)	2,226	372
Other liabilities (Notes 3, 18)	7,848	8,042
Total liabilities	**2,232,480**	**2,184,658**
Commitments and contingencies (Notes 5, 9, 16)		
Equity (Note 11)		
Senior preferred stock (liquidation preference of $81,770 and $79,322)	72,648	72,648
Preferred stock, at redemption value	14,109	14,109
Common stock, $0.00 par value, 4,000,000,000 shares authorized, 725,863,886 shares issued and 650,059,033 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(74,255)	(74,188)
AOCI, net of taxes, related to:		
Available-for-sale securities	1,056	618
Cash flow hedge relationships	(231)	(244)
Defined benefit plans	62	64
Total AOCI, net of taxes	887	438
Treasury stock, at cost, 75,804,853 shares	(3,885)	(3,885)
Total equity	**9,504**	**9,122**
Total liabilities and equity	**$2,241,984**	**$2,193,780**

The table below presents the carrying value and classification of the assets and liabilities of consolidated VIEs on our condensed consolidated balance sheets.

(In millions)	March 31, 2020	December 31, 2019
Condensed Consolidated Balance Sheet Line Item		
Assets: (Note 3)		
Mortgage loans held-for-investment	$1,963,630	$1,940,523
All other assets	53,415	40,598
Total assets of consolidated VIEs	**$2,017,045**	**$1,981,121**
Liabilities: (Note 3)		
Debt	$1,930,005	$1,898,355
All other liabilities	5,551	5,537
Total liabilities of consolidated VIEs	**$1,935,556**	**$1,903,892**

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREDDIE MAC

Condensed Consolidated Statements of Equity (Unaudited)

	Shares Outstanding										
(In millions)	Senior Preferred Stock	Preferred Stock	Common Stock	Senior Preferred Stock	Preferred Stock, at Redemption Value	Common Stock, at Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	AOCI, Net of Tax	Treasury Stock, at Cost	Total Equity
Balance at December 31, 2019	1	464	650	$72,648	$14,109	$—	$—	($74,188)	$438	($3,885)	$9,122
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	173	—	—	173
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	449	—	449
Comprehensive income (loss)	—	—	—	—	—	—	—	173	449	—	622
Cumulative effect from adoption of CECL	—	—	—	—	—	—	—	(240)	—	—	(240)
Ending balance at March 31, 2020	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($74,255)**	**$887**	**($3,885)**	**$9,504**
Balance at December 31, 2018	1	464	650	$72,648	$14,109	$—	$—	($78,260)	($135)	($3,885)	$4,477
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	1,407	—	—	1,407
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	258	—	258
Comprehensive income (loss)	—	—	—	—	—	—	—	1,407	258	—	1,665
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(1,477)	—	—	(1,477)
Ending balance at March 31, 2019	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($78,330)**	**$123**	**($3,885)**	**$4,665**

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREDDIE MAC

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)	1Q 2020	1Q 2019
Net cash provided by (used in) operating activities	**$2,791**	**$4,274**
Cash flows from investing activities		
Purchases of trading securities	(29,067)	(22,738)
Proceeds from sales of trading securities	24,252	23,099
Proceeds from maturities and repayments of trading securities	4,992	1,754
Purchases of available-for-sale securities	(1,375)	(2,298)
Proceeds from sales of available-for-sale securities	2,072	3,032
Proceeds from maturities and repayments of available-for-sale securities	865	932
Purchases of mortgage loans acquired as held-for-investment	(68,834)	(34,756)
Proceeds from sales of mortgage loans acquired as held-for-investment	2,464	2,308
Proceeds from repayments of mortgage loans acquired as held-for-investment	107,876	52,425
Advances under secured lending arrangements	(17,047)	(7,997)
Repayments of secured lending arrangements	591	290
Net proceeds from dispositions of real estate owned and other recoveries	260	268
Net (increase) decrease in securities purchased under agreements to resell	5,688	(15,363)
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	(8,357)	(3,142)
Other, net	(138)	(187)
Net cash provided by (used in) investing activities	**24,242**	**(2,373)**
Cash flows from financing activities		
Proceeds from issuance of debt securities of consolidated trusts held by third parties	73,626	36,092
Repayments and redemptions of debt securities of consolidated trusts held by third parties	(100,829)	(54,327)
Proceeds from issuance of other debt	473,937	167,026
Repayments of other debt	(454,607)	(150,248)
Increase in liquidation preference of senior preferred stock	—	—
Payment of cash dividends on senior preferred stock	—	(1,477)
Other, net	(25)	(1)
Net cash provided by (used in) financing activities	**(7,898)**	**(2,935)**
Net increase (decrease) in cash and cash equivalents (includes restricted cash and cash equivalents)	19,135	(1,034)
Cash and cash equivalents (includes restricted cash and cash equivalents) at beginning of year	5,189	7,273
Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period	**$24,324**	**$6,239**
Supplemental cash flow information		
Cash paid for:		
Debt interest	$17,962	$17,366
Income taxes	—	—
Non-cash investing and financing activities (Note 4, 7, and 10)		

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

NOTE 1

Summary of Significant Accounting Policies

Freddie Mac is a GSE chartered by Congress in 1970. Our public mission is to provide liquidity, stability, and affordability to the U.S. housing market. We are regulated by FHFA, the SEC, HUD, and Treasury, and are currently operating under the conservatorship of FHFA. For more information on the roles of FHFA and Treasury, see **Note 2** in this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2019, or 2019 Annual Report. Throughout our unaudited condensed consolidated financial statements and related notes, we use certain acronyms and terms which are defined in the **Glossary** of our 2019 Annual Report.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2019 Annual Report.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and include our accounts as well as the accounts of other entities in which we have a controlling financial interest. All intercompany balances and transactions have been eliminated.

We are operating under the basis that we will realize assets and satisfy liabilities in the normal course of business as a going concern and in accordance with the authority provided by FHFA to our Board of Directors to oversee management's conduct of our business operations. Certain amounts in prior periods' condensed consolidated financial statements have been reclassified to conform to the current presentation. See **Note 1** in our 2019 Annual Report for additional information on these reclassifications. In the opinion of management, our unaudited condensed consolidated financial statements contain all adjustments, which include only normal recurring adjustments, necessary for a fair statement of our results.

Beginning January 1, 2020, we elected to offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell, when such amounts meet the conditions for balance sheet offsetting under GAAP. Certain amounts in prior periods' condensed financial statements have been reclassified to conform to the current presentation. See **Note 10** in this Form 10-Q for additional information.

We evaluate the materiality of identified errors in the financial statements using both an income statement, or "rollover," and a balance sheet, or "iron curtain," approach, based on relevant quantitative and qualitative factors. The financial statements include certain adjustments to correct immaterial errors related to previously reported periods.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, and losses during the reporting period. Management has made significant estimates in preparing the financial statements for establishing the allowance for credit losses and valuing financial instruments and other assets and liabilities. Actual results could be different from these estimates.

Cash and Cash Equivalents

Upon adoption of CECL on January 1, 2020, we measure an allowance for credit losses on cash equivalents based on expected credit losses over the contractual term of the instrument. As of March 31, 2020, we did not recognize an allowance for credit losses on our cash equivalents due to their overall high credit quality and short-term nature.

Recently Issued Accounting Guidance

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Condensed Consolidated Financial Statements
ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments; **ASU 2019-04**, Codification Improvements to Topic 326, Financial Instruments - Credit Losses; and **ASU 2019-11,** Codification Improvements to Topic 326, Financial Instruments - Credit Losses	The amendments in these Updates replace the incurred loss impairment methodology with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	January 1, 2020	Due to the adoption of these Updates, we recognized a reduction to retained earnings of $0.2 billion through a cumulative-effect adjustment on January 1, 2020. See the **CECL Transition Impacts** section below for additional information on transition impacts. See **Note 4**, **Note 5**, **Note 6**, and **Note 7** for additional information on the changes in our significant accounting policies as a result of our adoption of CECL.
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurements, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. Certain disclosure requirements were either removed, modified, or added.	January 1, 2020	We added disclosure of the change in unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period. See **Note 15** for additional information.
ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The amendments in this Update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).	January 1, 2020	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.
ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	The amendments in this Update require that indirect interests held through related parties under common control be considered on a proportional basis when determining whether fees paid to decision makers or service providers are variable interests. These amendments align with the determination of whether a reporting entity within a related party group is the primary beneficiary of a VIE.	January 1, 2020	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.
ASU 2019-01, Leases (Topic 842): Codification Improvements	The amendments in this Update provide guidance for the: (1) lessor's fair value determination of the lease's underlying asset; (2) lessor's statement of cash flows presentation of cash received from sales-type and direct financing leases; and (3) removal of interim transition disclosure requirements related to changes in accounting principles.	January 1, 2020	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this Update provide temporary optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criria, that reference LIBOR or other interbank offered rates expected to be discontinued.	January 1, 2020	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.

CECL Transition Impacts

The table below provides details on the transition impacts of adopting CECL. Other balance sheet lines not presented were not affected by CECL.

Table 1.1 CECL Transition Impacts

(In millions)	December 31, 2019	Transition Adjustments	January 1, 2020
Assets			
Mortgage loans held-for-investment:			
Single-family	$1,971,657	$199	$1,971,856
Multifamily	17,489	—	17,489
Less allowance for credit losses:			
Single-family	(4,222)	(668)	(4,890)
Multifamily	(12)	(24)	(36)
Mortgage loans held-for-investment, net	1,984,912	(493)	1,984,419
Deferred tax assets, net	5,918	64	5,982
Other assets	22,799	193	22,992
Total transition adjustments		**($236)**	
Liabilities and equity			
Other liabilities	8,042	4	8,046
Retained earnings (accumulated deficit)	(74,188)	(240)	(74,428)
Total transition adjustments		**($236)**	

Upon adoption of CECL on January 1, 2020, we did not recognize an allowance for credit losses on cash equivalents, investments in debt securities classified as available-for-sale, or securities purchased under agreements to resell. See **Note 7** and **Note 10**, respectively, for additional information. We also did not recognize an allowance for credit losses on accrued interest receivable as we charge-off outstanding accrued interest receivables through interest income when loans are placed on non-accrual status. See **Note 4** for additional information.

Recently Issued Accounting Guidance, Not Yet Adopted Within Our Condensed Consolidated Financial Statements

Standard	Description	Date of Planned Adoption	Effect on Consolidated Financial Statements
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	The amendments in this Update simplify the accounting for income taxes by removing certain exceptions for investments, intraperiod allocations, and interim calculations, and adds guidance to reduce the complexity of applying Topic 740.	January 1, 2021	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.

NOTE 2

Conservatorship and Related Matters

Business Objectives

We operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of FHFA, as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers, and privileges of Freddie Mac, and of any stockholder, officer, or director thereof, with respect to the company and its assets. The Conservator also succeeded to the title to all books, records, and assets of Freddie Mac held by any other legal custodian or third party. The Conservator provided for the Board of Directors to perform certain functions and to oversee management, and the Board delegated to management authority to conduct business operations so that the company can continue to operate in the ordinary course. The directors serve on behalf of, and perform such functions as provided by, the Conservator.

We are subject to certain constraints on our business activities under the Purchase Agreement. However, the support provided by Treasury pursuant to the Purchase Agreement currently enables us to maintain our access to the debt markets and to have adequate liquidity to conduct our normal business activities, although the costs of our debt funding could vary. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent.

Purchase Agreement

Treasury, as the holder of the senior preferred stock, is entitled to receive quarterly cash dividends, when, as, and if declared by our Board of Directors. The dividends we have paid to Treasury on the senior preferred stock have been declared by, and paid at the direction of, the Conservator, acting as successor to the rights, titles, powers, and privileges of the Board.

Under the August 2012 amendment to the Purchase Agreement, for each quarter from January 1, 2013 and thereafter, the dividend payment will be the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. Pursuant to the September 2019 Letter Agreement, the applicable Capital Reserve Amount is $20.0 billion. As a result, we will not be required to pay a dividend on the senior preferred stock to Treasury until our Net Worth Amount exceeds $20.0 billion. If for any reason we do not pay the net worth sweep dividend in full for any period, the applicable Capital Reserve Amount will thereafter be zero.

In addition, pursuant to the September 2019 Letter Agreement, the liquidation preference of the senior preferred stock will be increased, at the end of each fiscal quarter, beginning on September 30, 2019, by an amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter, until the liquidation preference has increased by $17.0 billion. As a result, the liquidation preference of the senior preferred stock increased from $79.3 billion on December 31, 2019 to $81.8 billion on March 31, 2020 based on the $2.4 billion increase in our Net Worth Amount during 4Q 2019, and will increase to $82.2 billion on June 30, 2020 based on the $0.4 billion increase in our Net Worth Amount during 1Q 2020.

Under the September 2019 Letter Agreement, Freddie Mac and Treasury also agreed to negotiate and execute an amendment to the Purchase Agreement that further enhances taxpayer protections by adopting covenants broadly consistent with recommendations for administrative reform contained in the Treasury's September 2019 Housing Reform Plan.

Impact of Conservatorship and Related Developments on the Mortgage-Related Investments Portfolio

In February 2019, FHFA directed us to maintain the UPB of our mortgage-related investments portfolio at or below $225 billion at all times. We began including 10% of the notional value of certain interest-only securities owned by Freddie Mac in the calculation of this portfolio during 1Q 2020 as directed by FHFA in November 2019. The UPB of this portfolio was $215.5 billion at March 31, 2020, including $4.3 billion representing 10% of the notional amount of the interest-only securities we held as of March 31, 2020. Our ability to acquire and sell mortgage assets continues to be significantly constrained by limitations imposed by the Purchase Agreement and FHFA.

Government Support for Our Business

We receive substantial support from Treasury and are dependent upon its continued support to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to:

- Keeping us solvent;
- Allowing us to focus on our primary business objectives under conservatorship; and
- Avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions.

At December 31, 2019, our assets exceeded our liabilities under GAAP; therefore, FHFA, as Conservator, did not request a draw on our behalf and, as a result, we did not receive any funding from Treasury under the Purchase Agreement during 1Q 2020. The amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

See **Note 8** and **Note 11** for more information on the conservatorship and the Purchase Agreement.

Related Parties As a Result of Conservatorship

We are deemed related parties with Fannie Mae as both we and Fannie Mae have the same relationships with FHFA and Treasury. CSS was formed in 2013 as a limited liability company equally-owned by Freddie Mac and Fannie Mae and is also deemed a related party. In connection with the formation of CSS, we entered into a limited liability company agreement with Fannie Mae. We and Fannie Mae have each appointed two executives to the CSS Board of Managers and signed governance and operating agreements for CSS, including an updated customer services agreement with Fannie Mae and CSS in May of 2019. In June of 2019, we entered into an agreement with Fannie Mae regarding the commingling of certain of our mortgage securities under the Single Security Initiative and related indemnification obligations. In January 2020, FHFA directed Freddie Mac and Fannie Mae to amend the CSS LLC agreement to change the structure of the CSS Board of Managers, appointing a new independent non-Executive Chair and providing the CSS CEO a seat on the CSS Board. During conservatorship, all CSS Board decisions will require the affirmative vote of the FHFA-designated CSS Board Chair and FHFA may appoint up to three additional independent members to the CSS Board.

We account for our investment in CSS using the equity method. We increase the carrying value of our investment in CSS when we contribute capital to CSS. We recognize our equity in the net earnings of CSS each period as a component of investment gains (losses), net on our condensed consolidated statements of comprehensive income (loss). During 1Q 2020, we contributed $29 million of capital to CSS, and we have contributed $598 million since we began making contributions in the fourth quarter of 2014. The carrying value of our investment in CSS was $36 million and $35 million as of March 31, 2020 and December 31, 2019, respectively, and was included in other assets on our condensed consolidated balance sheets.

NOTE 3

Securitization Activities and Consolidation

Our primary business activities in our Single-family Guarantee and Multifamily segments involve the securitization of loans or other mortgage-related assets using trusts that are VIEs. These trusts issue beneficial interests in the loans or other mortgage-related assets that they own. We guarantee the principal and interest payments on some or all of the issued beneficial interests in substantially all of our securitization transactions. We consolidate VIEs when we have a controlling financial interest in the VIE and are therefore considered the primary beneficiary of the VIE. See **Note 5** for additional information on our guarantee activities.

Consolidated VIEs

The table below presents the carrying value and classification of the assets and liabilities of consolidated VIEs on our condensed consolidated balance sheets.

Table 3.1 - Consolidated VIEs

(In millions)	As of March 31, 2020	As of December 31, 2019
Condensed Consolidated Balance Sheet Line Item		
Assets:		
Cash and cash equivalents (includes $17,855 and $869 of restricted cash and cash equivalents)	$17,856	$870
Securities purchased under agreements to resell	13,510	23,137
Investment securities, at fair value	1,536	597
Mortgage loans held-for-investment, net	1,963,630	1,940,523
Accrued interest receivable	6,181	6,170
Other assets	14,332	9,824
Total assets of consolidated VIEs	**$2,017,045**	**$1,981,121**
Liabilities:		
Accrued interest payable	$5,551	$5,536
Debt	1,930,005	1,898,355
Other liabilities	—	1
Total liabilities of consolidated VIEs	**$1,935,556**	**$1,903,892**

Non-Consolidated VIEs

Our involvement with VIEs for which we are not the primary beneficiary takes one or both of two forms - purchasing an investment in these entities or providing a guarantee to these entities. As part of the Single Security Initiative, we have the ability to commingle TBA-eligible Fannie Mae collateral in certain of our resecuritization products that we do not consolidate. We extend our guarantee of these products to cover principal and interest that are payable from the underlying Fannie Mae collateral. See **Note 5** for additional information on our guarantee of Fannie Mae securities.

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our condensed consolidated balance sheets related to non-consolidated VIEs with which we were involved in the design and creation and have a significant continuing involvement, as well as our maximum exposure to loss and total assets of the VIEs. Our maximum exposure to loss includes the guaranteed UPB of the securities issued by the non-consolidated VIEs, the UPB of unguaranteed securities that we acquired from these securitization transactions, and the UPB of master servicer and guarantor advances made to the holders of the guaranteed securities. While we include the UPB of Fannie Mae securities backing non-consolidated Freddie Mac resecuritization trusts because we are providing a guaranty for the timely payment and interest on the underlying Fannie Mae securities that we have not previously guaranteed, we exclude the UPB of Freddie Mac securities backing these same trusts primarily because we already consolidate the underlying Freddie Mac collateral of these trusts on our condensed consolidated balance sheets. Our maximum exposure to loss also excludes our interest rate exposure on certain securitization activity and other mortgage-related guarantees measured at fair value where our interest rate exposure may be unlimited. We generally reduce our exposure to these guarantees with unlimited interest rate exposure through separate contracts with third parties. Total assets of non-consolidated VIEs excludes our investments in and obligations to non-consolidated Freddie Mac resecuritization trusts primarily because we already consolidate the underlying Freddie Mac collateral of these trusts on our condensed consolidated balance sheets. We do not believe the maximum exposure to loss disclosed in the table below is representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancements. See **Note 6** for additional information on credit enhancements.

Table 3.2 - Non-Consolidated VIEs

(In millions)	As of March 31, 2020	As of December 31, 2019
Assets and Liabilities Recorded on our Condensed Consolidated Balance Sheets[(1)]		
Assets:		
Investment securities, at fair value	$35,660	$37,918
Accrued interest receivable	208	212
Derivative assets, net	8	14
Other assets	4,465	3,951
Liabilities:		
Derivative liabilities, net	109	108
Other liabilities	3,752	3,761
Maximum Exposure to Loss[(2)]	**322,557**	**307,820**
Total Assets of Non-Consolidated VIEs	**342,265**	**335,562**

(1) Includes our variable interests in REMICs and Strips, commingled Supers, K Certificates, SB Certificates, certain senior subordinate securitization structures, and other securitization products that we do not consolidate.

(2) Includes amounts related to Fannie Mae securities backing non-consolidated Freddie Mac resecuritizations trusts. These amounts were previously included in text in prior periods.

We also obtain interests in various other VIEs created by third parties through the normal course of business. To the extent that we were not involved in the design and creation of these VIEs, they are excluded from the table above. Our interests in these VIEs are generally passive in nature and are not expected to result in us obtaining a controlling financial interest in these VIEs in the future.

NOTE 4

Mortgage Loans and Allowance for Credit Losses

On January 1, 2020, we adopted CECL, which changed certain of our significant accounting policies for mortgage loans held-for-investment and the associated allowance for credit losses, as discussed further in the sections below.

The table below provides details of the loans on our condensed consolidated balance sheets.

Table 4.1 - Mortgage Loans

	March 31, 2020			December 31, 2019		
(In millions)	Held by Freddie Mac	Held by Consolidated Trusts	Total	Held by Freddie Mac	Held by Consolidated Trusts	Total
Held-for-sale:						
Single-family	$18,474	$—	$18,474	$18,543	$—	$18,543
Multifamily	15,929	—	15,929	18,954	—	18,954
Total UPB	**34,403**	**—**	**34,403**	**37,497**	**—**	**37,497**
Cost basis and fair value adjustments, net	(1,901)	—	(1,901)	(2,209)	—	(2,209)
Total held-for-sale loans, net	**32,502**	**—**	**32,502**	**35,288**	**—**	**35,288**
Held-for-investment:						
Single-family	40,626	1,921,521	1,962,147	35,324	1,902,958	1,938,282
Multifamily	10,421	7,837	18,258	10,831	6,642	17,473
Total UPB	**51,047**	**1,929,358**	**1,980,405**	**46,155**	**1,909,600**	**1,955,755**
Cost basis adjustments	532	39,339	39,871	(183)	33,574	33,391
Allowance for credit losses	(1,054)	(5,067)	(6,121)	(1,583)	(2,651)	(4,234)
Total held-for-investment loans, net	**50,525**	**1,963,630**	**2,014,155**	**44,389**	**1,940,523**	**1,984,912**
Total mortgage loans, net	**$83,027**	**$1,963,630**	**$2,046,657**	**$79,677**	**$1,940,523**	**$2,020,200**

We own both single-family loans, which are secured by one- to four-unit residential properties, and multifamily loans, which are secured by properties with five or more residential rental units. Our single-family loans are predominantly first lien, fixed-rate loans secured by the borrower's primary residence. We do not typically acquire loans that have experienced more-than-insignificant deterioration in credit quality since origination as of our acquisition date, although we may acquire such loans in connection with performance under certain of our securitization activity or other mortgage-related guarantees. In addition, in April 2020, we announced that we would temporarily purchase certain single-family mortgage loans that have entered into forbearance as a result of borrower hardship caused by the COVID-19 pandemic and that these loans will be priced to mitigate the heightened risk of loss that they present.

Upon acquisition, we classify a loan as either held-for-investment or held-for-sale based on our intent with respect to the loan. Loans that we have the ability and intent to hold for the foreseeable future, including loans held by consolidated trusts and loans we intend to securitize using an entity we will consolidate, are classified as held-for-investment. Loans that we intend to sell are classified as held-for-sale.

Held-for-investment loans for which we have not elected the fair value option are reported on our condensed consolidated balance sheets at their amortized cost basis, net of the allowance for credit losses. The amortized cost basis is based on a loan's outstanding UPB, net of deferred fees and other cost basis adjustments (including unamortized premiums and discounts, upfront fees, commitment-related derivative basis adjustments, fair value hedge accounting adjustments, and other pricing adjustments), excluding accrued interest receivable. Accrued interest receivable for both held-for-investment and held-for-sale loans is separately presented on our condensed consolidated balance sheets and excluded for the purposes of disclosure of the amortized cost basis of mortgage loans held-for-investment.

Held-for-sale loans for which we have not elected the fair value option are reported at lower-of-cost-or-fair-value on our condensed consolidated balance sheets. Any excess of a held-for-sale loan's cost over its fair value is recognized as a valuation allowance in investment gains (losses), net on our condensed consolidated statements of comprehensive income (loss), with subsequent changes in this valuation allowance also being recorded in investment gains (losses), net. Premiums, discounts, and other cost basis adjustments (including lower-of-cost-or-fair-value adjustments) are deferred and not amortized.

We elect the fair value option for certain multifamily loans that are originally classified as held-for-sale. Loans for which we have elected the fair value option are measured at fair value on a recurring basis, with subsequent gains or losses related to changes in fair value reported in investment gains (losses), net on our condensed consolidated statements of comprehensive income (loss). All fees, upfront costs, and other cost basis adjustments are recognized in earnings as incurred.

Cash flows related to loans originally classified as held-for-investment are classified as either investing activities (e.g., principal repayments) or operating activities (e.g., interest payments received from borrowers included within net income (loss)). Cash flows related to loans originally classified as held-for-sale are classified as operating activities.

The table below provides details of the UPB of loans we purchased, reclassified from held-for-investment to held-for-sale, and sold during the periods presented.

Table 4.2 - Loans Purchased, Reclassified from Held-for-Investment to Held-for-Sale, and Sold

(In billions)	1Q 2020	1Q 2019
Single-family:		
Purchases		
Held-for-investment loans	$137.7	$69.7
Reclassified from held-for-investment to held-for-sale [1]	2.6	4.1
Sale of held-for-sale loans[2]	2.2	2.1
Multifamily:		
Purchases		
Held-for-investment loans	1.2	1.0
Held-for-sale loans	8.2	11.6
Reclassified from held-for-investment to held-for-sale [1]	—	0.5
Sale of held-for-sale loans [3]	10.7	14.7

(1) We reclassify loans from held-for-investment to held-for-sale when we no longer have both the intent and ability to hold the loans for the foreseeable future. For additional information regarding the fair value of our loans classified as held-for-sale, see **Note 15**.

(2) Our sales of single-family loans reflect the sale of seasoned single-family mortgage loans.

(3) Our sales of multifamily loans occur primarily through the issuance of multifamily K Certificates and SB Certificates. See **Note 3** for more information on our K Certificates and SB Certificates.

Reclassifications

We reclassify loans from held-for-investment to held-for-sale when we no longer have both the intent and ability to hold the loan for the foreseeable future. Upon reclassification from held-for-investment to held-for-sale, we perform a collectability assessment. When we determine that a loan to be transferred has experienced more-than-insignificant deterioration in credit quality since origination, the excess of the loan's amortized cost basis over its fair value is written off against the allowance for credit losses prior to the transfer. For all other loans, upon a transfer from held-for-investment to held-for-sale, we reverse the loan's existing allowance for credit losses, if any, and establish a held-for-sale valuation allowance if the loan's fair value is less than its amortized cost basis.

We reclassify loans from held-for-sale to held-for-investment when we have both the intent and ability to hold the loan for the foreseeable future. Upon a loan reclassification from held-for-sale to held-for-investment, we reverse the loan's held-for-sale valuation allowance, if any, and establish an allowance for credit losses as needed.

The table below presents the allowance for credit losses or valuation allowance that was reversed or established due to loan reclassifications between held-for-investment and held-for-sale during the period presented.

Table 4.3 - Loan Reclassifications

	1Q 2020		
(In millions)	Unpaid Principal Balance	Allowance for Credit Losses Reversed or (Established)	Valuation Allowance (Established) or Reversed
Single-family reclassifications from:			
Held-for-investment to held-for-sale[1]	$2,637	$214	$—
Held-for-sale to held-for-Investment	1	—	—
Multifamily reclassifications from:			
Held-for-investment to held-for-sale	32	—	—
Held-for-sale to held-for-Investment	482	(1)	—

(1) Prior to reclassification from held-for-investment to held-for-sale, we charged-off $79 million against the allowance for credit losses during 1Q 2020.

Interest Income

We recognize interest income on an accrual basis except when we believe the collection of principal and interest in full is not reasonably assured, which generally occurs when a loan is three monthly payments or more past due, at which point we place the loan on non-accrual status unless the loan is well secured and in the process of collection based upon an individual loan assessment. A loan is considered past due if a full payment of principal and interest is not received within one month of its due date. We charge off outstanding accrued interest receivable through interest income when loans are placed on non-accrual status and recognize interest income on a cash basis while a loan is on non-accrual status.

Cost basis adjustments on held-for-investment loans are amortized into interest income over the contractual life of the loan using the effective interest method. No amortization is recognized during periods in which a loan is on non-accrual status.

A non-accrual loan is returned to accrual status when the collectability of principal and interest in full is reasonably assured. For single-family loans, we generally determine that collectability is reasonably assured when the loan returns to current payment status. For multifamily loans, the collectability of principal and interest is considered reasonably assured based on an analysis of the factors specific to the loan being assessed. Upon a loan's return to accrual status, all previously reversed interest income is recognized and amortization of any basis adjustments into interest income is resumed.

We are currently evaluating our policy for interest income recognition for loans that receive forbearance as a result of a hardship related to COVID-19.

The table below presents the amortized cost basis of non-accrual loans at the beginning and end of the periods presented, including the interest income recognized for the periods presented that is related to the loans on non-accrual status at end of the periods.

Table 4.4 - Amortized Cost Basis of Held-for-Investment Loans on Non-accrual

	Non-accrual Amortized Cost Basis		Interest Income Recognized
(In millions)	January 1, 2020	March 31, 2020	1Q 2020
Single-family:			
20- and 30-year or more, amortizing fixed-rate	$5,598	$5,494	$4
15-year amortizing fixed-rate	242	241	—
Adjustable-rate	91	83	—
Alt-A, interest-only, and option ARM	439	389	2
Total single-family	**6,370**	**6,207**	**6**
Total multifamily	**13**	**13**	**—**
Total single-family and multifamily	**$6,383**	**$6,220**	**$6**

The table below provides the amount of accrued interest receivable presented on our condensed consolidated balance sheets and the amount of accrued interest receivable related to loans on non-accrual status at end of the periods that is written off through reversal of interest income on our condensed consolidated statements of comprehensive income (loss) by portfolio.

Table 4.5 - Accrued Interest Receivable and Related Charge-offs

	March 31, 2020	1Q 2020
(In millions)	Accrued Interest Receivable	Accrued Interest Receivable Related Charge-offs
Single-family loans	$6,320	($29)
Multifamily loans	118	—

Allowance for Credit Losses

On January 1, 2020, we adopted CECL. The objective of CECL is to recognize an allowance for credit losses that is deducted from or added to the amortized cost basis of the financial asset to present the net amount expected to be collected on the financial asset on the balance sheet. Under CECL, an allowance for credit losses is recognized before a loss event has been incurred, which results in earlier recognition of credit losses compared to the previous incurred loss methodology.

Our allowance for credit losses on mortgage loans pertains to all single-family and multifamily loans classified as held-for-investment for which we have not elected the fair value option. We recognize changes in the allowance for credit losses by recording a provision for credit losses (or reversal of a provision for credit losses) on our condensed consolidated statements of comprehensive income (loss). We measure the allowance for credit losses on a collective basis when our loans share similar risk characteristics. We record charge-offs in the period in which a loan is deemed uncollectible. Proceeds received in excess of amounts previously written off are recorded as a decrease to REO operations expense on our condensed consolidated statements of comprehensive income (loss).

We may incur expenses related to a mortgage loan subsequent to its original acquisition but prior to foreclosure (pre-foreclosure costs). These expenses are generally to protect or preserve our interest or legal right in or to the property prior to foreclosure, such as property taxes or homeowner's insurance premiums owed by the borrower. Many of these expenses are advanced by the servicer and are reimbursable from the borrower. If the borrower ultimately defaults, we reimburse the servicer for the advances it has made. Upon advance by the servicer, we recognize a receivable for the amounts due from the borrower and a payable for amounts due to the servicer. We recognize an allowance for credit losses for amounts that we do not ultimately expect to collect from the borrower (allowance for credit losses on pre-foreclosure costs).

The table below summarizes changes in our allowance for credit losses for single-family and multifamily loans held-for-investment and related single-family advances of pre-foreclosure costs. Provision (benefit) for credit losses shifted to a provision in 1Q 2020 from a benefit in 1Q 2019 as we incorporated our forecasts of higher expected credit losses as a result of the COVID-19 pandemic, resulting in an increase of more than 20% in the allowance for credit losses related to our single-family guarantee portfolio in 1Q 2020. The increase in the allowance from higher expected credit losses related to the pandemic was partially offset by a benefit from higher estimated prepayments as a result of the significant decline in interest rates during 1Q 2020. In addition, charge-offs decreased in 1Q 2020 due to a lower volume of transfers of single-family loans from held-for-investment to held-for-sale. The decline in economic activity caused by the COVID-19 pandemic, and the corresponding government response, is unprecedented, and as a result, our estimate of expected credit losses is subject to significant uncertainty.

Table 4.6 - Details of the Allowance for Credit Losses

(In millions)	1Q 2020	1Q 2019
Single-family:		
Beginning balance [1]	$5,184	$6,130
Provision (benefit) for credit losses	1,164	(137)
Charge-offs	(162)	(604)
Recoveries collected	88	106
Other	24	41
Single-family ending balance	**6,298**	**5,536**
Multifamily ending balance	**77**	**10**
Total ending balance	**$6,375**	**$5,546**

(1) Includes transition adjustments recognized upon the adoption of CECL on January 1, 2020. See **Note 1** for more information on transition adjustments.

Single-Family Loans

We estimate the allowance for credit losses for single-family loans on a pooled basis using a discounted cash flow model that evaluates a variety of factors to estimate the cash flows we expect to collect. If we determine that foreclosure on the underlying collateral is probable, we measure the allowance for credit losses for single-family loans based upon the fair value of the collateral, less costs to sell, adjusted for estimated proceeds from attached credit enhancements.

The discounted cash flow model we use to estimate the single-family loan allowance for credit losses forecasts cash flows over the loan's remaining contractual life, adjusted for expectations of prepayments and TDRs we reasonably expect will occur. We do not have a reasonable and supportable forecast period beyond which we revert to historical loss information. Cash flow estimates are discounted at the loan's prepayment-adjusted effective interest rate. For adjustable-rate loans, forecasts are adjusted for projections in the underlying benchmark interest rate. For both fixed-rate and adjustable-rate loans, we forecast cash flows we expect to collect using our historical experience, such as historical default rates and severity of loss based on loan characteristics, adjusted for current and future economic forecasts, such as current and projected home price appreciation and interest rate forecasts, and estimated recoveries from loss mitigation activities, attached credit enhancements, and disposition of collateral, less estimated disposition costs. We also calculate allowance for credit losses for advances of pre-foreclosure costs based on the amounts we expect to collect using our historical experience such as historical default rates.

These projections require significant management judgment. We rely on third-parties to provide certain model inputs used in our projections. At loan delivery, the seller provides us with loan data, which includes borrower and loan characteristics and underwriting information. Each subsequent month, the servicers provide us with monthly loan level servicing data, including delinquency and loss information.

We measure an allowance for credit losses for TDR loans on a pooled basis when they share similar risk characteristics, using either the discounted cash flow approach discussed above or based on the fair value of the collateral, less costs to sell when foreclosure is probable. When using a discounted cash flow approach, the present value of the expected future cash flows is discounted at the loan's prepayment-adjusted effective interest rate just prior to the restructuring, with no adjustments made to the effective interest rate for changes in the timing of expected cash flows subsequent to the restructuring.

We review the outputs of our model by considering qualitative factors such as current economic events and other external factors, including the economic effects of the COVID-19 pandemic and the impact of associated government relief programs, to see whether the model outputs are consistent with our expectations. Additionally, we incorporate expected credit losses for TDRs that are reasonably expected to occur and the incidence of redefault we have experienced on similar loans that have completed a loan modification. Further management adjustments may be necessary to take into consideration the qualitative factors that have occurred but that are not yet reflected in the factors used to derive the model outputs or the uncertainty inherent in our projections. Significant judgment is exercised in making these adjustments.

Multifamily Loans

We estimate the allowance for credit losses for multifamily loans using a loss-rate method to estimate the net amount of cash flows we expect to collect. The loss rate method is based on a probability of default and loss given default framework that estimates credit losses by considering a loan's underlying characteristics and current and forecasted economic conditions. Loan characteristics considered by our model include vintage, loan term, current DSCR, current LTV ratio, occupancy rate, and interest rate hedges. We forecast economic conditions over a reasonable and supportable two-year period prior to reverting to historical averages at the model input level over a five-year period, using a linear reversion method. We also consider as model inputs expected prepayments, contractually specified extensions, modifications we reasonably expect will occur, expected recoveries from collateral posting requirements, and the expected recoveries from attached credit enhancements.

Our loss rates incorporate published historical commercial loan performance data, which we calibrate for differences between that data and our portfolio experience. Except for cases of fraud and certain other types of borrower defaults, most multifamily loans are non-recourse to the borrower. As a result, the cash flows of the underlying property (including any attached credit enhancements) serve as the primary source of funds for repayment of the loan. For loans where we determined that the borrower is experiencing financial difficulty and is two monthly payments or more past due, we measure the allowance for credit losses using the fair value of the underlying collateral, less estimated costs to sell, adjusted for estimated proceeds from credit enhancements that are not freestanding contracts. Factors considered by management in determining whether a borrower is experiencing financial difficulty include the borrower's current payment status and an evaluation of the underlying property's operating performance as represented by its current DSCR, its available credit enhancements, the current LTV ratio, the management of the underlying property, and the property's geographic location.

We review the outputs of our model considering qualitative factors such as current economic events and other external factors to determine whether the model outputs are consistent with our expectations. Further management adjustments may be necessary to take into consideration the qualitative factors that have occurred but that are not yet reflected in the factors used to derive the model outputs. Significant judgment is exercised in making these adjustments.

Credit Quality

Single-Family

The current LTV ratio is one key factor we consider when estimating our allowance for credit losses for single-family loans. As current LTV ratios increase, the borrower's equity in the home decreases, which may negatively affect the borrower's ability to refinance (outside of the Enhanced Relief Refinance program) or to sell the property for an amount at or above the balance of the outstanding loan.

A second-lien loan also reduces the borrower's equity in the home and has a similar negative effect on the borrower's ability to refinance or sell the property for an amount at or above the combined balances of the first and second loans. However, borrowers are free to obtain second-lien financing after origination, and we are not entitled to receive notification when a borrower does so. For further information about concentrations of risk associated with our single-family and multifamily loans, see **Note 14**.

The tables below present the amortized cost basis of single-family held-for-investment loans by current LTV ratios. Our current LTV ratios are estimates based on available data through the end of each respective period presented. For reporting purposes:

- Loans within the Alt-A category continue to be presented in that category following modification, even though the borrower may have provided full documentation of assets and income to complete the modification and
- Loans within the option ARM category continue to be presented in that category following modification, even though the modified loan no longer provides for optional payment provisions.

Table 4.7 - Amortized Cost Basis of Single-Family Held-for-Investment Loans by Current LTV Ratios and Vintage

	March 31, 2020						
	Year of Origination						Total
(In millions)	2020	2019	2018	2017	2016	Prior	
Current LTV Ratio:							
20- and 30-year or more, amortizing fixed-rate							
≤ 80	$45,990	$229,800	$125,462	$176,050	$222,411	$637,471	$1,437,184
> 80 to 100	24,835	148,243	55,970	21,881	5,091	11,220	267,240
> 100 (1)	142	432	104	159	150	2,389	3,376
Total 20- and 30-year or more, amortizing fixed-rate	**70,967**	**378,475**	**181,536**	**198,090**	**227,652**	**651,080**	**1,707,800**
15-year amortizing fixed-rate							
≤ 80	8,951	38,981	17,996	27,553	37,962	108,636	240,079
> 80 to 100	1,466	4,493	478	85	33	64	6,619
> 100 (1)	11	17	5	13	10	19	75
Total 15-year amortizing fixed-rate	**10,428**	**43,491**	**18,479**	**27,651**	**38,005**	**108,719**	**246,773**
Adjustable-rate							
≤ 80	217	2,462	2,143	5,450	3,618	19,424	33,314
> 80 to 100	53	529	295	246	31	43	1,197
> 100 (1)	—	1	—	—	—	4	5
Total Adjustable-rate	**270**	**2,992**	**2,438**	**5,696**	**3,649**	**19,471**	**34,516**
Alt-A, Interest-only, and option ARM							
≤ 80	—	—	—	—	—	12,032	12,032
> 80 to 100	—	—	—	—	—	727	727
> 100 (1)	—	—	—	—	—	138	138
Total Alt-A, Interest-only, and option ARM	**—**	**—**	**—**	**—**	**—**	**12,897**	**12,897**
Total single-family loans	**$81,665**	**$424,958**	**$202,453**	**$231,437**	**$269,306**	**$792,167**	**$2,001,986**

Referenced footnotes are included after the next table.

	December 31, 2019			
	Current LTV Ratio			Total
(In millions)	≤ 80	> 80 to 100	> 100(1)	
20- and 30-year or more, amortizing fixed-rate	$1,405,562	$267,752	$3,954	$1,677,268
15-year amortizing fixed-rate	236,837	6,797	89	243,723
Adjustable-rate	35,478	1,425	6	36,909
Alt-A, interest-only, and option ARM	12,668	901	188	13,757
Total single-family loans	**$1,690,545**	**$276,875**	**$4,237**	**$1,971,657**

(1) The serious delinquency rate for the single-family held-for-investment mortgage loans with current LTV ratios in excess of 100% was 4.03% and 4.51% as of March 31, 2020 and December 31, 2019, respectively.

Multifamily

The table below presents the amortized cost basis of our multifamily held-for-investment loans, by credit quality indicator, based on available data through the end of each period presented. These indicators involve significant management judgment and are defined as follows:

- "Pass" is current and adequately protected by the current financial strength and debt service capacity of the borrower;
- "Special mention" has administrative issues that may affect future repayment prospects but does not have current credit weaknesses;
- "Substandard" has a weakness that jeopardizes the timely full repayment; and
- "Doubtful" has a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions.

Table 4.8 - Amortized Cost Basis of Multifamily Held-for-Investment Loans by Credit Quality Indicator by Vintage

	March 31, 2020								December 31, 2019
	Year of Origination								
(In millions)	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total	Total
Category:									
Pass	$1,110	$8,516	$1,361	$941	$687	$3,327	$ 2,060	$18,002	$17,227
Special mention	—	37	29	20	—	92	—	178	141
Substandard	—	2	19	8	5	76	—	110	121
Doubtful	—	—	—	—	—	—	—	—	—
Total	**$1,110**	**$8,555**	**$1,409**	**$969**	**$692**	**$3,495**	**$2,060**	**$18,290**	**$17,489**

Past Due Status

The tables below present the amortized cost basis of our single-family and multifamily loans, held-for-investment, by payment status.

Table 4.9 - Amortized Cost Basis of Held -for-Investment Loans by Payment Status

	March 31, 2020						
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Three Months or More Past Due, and Accruing	Non-accrual With No Allowance(2)
Single-family:							
20- and 30-year or more, amortizing fixed-rate	$1,682,763	$16,596	$3,190	$5,251	$1,707,800	$—	$370
15-year amortizing fixed-rate	245,198	1,172	165	238	246,773	—	5
Adjustable-rate	34,133	260	41	82	34,516	—	3
Alt-A, interest-only, and option ARM	11,877	501	144	375	12,897	—	86
Total single-family	**1,973,971**	**18,529**	**3,540**	**5,946**	**2,001,986**	**—**	**464**
Total multifamily	**18,290**	**—**	**—**	**—**	**18,290**	**—**	**13**
Total single-family and multifamily	**$1,992,261**	**$18,529**	**$3,540**	**$5,946**	**$2,020,276**	**$—**	**$477**

	December 31, 2019					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Non-accrual
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$1,653,113	$15,481	$3,326	$5,348	$1,677,268	$5,822
15-year amortizing fixed-rate	242,177	1,131	175	240	243,723	252
Adjustable-rate	36,537	238	45	89	36,909	104
Alt-A, interest-only, and option ARM	12,690	489	161	417	13,757	205
Total single-family	**1,944,517**	**17,339**	**3,707**	**6,094**	**1,971,657**	**6,383**
Total multifamily	**17,489**	**—**	**—**	**—**	**17,489**	**13**
Total single-family and multifamily	**$1,962,006**	**$17,339**	**$3,707**	**$6,094**	**$1,989,146**	**$6,396**

(1) Includes $1.7 billion and $1.8 billion of single-family loans that were in the process of foreclosure as of March 31, 2020 and December 31, 2019, respectively.

(2) Loans with no allowance primarily represent those loans that were previously charged-off and therefore the collateral value is sufficiently in excess of the amortized cost to result in recovery of the entire amortized cost basis if the property were foreclosed upon or otherwise subject to disposition.

FHFA requires us to purchase loans out of consolidated trusts if they are delinquent for 120 days, and we have the option to purchase sooner under certain circumstances (e.g., imminent default and seller breaches of representations and warranties). Our practice generally has been to purchase loans from consolidated trusts when the loans have been delinquent for 120 days or more. In April 2020, we announced that FHFA has instructed us to maintain loans in payment forbearance plans (including COVID-19 payment forbearance plans) in mortgage-backed security pools for at least the duration of the forbearance plan.

Troubled Debt Restructurings

A modification to the contractual terms of a loan that results in granting a concession to a borrower experiencing financial difficulties is considered a TDR. A concession is deemed granted when, as a result of the restructuring, we do not expect to collect all amounts due, including interest accrued, at the original contractual interest rate. As appropriate, we also consider other qualitative factors in determining whether a concession is deemed granted, including whether the borrower's modified interest rate is consistent with that of a non-troubled borrower. We do not consider restructurings that result in an insignificant delay in payment to be a concession. We generally consider a delay in monthly amortizing payments of three months or less to be insignificant. A concession typically includes one or more of the following being granted to the borrower:

- A trial period where the expected permanent modification will change our expectation of collecting all amounts due at the original contract rate;
- A delay in payment that is more than insignificant;
- A reduction in the contractual interest rate;
- Interest forbearance for a period of time that is more than insignificant or forgiveness of accrued but uncollected interest amounts;
- Principal forbearance that is more than insignificant; and
- Discharge of the borrower's obligation in Chapter 7 bankruptcy.

The assessment as to whether a multifamily loan restructuring is considered a TDR contemplates the unique facts and circumstances of each loan. This assessment considers qualitative factors such as whether the borrower's modified interest rate is consistent with that of a non-troubled borrower having a similar credit profile at the time of modification. In certain cases, for maturing loans we may provide short-term loan extensions of up to one year with no changes to the effective borrowing rate. In other cases, we may make more significant modifications of terms for borrowers experiencing financial difficulty, such as reducing the interest rate, extending the maturity for longer than one year, providing principal forbearance, or some combination of these terms.

Section 4013 of the CARES Act provides temporary relief from the accounting and reporting requirements for TDRs for certain loan modifications related to COVID-19. Specifically, the CARES Act provides that a qualifying financial institution may elect to suspend (1) the requirements under U.S. GAAP for certain loan modifications that would otherwise be categorized as a TDR, and (2) any determination that such loan modifications would be considered a TDR, including the related impairment for accounting purposes. Section 4013 of the CARES Act applies to any modification related to an economic hardship as a result of the COVID-19 pandemic, including a forbearance arrangement, an interest rate modification, a repayment plan, or any similar arrangement that defers or delays payment of principal or interest, that occurs during the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020 or the date that is 60 days after the declaration of the national emergency related to the COVID-19 pandemic ends for a loan that was not more than 30 days past due as of December 31, 2019. We have elected to suspend TDR accounting for eligible modifications under Section 4013 of the CARES Act.

In addition, Section 4022 and Section 4023 of the CARES Act require us to offer forbearance to certain single-family and multifamily borrowers, respectively, with an economic hardship related to COVID-19. Recent guidance issued by federal banking regulators and endorsed by the FASB staff allows entities to use a practical expedient to conclude that borrowers who receive relief through government-mandated modification or deferral programs related to COVID-19 are not experiencing financial difficulty and, therefore, such modifications or deferral programs should not be accounted for as TDRs. We have elected to apply this practical expedient to the forbearance programs we are offering under Section 4022 and Section 4023 of the CARES Act, as such programs are government-mandated deferral programs related to COVID-19, and therefore we will not account for such modifications as TDRs.

We recognize an allowance for credit losses on TDRs as discussed in the ***Allowance for Credit Losses*** section above. We recognize interest income at the modified interest rate, subject to our non-accrual policy as discussed in the ***Interest Income*** section above, with all other changes in the present value of expected future cash flows being recognized as a component of benefit (provision) for credit losses on our condensed consolidated statements of comprehensive income (loss).

Of the single-family loans with modifications that were classified as TDRs during 1Q 2020 and 1Q 2019, respectively:

- 14% and 8% involved interest rate reductions and, in certain cases, term extensions;
- 19% and 23% involved principal forbearance in addition to interest rate reductions and, in certain cases, term extensions;
- The average term extension was 187 and 164 months; and
- The average interest rate reduction was 0.3% and 0.1%.

Substantially all of our completed single-family loan modifications classified as a TDR during 1Q 2020 and 1Q 2019 resulted in a modified loan with a fixed interest rate.

The table below presents the volume of single-family and multifamily loans that were newly classified as TDRs, based on the original product category of the loan before the loan was classified as a TDR. Loans classified as a TDR in one period may be subject to further action (such as a modification or remodification) in a subsequent period. In such cases, the subsequent action would not be reflected in the table below since the loan would already have been classified as a TDR.

Table 4.10 - TDR Activity

	1Q 2020		1Q 2019	
(Dollars in millions)	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis
Single-family: [(1)]				
20- and 30-year or more, amortizing fixed-rate	6,432	$1,127	7,459	$1,200
15-year amortizing fixed-rate	729	72	946	92
Adjustable-rate	97	17	157	25
Alt-A, interest-only, and option ARM	166	24	329	53
Total single-family	**7,424**	**1,240**	**8,891**	**1,370**
Multifamily	—	—	—	—

(1) The pre-TDR amortized cost basis for single-family loans initially classified as TDR during 1Q 2020 and 1Q 2019 was $1.2 billion and $1.4 billion, respectively.

The table below presents the volume of our TDR modifications that experienced payment defaults (i.e., loans that became two months delinquent or completed a loss event) during the applicable periods and had completed a modification during the year preceding the payment default. The table presents loans based on their original product category before modification and includes loans that were reclassified from held-for-investment to held-for-sale after TDR modifications.

Table 4.11 - Payment Defaults of Completed TDR Modifications

	1Q 2020		1Q 2019	
(Dollars in millions)	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis
Single-family:				
20- and 30-year or more, amortizing fixed-rate	2,504	$427	3,856	$409
15-year amortizing fixed-rate	119	14	125	7
Adjustable-rate	29	4	34	3
Alt-A, interest-only, and option ARM	164	32	310	44
Total single-family	**2,816**	**477**	**4,325**	**463**
Multifamily	—	—	—	—

In addition to modifications, loans may be classified as TDRs as a result of other loss mitigation activities (i.e., repayment plans, forbearance agreements, or loans in modification trial periods). During 1Q 2020 and 1Q 2019, 1,026 and 1,464, respectively, of such loans (with a post-TDR amortized cost basis of $0.1 billion and $0.2 billion, respectively) experienced a payment default within a year after the loss mitigation activity occurred.

Prior Period Allowance for Credit Losses and Related Information

Under the previous incurred loss impairment methodology that was effective prior to January 1, 2020, we assessed loan impairment on a collective basis unless we considered the loan to be impaired. We assessed loan impairment on an individual basis when, based on current information, it was probable that we would not receive all amounts due (including both principal and interest) in accordance with the contractual terms of the original loan agreement. For additional information, see our 2019 Annual Report.

The table below presents our allowance for loan losses and our recorded investment in loans held-for-investment by impairment evaluation methodology.

Table 4.12 - Net Investment in Loans

	December 31, 2019		
(In millions)	Single-family	Multifamily	Total
Recorded investment:			
Collectively evaluated	$1,936,208	$17,408	$1,953,616
Individually evaluated	35,449	81	35,530
Total recorded investment	**1,971,657**	**17,489**	**1,989,146**
Ending balance of the allowance for loan losses:			
Collectively evaluated	(1,350)	(12)	(1,362)
Individually evaluated	(2,872)	—	(2,872)
Total ending balance of the allowance	**(4,222)**	**(12)**	**(4,234)**
Net investment in loans	**$1,967,435**	**$17,477**	**$1,984,912**

The table below presents the UPB, recorded investment, related allowance for loan losses, average recorded investment, and interest income recognized for individually impaired loans.

Table 4.13 - Individually Impaired Loans

	December 31, 2019			1Q 2019		
(In millions)	UPB	Recorded Investment	Associated Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized On Cash Basis[3]
Single-family:						
With no allowance recorded: [1]						
20- and 30-year or more, amortizing fixed-rate	$2,431	$1,927	N/A	$2,686	$73	$4
15-year amortizing fixed-rate	21	20	N/A	21	—	—
Adjustable-rate	169	169	N/A	224	3	—
Alt-A, interest-only, and option ARM	847	727	N/A	981	18	1
Total with no allowance recorded	**3,468**	**2,843**	**N/A**	**3,912**	**94**	**5**
With an allowance recorded: [2]						
20- and 30-year or more, amortizing fixed-rate	28,824	28,667	($2,416)	35,338	484	57
15-year amortizing fixed-rate	616	625	(13)	686	6	1
Adjustable-rate	131	130	(7)	147	1	1
Alt-A, interest-only, and option ARM	3,315	3,184	(436)	4,325	62	7
Total with an allowance recorded	**32,886**	**32,606**	**(2,872)**	**40,496**	**553**	**66**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	31,255	30,594	(2,416)	38,024	557	61
15-year amortizing fixed-rate	637	645	(13)	707	6	1
Adjustable-rate	300	299	(7)	371	4	1
Alt-A, interest-only, and option ARM	4,162	3,911	(436)	5,306	80	8
Total single-family	**36,354**	**35,449**	**(2,872)**	**44,408**	**647**	**71**
Multifamily:						
With no allowance recorded [1]	86	81	N/A	66	1	—
With an allowance recorded	—	—	—	16	—	—
Total multifamily	**86**	**81**	**—**	**82**	**1**	**—**
Total single-family and multifamily	**$36,440**	**$35,530**	**($2,872)**	**$44,490**	**$648**	**$71**

(1) Individually impaired loans with no allowance primarily represent those loans for which the collateral value is sufficiently in excess of the loan balance to result in recovery of the entire recorded investment if the property were foreclosed upon or otherwise subject to disposition.

(2) Consists primarily of loans classified as TDRs.

(3) Consists of income recognized during the period related to loans on non-accrual status.

The table below summarizes the delinquency rates of loans within our single-family credit guarantee and multifamily mortgage portfolios.

Table 4.14 - Delinquency Rates

(Dollars in millions)	December 31, 2019
Single-family:	
Non-credit-enhanced portfolio	
Serious delinquency rate	0.70%
Total number of seriously delinquent loans	42,485
Credit-enhanced portfolio:[1]	
Primary mortgage insurance:	
Serious delinquency rate	0.79%
Total number of seriously delinquent loans	15,261
Other credit protection:[2]	
Serious delinquency rate	0.40%
Total number of seriously delinquent loans	18,143
Total single-family:	
Serious delinquency rate	**0.63%**
Total number of seriously delinquent loans	**70,162**
Multifamily:[3]	
Non-credit-enhanced portfolio:	
Delinquency rate	—%
UPB of delinquent loans	$2
Credit-enhanced portfolio:	
Delinquency rate	0.09%
UPB of delinquent loans	$244
Total multifamily:	
Delinquency rate	**0.08%**
UPB of delinquent loans	**$246**

(1) The credit-enhanced categories are not mutually exclusive, as a single loan may be covered by both primary mortgage insurance and other credit protection.

(2) Consists of single-family loans covered by financial arrangements (other than primary mortgage insurance) that are designed to reduce our credit risk exposure. See **Note 6** for additional information on our credit enhancements.

(3) Multifamily delinquency performance is based on the UPB of loans that are two monthly payments or more past due or those in the process of foreclosure.

Non-Cash Investing and Financing Activities

During 1Q 2020 and 1Q 2019, we acquired $73.2 billion and $37.0 billion, respectively, of loans held-for-investment in exchange for the issuance of debt securities of consolidated trusts in guarantor swap transactions. We received approximately $15.1 billion and $6.1 billion of loans from sellers in guarantor swap transactions and $0.5 billion and $0.4 billion of loans from sellers in cash execution transactions during 1Q 2020 and 1Q 2019, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets.

NOTE 5

Guarantees and Other Off-Balance Sheet Credit Exposures

We generate revenue through our guarantee activities by agreeing to absorb the credit risk associated with certain financial instruments that are owned or held by third parties. In exchange for providing this guarantee, we receive an ongoing guarantee fee that is commensurate with the risks assumed and that will, over the long-term, provide us with cash flows that are expected to exceed the credit-related and administrative expenses of the underlying financial instruments. The profitability of our guarantee activities may vary and will be dependent on our guarantee fee and the actual credit performance of the underlying financial instruments that we have guaranteed.

The table below shows our maximum exposure, recognized liability, and maximum remaining term of our guarantees to non-consolidated VIEs and other third parties. This table does not include certain of our unrecognized guarantees, such as guarantees to consolidated VIEs or to resecuritization trusts that do not expose us to incremental credit risk. The maximum exposure disclosed in the table is not representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancements. See **Note 6** for additional information on our credit enhancements.

Table 5.1 - Financial Guarantees

	March 31, 2020			December 31, 2019		
(Dollars in millions, terms in years)	Maximum Exposure(1)	Recognized Liability(2)	Maximum Remaining Term	Maximum Exposure(1)	Recognized Liability(2)	Maximum Remaining Term
Single-family:						
Securitization activity guarantees	$27,696	$379	39	$26,818	$361	40
Other mortgage-related guarantees	7,943	183	30	7,492	182	30
Total single-family	**$35,639**	**$562**		**$34,310**	**$543**	
Multifamily:						
Securitization activity guarantees	$254,459	$3,310	39	$252,167	$3,333	39
Other mortgage-related guarantees	10,427	440	34	9,989	416	34
Total multifamily	**$264,886**	**$3,750**		**$262,156**	**$3,749**	
Other guarantees measured at fair value	31,599	659	30	24,965	253	30
Fannie Mae securities backing Freddie Mac resecuritization products	39,549	—	30	27,408	—	30

(1) The maximum exposure represents the contractual amounts that could be lost if counterparties or borrowers defaulted, without consideration of possible recoveries under credit enhancements. For other guarantees measured at fair value, this amount represents the notional value if it relates to our market value guarantees or guarantees of third-party derivative instruments or the UPB if it relates to a guarantee of a mortgage-related asset. For certain of our other guarantees measured at fair value, our exposure may be unlimited and, as a result, the notional value is included. We generally reduce our exposure to these guarantees with unlimited exposure through separate contracts with third parties.

(2) For securitization activity guarantees and other mortgage-related guarantees, this amount represents the guarantee obligation on our condensed consolidated balance sheets and excludes our allowance for credit losses on off-balance sheet credit exposures. For other guarantees measured at fair value, this amount represents the fair value of the contract.

The table below shows the payment status of the mortgage loans underlying our guarantees that are not measured at fair value.

Table 5.2 – UPB of Loans Underlying Our Guarantees by Payment Status

	March 31, 2020				
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure	Total
Single-family	$35,362	$1,985	$660	$861	$38,868
Multifamily	304,903	9	12	254	305,178
Total	**$340,265**	**$1,994**	**$672**	**$1,115**	**$344,046**

Other Off-Balance Sheet Credit Exposures

In addition to our guarantees, we enter into other agreements that expose us to off-balance sheet credit risk, primarily related to our multifamily business, including certain purchase commitments that are not accounted for as derivative instruments, unfunded lending arrangements, and other commitments. These agreements may require us to transfer cash before or upon settlement of our contractual obligation. The total notional value of these other off-balance sheet credit exposures was $20.3 billion and $17.1 billion at March 31, 2020 and December 31, 2019, respectively.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Upon adoption of CECL on January 1, 2020, we began recognizing an allowance for credit losses on off-balance sheet credit exposures for our guarantees that are not measured at fair value and other off-balance sheet arrangements based on expected credit losses over the contractual period in which we are exposed to credit risk via a present contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. We include this allowance for credit losses on off-balance sheet credit exposures within other liabilities on our condensed consolidated balance sheets, with changes recognized through benefit (provision) for credit losses on our condensed consolidated statements of comprehensive income (loss).

Our methodologies for estimating the allowance for credit losses on off-balance sheet credit exposures for our single-family and multifamily guarantees are generally consistent with our methodologies for estimating the allowance for credit losses for single-family mortgage loans and multifamily mortgage loans, respectively. Many of our guarantees have credit enhancement provided by subordination that exceeds the amount of expected credit losses. See **Note 4** for additional information on our allowance for credit losses methodologies and **Note 6** for additional information on our guarantee credit enhancements. We have not recorded an allowance for credit losses on our guarantees of Fannie Mae securities due to the support provided to Fannie Mae by the U.S. government, the importance of Fannie Mae to the liquidity and stability of the U.S. housing market, and the long history of zero credit losses on Fannie Mae securities.

The allowance for credit losses on off-balance sheet credit exposures was $108 million and $51 million as of March 31, 2020 and December 31, 2019, respectively.

NOTE 6

Credit Enhancements

We obtain various forms of credit enhancements that reduce our exposure to credit losses. These credit enhancements may be associated with mortgage loans or guarantees recognized on our condensed consolidated balance sheets or embedded in debt recognized on our condensed consolidated balance sheets.

Our adoption of CECL on January 1, 2020 did not result in significant changes to our accounting policies for credit enhancements. Upon adoption of CECL, we continue to consider expected recoveries from attached credit enhancements in measuring the allowance for credit losses, resulting in a reduction in the recognized provision for credit losses by the amount of the expected recoveries. We also continue to recognize expected recoveries from freestanding credit enhancements separately in other assets on our condensed consolidated balance sheets, with an offsetting reduction to credit enhancement (expense) benefit, net, at the same time that we recognize an allowance for credit losses on the covered loans, measured on the same basis as the allowance for credit losses on the covered loans. See **Note 6** in our 2019 Annual Report for additional information on our significant accounting policies for credit enhancements.

Adoption of CECL resulted in an increase of $0.3 billion in our expected recovery receivable balance as the amount of expected recoveries from freestanding credit enhancements increased in conjunction with the increase in expected losses on the covered mortgage loans. Upon adoption of CECL, we measure credit losses on our expected recovery receivables based on our estimate of current expected credit losses over the contractual term of the contract. For information about counterparty credit risk associated with mortgage insurers and other credit enhancement providers, see **Note 14**.

Credit Enhancement (Expense) Benefit, Net

Credit enhancement (expense) benefit, net primarily relates to freestanding credit enhancements. We do not typically recognize separate expenses for attached credit enhancements, as attached credit enhancements are accounted for on a net basis with the underlying financial instruments. The expenses associated with debt with embedded credit enhancements are generally recorded in interest expense. Refer to **Note 8** for additional information on debt with embedded credit enhancements. The table below presents the components of credit enhancement (expense) benefit, net.

Table 6.1 - Components of Credit Enhancement (Expense) Benefit, Net

(In millions)	1Q 2020	1Q 2019
Premiums, amortization, and transaction costs	($231)	($162)
Expected recoveries	467	4
Credit enhancement (expense) benefit, net	**$236**	**($158)**

Single-Family Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to our single-family credit enhancements.

Table 6.2 - Single-Family Credit Enhancements

		March 31, 2020		December 31, 2019	
(In millions)	Credit Enhancement Accounting Treatment	Total Current and Protected UPB(1)	Maximum Coverage	Total Current and Protected UPB(1)	Maximum Coverage
Primary mortgage insurance	Attached	$427,467	$109,003	$421,870	$107,690
STACR: (2)					
Trust notes	Freestanding	395,689	12,802	288,323	9,739
Debt notes	Debt	510,742	14,532	536,036	15,373
Insurance/reinsurance (3)	Freestanding	907,873	10,442	863,149	10,157
Subordination:					
Non-consolidated VIEs (4)	Attached	26,479	4,708	25,443	4,545
Consolidated VIEs (5)	Debt	17,884	792	19,498	854
Lender risk-sharing	Freestanding	29,222	5,923	24,078	5,657
Other	Primarily attached	879	874	1,056	1,051
Total single-family credit enhancements			**$159,076**		**$155,066**

(1) Underlying loans may be covered by more than one form of credit enhancement.

(2) Total current and protected UPB represents the UPB of the assets included in the reference pool. Maximum coverage amount represents the outstanding balance held by third parties.

(3) As of March 31, 2020 and December 31, 2019, substantially all of our counterparties posted sufficient collateral on our ACIS transactions to meet the minimum collateral requirements of the ACIS program. Minimum collateral requirements are assessed on each deal based on a combination of factors, including counterparty credit risk of the reinsurer, as well as the structure and risk profile of the transaction. Other insurance/reinsurance transactions have similar collateral requirements.

(4) Total current and protected UPB includes the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities, and the UPB of guarantor advances made to the holders of the guaranteed securities. Maximum coverage represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

(5) Total current and protected UPB represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities. Maximum coverage amount represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

Multifamily Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to our multifamily credit enhancements.

Table 6.3 - Multifamily Credit Enhancements

		March 31, 2020		December 31, 2019	
(In millions)	Credit Enhancement Accounting Treatment	Total Current and Protected UPB(1)	Maximum Coverage	Total Current and Protected UPB(1)	Maximum Coverage
Subordination:					
Non-consolidated VIEs (2)	Attached	$253,565	$40,527	$251,008	$40,262
Consolidated VIEs (3)	Debt	1,800	200	1,800	200
Lender risk-sharing (4)	Freestanding	2,295	380	2,529	381
Insurance/reinsurance (5)	Freestanding	2,764	127	2,769	127
SCR debt notes (6)	Debt	2,431	122	2,470	123
Other (4)	Attached	454	454	467	467
Total multifamily credit enhancements			**$41,810**		**$41,560**

(1) Underlying loans may be covered by more than one form of credit enhancement.

(2) Total current and protected UPB includes the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities, and the UPB of guarantor advances made to the holders of the guaranteed securities. Maximum coverage represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

(3) Total current and protected UPB represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities. Maximum coverage amount represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

(4) Maximum coverage represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements.

(5) As of March 31, 2020 and December 31, 2019, the counterparties to our insurance/reinsurance transactions have complied with the minimum collateral requirements. Minimum collateral requirements are assessed on each deal based on a combination of factors, including counterparty credit risk of the reinsurer, as well as the structure and risk profile of the transaction.

(6) Total current and protected UPB represents the UPB of the assets included in the reference pool. Maximum coverage amount represents the outstanding balance of the SCR notes held by third parties.

The Multifamily segment also has other credit enhancements in the form of collateral posting requirements, indemnification, pool insurance, bond insurance, recourse, and other similar arrangements. These credit enhancements, along with the proceeds received from the sale of the underlying mortgage collateral, are designed to recover all or a portion of our losses on our mortgage loans or the amounts paid under our financial guarantee contracts. Our historical losses and related recoveries pursuant to these agreements have not been significant and therefore these other types of credit enhancements are excluded from the table above.

NOTE 7

Investment Securities

The table below summarizes the fair values of our investments in debt securities by classification.

Table 7.1 - Investment Securities

(In millions)	March 31, 2020	December 31, 2019
Trading securities	$53,851	$49,537
Available-for-sale securities	25,338	26,174
Total fair value of investment securities	**$79,189**	**$75,711**

As of March 31, 2020 and December 31, 2019, we did not classify any securities as held-to-maturity, although we may elect to do so in the future.

Allowance for Credit Losses

On January 1, 2020, we adopted CECL, which changes the accounting for credit losses on available-for-sale debt securities from the other-than-temporary impairment methodology to a new methodology that uses an allowance for credit losses.

We evaluate available-for-sale securities in an unrealized loss position as of the end of each quarter to determine whether the decline in value is from a credit loss or other factors. An unrealized loss exists when the fair value of an individual lot is less than its amortized cost basis.

When qualitative factors indicate that a credit loss may exist, we compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. We recognize an allowance for credit losses measured as the difference between the present value of expected cash flows and the amortized cost basis of the security, limited by the amount that the security's fair value is less than its amortized cost basis. The present value of cash flows expected to be collected represents our best estimate of future contractual cash flows that we expect to collect, discounted at the security's implicit effective interest rate.

If we intend to sell the security or we believe it is more likely than not we will be required to sell the security before recovery of its amortized cost basis, we charge-off any allowance for credit losses by writing down the security's amortized basis to its fair value. Subsequently, increases in fair value are recognized through AOCI. However, if there are significant increases in the cash flows expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, we recognize those changes as a prospective adjustment to the yield of the security.

The evaluation of whether unrealized losses on available-for-sale securities indicate a credit loss exists requires significant management judgment and assumptions and consideration of numerous factors. We perform an evaluation on a security lot basis considering all available information. The relative importance of this information varies based on the facts and circumstances surrounding each security, as well as the economic environment at the time of assessment.

We present accrued interest receivable separately on our condensed consolidated balance sheets and accrued interest receivable is excluded for the purposes of disclosure of the amortized cost basis of available-for-sale securities. When collection of interest in full is not reasonably assured, we charge-off outstanding accrued interest receivable through interest income on our condensed consolidated statements of comprehensive income (loss) and therefore do not recognize an allowance for credit losses on accrued interest receivable. As of March 31, 2020 no accrued interest receivable was charged-off.

Agency MBS

Substantially all of our available-for-sale securities are agency MBS issued by us, Fannie Mae, or Ginnie Mae. The principal and interest on these securities are guaranteed by the issuing agency. We believe that the guarantee provided by the issuing agency, the support provided to the agencies by the U.S. government, the importance of the agencies to the liquidity and stability of the U.S. housing market, and the long history of zero credit losses on agency MBS are all indicators that credit losses on these securities do not exist, even if the security is in an unrealized loss position. In addition, we generally hold these securities that are in an unrealized loss position to recovery. As a result, unless we intend to sell the security, we do not recognize an allowance for credit losses on agency MBS.

Non-Agency Residential MBS

We believe the unrealized losses on the non-agency RMBS we hold are mainly attributable to poor underlying collateral performance, limited liquidity, and risk premiums. In evaluating securities for credit losses, we use management judgment and historical information in considering the credit performance of the underlying collateral and incorporate assumptions about the economic environment. As of March 31, 2020, substantially all of our non-agency residential MBS were in an unrealized gain position. As a result, we have not recognized an allowance for credit losses on these securities.

Trading Securities

The table below presents the estimated fair values of our trading securities by major security type. Our non-mortgage-related securities primarily consist of investments in U.S. Treasury securities.

Table 7.2 - Trading Securities

(In millions)	March 31, 2020	December 31, 2019
Mortgage-related securities:		
Agency	$21,076	$22,481
Non-agency	1	1
Total mortgage-related securities	**21,077**	**22,482**
Non-mortgage-related securities	32,774	27,055
Total fair value of trading securities	**$53,851**	**$49,537**

For trading securities held at March 31, 2020 and 2019, we recorded net unrealized gains (losses) of $723 million and $97 million during 1Q 2020 and 1Q 2019, respectively.

Available-for-Sale Securities

At both March 31, 2020 and December 31, 2019, all available-for-sale securities were mortgage-related securities.

The tables below provide details of the securities classified as available-for-sale on our condensed consolidated balance sheets.

Table 7.3 - Available-for-Sale Securities

	March 31, 2020					
(In millions)	Amortized Cost Basis	Allowance for Credit Losses	Gross Unrealized Gains in Other Comprehensive Income	Gross Unrealized Losses in Other Comprehensive Income	Fair Value	Accrued Interest Receivable
Available-for-sale securities:						
Agency	$23,054	$—	$1,209	($27)	$24,236	$62
Non-agency and other	949	—	154	(1)	1,102	2
Total available-for-sale securities	**$24,003**	**$—**	**$1,363**	**($28)**	**$25,338**	**$64**

	December 31, 2019				
			Gross Unrealized Losses		
(In millions)	Amortized Cost	Gross Unrealized Gains	Other-Than-Temporary Impairment(1)	Temporary Impairment(2)	Fair Value
Available-for-sale securities:					
Agency	$24,390	$571	$—	($74)	$24,887
Non-agency and other	1,004	283	—	—	1,287
Total available-for-sale securities	**$25,394**	**$854**	**$—**	**($74)**	**$26,174**

(1) Represents the gross unrealized losses for securities for which we have previously recognized other-than-temporary impairment in earnings.

(2) Represents the gross unrealized losses for securities for which we have not previously recognized other-than-temporary impairment in earnings.

The fair value of our available-for-sale securities held at March 31, 2020 scheduled to contractually mature after ten years was $20.7 billion, with an additional $4.2 billion scheduled to contractually mature after five years through ten years.

Available-for-Sale Securities in a Gross Unrealized Loss Position

The tables below present available-for-sale securities in a gross unrealized loss position and whether such securities have been in an unrealized loss position for less than 12 months, or 12 months or greater.

Table 7.4 - Available-for-Sale Securities in a Gross Unrealized Loss Position

	March 31, 2020			
	Less than 12 Months		12 Months or Greater	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Agency	$1,190	($10)	$893	($17)
Non-agency and other	60	(1)	—	—
Total available-for-sale securities in a gross unrealized loss position	**$1,250**	**($11)**	**$893**	**($17)**

	December 31, 2019			
	Less than 12 Months		12 Months or Greater	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Agency	$5,778	($27)	$2,934	($47)
Non-agency and other	1	—	—	—
Total available-for-sale securities in a gross unrealized loss position	**$5,779**	**($27)**	**$2,934**	**($47)**

At March 31, 2020, the gross unrealized losses relate to 99 separate securities.

Realized Gains and Losses on Sales of Available-for-Sale Securities

The table below summarizes the gross realized gains and gross realized losses from the sale of available-for-sale securities.

Table 7.5 - Gross Realized Gains and Gross Realized Losses from Sales of Available-for-Sale Securities

(In millions)	1Q 2020	1Q 2019
Gross realized gains	$33	$63
Gross realized losses	(23)	(29)
Net realized gains (losses)	**$10**	**$34**

Non-Cash Investing and Financing Activities

During 1Q 2020, we recognized $3.5 billion of investment securities in exchange for the issuance of debt securities of consolidated trusts through partial sales of commingled single-class securities that were previously consolidated.

During 1Q 2020, certain counterparties in our securities purchased under agreements to resell defaulted under the terms of the governing legal agreements by failing to meet margin requirements. This resulted in an increase in investment securities and a decrease in securities purchased under agreements to resell of $0.2 billion.

NOTE 8

Debt

The table below summarizes the balances of total debt per our condensed consolidated balance sheets and the interest expense per our condensed consolidated statements of comprehensive income (loss).

Table 8.1 - Total Debt

	Balance, Net		Interest Expense	
(In millions)	March 31, 2020	December 31, 2019	1Q 2020	1Q 2019
Debt securities of consolidated trusts held by third parties	$1,930,005	$1,898,355	$13,447	$13,981
Other debt:				
Short-term debt	97,995	101,034	430	436
Long-term debt	188,135	170,296	930	1,416
Total other debt	**286,130**	**271,330**	**1,360**	**1,852**
Total debt	**$2,216,135**	**$2,169,685**	**$14,807**	**$15,833**

As of March 31, 2020, our aggregate indebtedness was $288.2 billion, which was below the $300.0 billion debt cap limit imposed by the Purchase Agreement. Our aggregate indebtedness calculation primarily includes the par value of other short- and long-term debt.

Debt Securities of Consolidated Trusts Held by Third Parties

The table below summarizes the debt securities of consolidated trusts held by third parties based on underlying loan product type.

Table 8.2 - Debt Securities of Consolidated Trusts Held by Third Parties

	March 31, 2020				December 31, 2019			
(Dollars in millions)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)
Single-family:								
30-year or more, fixed-rate	2020 - 2057	$1,546,487	$1,584,748	3.59%	2020 - 2057	$1,516,550	$1,554,095	3.63%
20-year fixed-rate	2020 - 2040	72,200	73,870	3.32	2020 - 2040	70,901	72,558	3.37
15-year fixed-rate	2020 - 2035	226,582	230,206	2.85	2020 - 2035	225,501	229,133	2.87
Adjustable-rate	2020 - 2050	27,902	28,424	3.21	2020 - 2050	30,183	30,756	3.25
Interest-only	2026 - 2041	3,946	4,003	4.34	2026 - 2041	4,244	4,307	4.55
FHA/VA	2020 - 2050	662	677	4.54	2020 - 2049	633	647	4.68
Total single-family		**1,877,779**	**1,921,928**			**1,848,012**	**1,891,496**	
Multifamily	2021-2050	7,992	8,077	3.10	2021 - 2049	6,790	6,859	3.29
Total debt of consolidated trusts held by third parties		**$1,885,771**	**$1,930,005**			**$1,854,802**	**$1,898,355**	

(1) Includes $205 million and $209 million at March 31, 2020 and December 31, 2019, respectively, of debt securities of consolidated trusts that represents the fair value of debt with the fair value option elected.

(2) The effective interest rate for debt securities of consolidated trusts held by third parties was 2.78% and 2.79% as of March 31, 2020 and December 31, 2019, respectively.

Other Debt

The table below summarizes the balances and effective interest rates for other debt.

Table 8.3 - Total Other Debt

	March 31, 2020			December 31, 2019		
(Dollars in millions)	Par Value	Carrying Amount(1)	Weighted Average Effective Rate(2)	Par Value	Carrying Amount(1)	Weighted Average Effective Rate(2)
Other short-term debt:						
Discount notes and Reference Bills	$57,822	$57,685	1.33%	$60,830	$60,629	1.67%
Medium-term notes	40,313	40,310	2.07	40,407	40,405	2.31
Securities sold under agreements to repurchase (3)	14,305	14,305	0.16	9,843	9,843	1.46
Total other short-term debt	**112,440**	**112,300**	**1.45**	**111,080**	**110,877**	**1.89**
Other long-term debt:						
Original maturities on or before December 31,						
2020	32,507	32,505	1.81	45,133	45,127	1.76
2021	45,202	45,198	1.23	30,069	30,072	1.89
2022	25,236	25,219	1.94	23,185	23,166	2.20
2023	17,680	17,661	1.98	13,413	13,393	2.22
2024	22,975	22,938	2.13	26,966	26,924	2.22
Thereafter	31,564	29,270	3.49	17,615	15,294	5.13
STACR and SCR debt(4)	14,654	14,271	5.66	15,496	15,652	5.64
Hedging-related basis adjustments	N/A	1,073		N/A	668	
Total other long-term debt	**189,818**	**188,135**	**2.30**	**171,877**	**170,296**	**2.61**
Total other debt(5)	**$302,258**	**$300,435**		**$282,957**	**$281,173**	

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes $3.0 billion and $3.7 billion at March 31, 2020 and December 31, 2019, respectively, of other long-term debt that represents the fair value of debt with the fair value option elected.

(2) Based on carrying amount.

(3) Beginning January 1, 2020, we elected to offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell on our condensed consolidated balance sheets, when such amounts meet the conditions for offsetting in the accounting guidance.

(4) Contractual maturities of these debts are not presented because they are subject to prepayment risk, as their payments are based upon the performance of a pool of mortgage assets that may be prepaid by the related mortgage borrower at any time generally without penalty.

(5) Carrying amount for other debt includes callable debt of $84.8 billion and $95.1 billion at March 31, 2020 and December 31, 2019, respectively.

NOTE 9

Derivatives

Use of Derivatives

We use derivatives primarily to hedge interest-rate sensitivity mismatches between our financial assets and liabilities. We analyze the interest-rate sensitivity of financial assets and liabilities on a daily basis across a variety of interest-rate scenarios based on market prices, models, and economics. When we use derivatives to mitigate our exposures, we consider a number of factors, including cost, exposure to counterparty risk, and our overall risk management strategy.

We classify derivatives into three categories:

- Exchange-traded derivatives;
- Cleared derivatives; and
- OTC derivatives.

Exchange-traded derivatives include standardized interest-rate futures contracts and options on futures contracts. Cleared derivatives refer to those interest-rate swaps that the U.S. Commodity Futures Trading Commission has determined are subject to the central clearing requirement of the Dodd-Frank Act. OTC derivatives refer to those derivatives that are neither exchange-traded derivatives nor cleared derivatives.

Types of Derivatives

We principally use the following types of derivatives:

- LIBOR- and SOFR-based interest-rate swaps;
- LIBOR- and Treasury-based purchased options (including swaptions); and
- LIBOR-, Treasury-, and SOFR-based exchange-traded futures.

We also purchase swaptions on credit indices in order to obtain protection against adverse movements in multifamily spreads which may affect the profitability of our K Certificate or SB Certificate transactions.

In addition to swaps, futures, and purchased options, our derivative positions include written options and swaptions, and commitments.

Hedge Accounting

We apply fair value hedge accounting to certain single-family mortgage loans and certain issuances of debt where we hedge the changes in fair value of these items attributable to the designated benchmark interest rate (i.e., LIBOR), using LIBOR-based interest-rate swaps. If a hedge relationship qualifies for fair value hedge accounting, all changes in fair value of the derivative hedging instrument, including interest accruals, are recognized in the same condensed consolidated statements of comprehensive income (loss) line item used to present the earnings effect of the hedged item. Therefore, changes in the fair value of the hedged item, mortgage loans and debt, attributable to the risk being hedged are recognized in interest income - mortgage loans and interest expense, respectively, along with the changes in the fair value of the respective derivative hedging instruments.

Derivative Assets and Liabilities at Fair Value

The table below presents the notional value and fair value of derivatives reported on our condensed consolidated balance sheets.

Table 9.1 - Derivative Assets and Liabilities at Fair Value

	March 31, 2020			December 31, 2019		
	Notional or Contractual	Derivatives at Fair Value		Notional or Contractual	Derivatives at Fair Value	
(In millions)	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Not designated as hedges						
Interest-rate swaps:						
Receive-fixed	$267,283	$3,166	($3)	$230,926	$1,990	($6)
Pay-fixed	329,418	—	(8,104)	251,392	10	(4,162)
Basis (floating to floating)	5,924	3	—	5,924	—	—
Total interest-rate swaps	**602,625**	**3,169**	**(8,107)**	**488,242**	**2,000**	**(4,168)**
Option-based:						
Call swaptions						
Purchased	81,025	7,586	—	75,325	2,717	—
Written	5,275	—	(492)	3,375	—	(42)
Put swaptions						
Purchased[(1)]	82,265	637	—	67,155	835	—
Written	8,100	—	(44)	7,275	—	(88)
Options on futures	206,250	55	—	—	—	—
Other option-based derivatives[(2)]	10,301	815	—	10,334	646	—
Total option-based	**393,216**	**9,093**	**(536)**	**163,464**	**4,198**	**(130)**
Futures	117,881	—	—	210,305	—	—
Commitments	189,656	1,142	(1,898)	93,960	61	(126)
CRT-related derivatives	16,360	62	(106)	12,362	15	(116)
Other	7,851	1	(18)	5,984	1	(28)
Total derivatives not designated as hedges	**1,327,589**	**13,467**	**(10,665)**	**974,317**	**6,275**	**(4,568)**
Designated as fair value hedges						
Interest-rate swaps:						
Receive-fixed	92,089	353	(2)	104,459	104	(75)
Pay-fixed	45,013	—	(909)	87,907	—	(639)
Total derivatives designated as fair value hedges	**137,102**	**353**	**(911)**	**192,366**	**104**	**(714)**
Derivative interest and other receivable (payable)[(3)]		1,192	(829)		887	(724)
Netting adjustments[(4)]		(12,197)	10,179		(6,422)	5,634
Total derivative portfolio, net	**$1,464,691**	**$2,815**	**($2,226)**	**$1,166,683**	**$844**	**($372)**

(1) Includes swaptions on credit indices with a notional or contractual amount of $5.6 billion and $11.4 billion at March 31, 2020 and December 31, 2019, respectively, and a fair value of $116.0 million and $3.0 million at March 31, 2020 and December 31, 2019, respectively.

(2) Primarily consists of purchased interest-rate caps and floors.

(3) Includes other derivative receivables and payables.

(4) Represents counterparty netting and cash collateral netting.

See **Note 10** for information related to our derivative counterparties and collateral held and posted.

Gains and Losses on Derivatives

The table below presents the gains and losses on derivatives, including the accrual of periodic cash settlements, while not designated in qualifying hedge relationships and reported on our condensed consolidated statements of comprehensive income (loss) as investment gain (losses), net.

Table 9.2 - Gains and Losses on Derivatives

(In millions)	1Q 2020	1Q 2019
Not designated as hedges		
Interest-rate swaps:		
Receive-fixed	$13,895	$1,837
Pay-fixed	(18,741)	(2,888)
Basis (floating to floating)	(17)	4
Total interest-rate swaps	**(4,863)**	**(1,047)**
Option-based:		
Call swaptions		
Purchased	4,907	454
Written	(430)	(56)
Put swaptions		
Purchased	(527)	(626)
Written	110	16
Options on futures	(7)	—
Other option-based derivatives[1]	169	25
Total option-based	**4,222**	**(187)**
Other:		
Futures	(2,328)	(242)
Commitments	(726)	(96)
CRT-related derivatives	78	(1)
Other	31	21
Total other	**(2,945)**	**(318)**
Accrual of periodic cash settlements:		
Receive-fixed interest-rate swaps	235	(51)
Pay-fixed interest-rate swaps	(472)	(36)
Other[2]	61	33
Total accrual of periodic cash settlements	**(176)**	**(54)**
Total	**($3,762)**	**($1,606)**

(1) Primarily consists of purchased interest-rate caps and floors.

(2) Includes interest on variation margin on cleared interest-rate swaps.

Fair Value Hedges

The table below presents the effects of fair value hedge accounting by condensed consolidated statements of comprehensive income (loss) line, including the gains and losses on derivatives and hedged items designated in qualifying hedge relationships and other components due to the application of hedge accounting.

Table 9.3 - Gains and Losses on Fair Value Hedges

	1Q 2020		1Q 2019	
(In millions)	Interest Income - Mortgage Loans	Interest Expense	Interest Income - Mortgage Loans	Interest Expense
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$16,632	($14,807)	$17,946	($15,833)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	4,893	—	1,542	—
Derivatives designated as hedging instruments	(5,080)	—	(1,243)	—
Interest accruals on hedging instruments	(63)	—	38	—
Discontinued hedge-related basis adjustments amortization	(253)	—	28	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	(505)	—	(505)
Derivatives designated as hedging instruments	—	554	—	546
Interest accruals on hedging instruments	—	100	—	(125)
Discontinued hedge-related basis adjustments amortization	—	20	—	9

Cumulative Basis Adjustments Due to Fair Value Hedging

The tables below present the hedged item cumulative basis adjustments due to qualifying fair value hedging and the related hedged item carrying amounts by their respective balance sheet line item.

Table 9.4 - Cumulative Basis Adjustments Due to Fair Value Hedging

	March 31, 2020					
	Carrying Amount Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount			Closed Portfolio Under the Last-of-Layer Method	
(In millions)		Total	Under the Last-of-Layer Method	Discontinued - Hedge Related	Total Amount by Amortized Cost Basis	Designated Amount by UPB
Mortgage loans held-for-investment	$410,074	$7,526	$989	$6,537	$183,244	$19,503
Debt	(113,669)	(1,073)	—	(89)	—	—

	December 31, 2019					
	Carrying Amount Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount			Closed Portfolio Under the Last-of-Layer Method	
(In millions)		Total	Under the Last-of-Layer Method	Discontinued - Hedge Related	Total Amount by Amortized Cost Basis	Designated Amount by UPB
Mortgage loans held-for-investment	$470,889	$2,886	($943)	$3,829	$273,346	$22,747
Debt	(122,746)	(668)	—	(93)	—	—

NOTE 10

Collateralized Agreements and Offsetting Arrangements

Derivative Portfolio

Our use of cleared derivatives, exchange-traded derivatives, and OTC derivatives exposes us to counterparty credit risk. Our use of interest-rate swaps and option-based derivatives is subject to internal credit and legal reviews. On an ongoing basis, we review the credit fundamentals of all of our derivative counterparties, clearinghouses, and clearing members to confirm that they continue to meet our internal risk management standards.

Over-the-Counter Derivatives

We use master netting and collateral agreements to reduce our credit risk exposure to our OTC derivative counterparties. In the event that all of our counterparties for OTC derivatives were to default simultaneously on March 31, 2020, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately $80 million.

Cleared and Exchange-Traded Derivatives

The majority of our interest-rate swaps are subject to the central clearing requirement of the Dodd-Frank Act. A reduction in our credit ratings could cause the clearinghouses or clearing members we use for our cleared and exchange-traded derivatives to demand additional collateral.

Other Derivatives

We also execute forward purchase and sale commitments of loans and mortgage-related securities, including dollar roll transactions, that are treated as derivatives for accounting purposes. The total net exposure on our forward purchase and sale commitments, which are treated as derivatives, was $1,142 million and $61 million at March 31, 2020 and December 31, 2019, respectively.

Many of our transactions involving forward purchase and sale commitments of mortgage-related securities utilize the Mortgage Backed Securities Division of the Fixed Income Clearing Corporation ("MBSD/FICC") as a clearinghouse. As a clearing member of the clearinghouse, we post margin to the MBSD/FICC and are exposed to the counterparty credit risk of the organization (including its clearing members).

Securities Purchased Under Agreements to Resell

As an investor, we enter into arrangements to purchase securities under agreements to subsequently resell the identical or substantially the same securities to our counterparty. Our counterparties to these transactions are required to pledge the purchased securities as collateral for their obligation to repurchase those securities at a later date. While such transactions involve the legal transfer of securities, they are accounted for as secured financings because the transferor does not relinquish effective control over the securities transferred. These agreements may allow us to repledge all or a portion of the collateral pledged to us, and we may repledge such collateral periodically, although it is not typically our practice to repledge collateral that has been pledged to us.

We consider the types of securities being pledged to us as collateral when determining how much we lend in transactions involving securities purchased under agreements to resell. Additionally, we regularly review the market values of these securities compared to amounts loaned in an effort to manage our exposure to losses, and our counterparties are typically required under contract to adjust the amount of collateral based on changes in the fair value of the collateral. As of March 31, 2020 and December 31, 2019, all of our securities purchased under agreements to resell were fully collateralized and we expect our counterparties to continue to replenish the collateral as necessary to meet the requirements of the contract. Therefore, as of March 31, 2020, we did not recognize an allowance for credit losses on our securities purchased under agreements to resell nor have we recognized any charge-offs of accrued interest receivable. We present accrued interest receivable separately on our condensed consolidated balance sheets. As of March 31, 2020 and December 31, 2019, we recognized accrued interest receivable for securities purchased under agreements to resell of $12 million and $18 million, respectively.

During 1Q 2020, certain of our counterparties engaging in securities purchased under agreements to resell on Freddie Mac securities defaulted under the terms of the governing legal agreements by failing to meet margin requirements. The transactions were terminated in accordance with the terms of the agreements and we recognized the collateral at fair value, which was in excess of the outstanding balance of the counterparties' obligations. We did not recognize a financial loss as a result of these defaults.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are effectively collateralized borrowings where we sell securities with an agreement to repurchase such securities at a future date. We are required to pledge the sold securities to the counterparties to these transactions as collateral for our repurchase obligation. Similar to the securities purchased under agreements to resell transactions, these transactions involve the legal transfer of securities. However, they are accounted for as secured financings because they require the identical or substantially the same securities to be subsequently repurchased. These agreements may allow our counterparties to repledge all or a portion of the collateral.

Offsetting of Financial Assets and Liabilities

At March 31, 2020 and December 31, 2019, all amounts of cash collateral related to derivatives with master netting and collateral agreements were offset against derivative assets, net or derivative liabilities, net, as applicable. Beginning January 1, 2020, we elected to offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell when such amounts meet the conditions for balance sheet offsetting. Certain amounts in prior periods' condensed consolidated financial statements have been reclassified to conform to the current presentation. This change resulted in a reduction in debt of $9.8 billion and a corresponding reduction in securities purchased under agreements to resell on our consolidated balance sheets as of December 31, 2019.

The tables below display offsetting and collateral information related to derivatives, securities purchased under agreements to resell, and securities sold under agreements to repurchase which are subject to enforceable master netting agreements or similar arrangements.

Table 10.1 - Offsetting and Collateral Information of Financial Assets and Liabilities

	March 31, 2020					
		Amount Offset in the Consolidated Balance Sheets				
(In millions)	Gross Amount Recognized	Counterparty Netting	Cash Collateral Netting[1]	Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets[2]	Net Amount
Assets:						
Derivatives:						
OTC derivatives	$13,294	($7,919)	($4,422)	$953	($873)	$80
Cleared and exchange-traded derivatives	513	—	144	657	—	657
Commitments	1,142	—	—	1,142	—	1,142
Other	63	—	—	63	—	63
Total derivatives	**15,012**	**(7,919)**	**(4,278)**	**2,815**	**(873)**	**1,942**
Securities purchased under agreements to resell	60,273	(14,305)	—	45,968	(45,968)	—
Total	**$75,285**	**($22,224)**	**($4,278)**	**$48,783**	**($46,841)**	**$1,942**
Liabilities:						
Derivatives:						
OTC derivatives	($10,383)	$7,919	$2,260	($204)	$—	($204)
Cleared and exchange-traded derivatives	—	—	—	—	—	—
Commitments	(1,898)	—	—	(1,898)	—	(1,898)
Other	(124)	—	—	(124)	—	(124)
Total derivatives	**(12,405)**	**7,919**	**2,260**	**(2,226)**	**—**	**(2,226)**
Securities sold under agreements to repurchase	(14,305)	14,305	—	—	—	—
Total	**($26,710)**	**$22,224**	**$2,260**	**($2,226)**	**$—**	**($2,226)**

Referenced footnotes are included after the next table.

(In millions)	December 31, 2019					
	Gross Amount Recognized	Amount Offset in the Consolidated Balance Sheets		Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets[2]	Net Amount
		Counterparty Netting	Cash Collateral Netting[1]			
Assets:						
Derivatives:						
OTC derivatives	$7,045	($4,465)	($2,075)	$505	($485)	$20
Cleared and exchange-traded derivatives	144	(5)	123	262	—	262
Commitments	61	—	—	61	—	61
Other	16	—	—	16	—	16
Total derivatives	**7,266**	**(4,470)**	**(1,952)**	**844**	**(485)**	**359**
Securities purchased under agreements to resell	66,114	(9,843)	—	56,271	(56,271)	—
Total	**$73,380**	**($14,313)**	**($1,952)**	**$57,115**	**($56,756)**	**$359**
Liabilities:						
Derivatives:						
OTC derivatives	($5,731)	$4,465	$1,164	($102)	$—	($102)
Cleared and exchange-traded derivatives	(5)	5	—	—	—	—
Commitments	(126)	—	—	(126)	—	(126)
Other	(144)	—	—	(144)	—	(144)
Total derivatives	**(6,006)**	**4,470**	**1,164**	**(372)**	**—**	**(372)**
Securities sold under agreements to repurchase	(9,843)	9,843	—	—	—	—
Total	**($15,849)**	**$14,313**	**$1,164**	**($372)**	**$—**	**($372)**

(1) Excess cash collateral held is presented as a derivative liability, while excess cash collateral posted is presented as a derivative asset.

(2) Does not include the fair value amount of non-cash collateral posted or held that exceeds the associated net asset or liability, netted by counterparty, presented on the condensed consolidated balance sheets. For cleared and exchange-traded derivatives, does not include non-cash collateral posted by us as initial margin with an aggregate fair value of $4.4 billion and $3.5 billion as of March 31, 2020 and December 31, 2019, respectively. For commitments and securities purchased under agreements to resell, does not include cash and non-cash collateral deposited totaling $1.2 billion and $0.6 billion, respectively, as of March 31, 2020, and $0.2 billion and $0.3 billion, respectively, as of December 31, 2019.

We primarily execute securities purchased under agreements to resell transactions with central clearing organizations where we have the right to repledge the collateral that has been pledged to us, either with the central clearing organization or with other counterparties. At March 31, 2020, and December 31, 2019, we had $53.3 billion and $52.4 billion, respectively, of securities pledged to us in these transactions. In addition, at March 31, 2020 and December 31, 2019, we had $1.0 billion and $2.4 billion, respectively, of securities pledged to us for transactions involving securities purchased under agreements to resell not executed with central clearing organizations that we had the right to repledge.

Collateral Pledged

Collateral Pledged to Freddie Mac

We have cash pledged to us as collateral primarily related to OTC derivative transactions. We had $6.4 billion and $2.6 billion pledged to us as collateral that was invested as part of our liquidity and contingency operating portfolio as of March 31, 2020 and December 31, 2019, respectively.

Collateral Pledged by Freddie Mac

The tables below summarize the fair value of the securities pledged as collateral by us for derivatives and collateralized borrowing transactions, including securities that the secured party may repledge.

Table 10.2 - Collateral in the Form of Securities Pledged

	March 31, 2020			
(In millions)	Derivatives	Securities Sold Under Agreements to Repurchase	Other[2]	Total
Debt securities of consolidated trusts[1]	$977	$—	$220	$1,197
Available-for-sale securities	—	—	7	7
Trading securities	3,435	13,912	371	17,718
Total securities pledged	**$4,412**	**$13,912**	**$598**	**$18,922**

	December 31, 2019			
(In millions)	Derivatives	Securities Sold Under Agreements to Repurchase	Other[2]	Total
Debt securities of consolidated trusts[1]	$562	$—	$280	$842
Trading securities	2,894	9,346	49	12,289
Total securities pledged	**$3,456**	**$9,346**	**$329**	**$13,131**

(1) Represents debt securities of consolidated trusts held by us in our Capital Markets segment mortgage investments portfolio which are recorded as a reduction to debt securities of consolidated trusts held by third parties on our condensed consolidated balance sheets.

(2) Includes other collateralized borrowings and collateral related to transactions with certain clearinghouses.

The table below summarizes the underlying collateral pledged and the remaining contractual maturity of our gross obligations under securities sold under agreements to repurchase.

Table 10.3 - Underlying Collateral Pledged

	March 31, 2020				
(In millions)	Overnight and Continuous	30 Days or Less	After 30 Days Through 90 Days	Greater Than 90 Days	Total
U.S. Treasury securities and other	$4,957	$8,955	$—	$—	$13,912

Non-Cash Investing and Financing Activities

During 1Q 2020, we recognized securities purchased under agreements to resell of $0.1 billion as a result of entering into a transaction that did not settle in the current period.

NOTE 11

Stockholders' Equity and Earnings Per Share

Accumulated Other Comprehensive Income

The tables below present changes in AOCI after the effects of our federal statutory tax rate of 21% for 1Q 2020 and 1Q 2019, related to available-for-sale securities, cash flow hedges, and our defined benefit plans.

Table 11.1 - Changes in AOCI by Component, Net of Taxes

	1Q 2020			
(In millions)	AOCI Related to Available-For-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	$618	($244)	$64	$438
Other comprehensive income before reclassifications	446	—	2	448
Amounts reclassified from accumulated other comprehensive income	(8)	13	(4)	1
Changes in AOCI by component	**438**	**13**	**(2)**	**449**
Ending balance	**$1,056**	**($231)**	**$62**	**$887**

	1Q 2019			
(In millions)	AOCI Related to Available-For-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	$83	($315)	$97	($135)
Other comprehensive income before reclassifications	273	—	(2)	271
Amounts reclassified from accumulated other comprehensive income	(27)	18	(4)	(13)
Changes in AOCI by component	**246**	**18**	**(6)**	**258**
Ending balance	**$329**	**($297)**	**$91**	**$123**

Reclassifications from AOCI to Net Income

The table below presents reclassifications from AOCI to net income, including the affected line items in our condensed consolidated statements of comprehensive income (loss).

Table 11.2 - Reclassifications from AOCI to Net Income

(In millions)	1Q 2020	1Q 2019
AOCI related to available-for-sale securities		
Affected line items on the consolidated statements of comprehensive income:		
Investment gains (losses), net	$10	$34
Income tax (expense) benefit	(2)	(7)
Net of tax	**8**	**27**
AOCI related to cash flow hedge relationships		
Affected line items on the consolidated statements of comprehensive income:		
Interest expense	(16)	(23)
Income tax (expense) benefit	3	5
Net of tax	**(13)**	**(18)**
AOCI related to defined benefit plans		
Affected line items on the consolidated statements of comprehensive income:		
Salaries and employee benefits	5	5
Income tax (expense) benefit	(1)	(1)
Net of tax	**4**	**4**
Total reclassifications in the period net of tax	**($1)**	**$13**

Senior Preferred Stock

Pursuant to the September 2019 Letter Agreement, for each dividend period from July 1, 2019 and thereafter, the applicable Capital Reserve Amount used in determining the dividend payable to Treasury will be $20.0 billion, rather than $3.0 billion as previously provided. As a result of this change, we did not have a dividend requirement to Treasury in March 2020, as our Net Worth Amount of $9.1 billion as of December 31, 2019 was lower than the $20.0 billion applicable Capital Reserve Amount.

As of March 31, 2020, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. Based on our Net Worth Amount of $9.5 billion as of March 31, 2020 and the applicable Capital Reserve Amount of $20.0 billion, we will not have a dividend requirement to Treasury in June 2020. See **Note 2** for additional information. Our cumulative senior preferred stock dividend payments remain at $119.7 billion as of March 31, 2020.

The aggregate liquidation preference of the senior preferred stock owned by Treasury was $79.3 billion as of December 31, 2019. Pursuant to the September 2019 Letter Agreement, the liquidation preference of the senior preferred stock will be increased, at the end of each fiscal quarter, beginning on September 30, 2019, by an amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter, until the liquidation preference has increased by $17.0 billion. During 4Q 2019, our Net Worth Amount increased by $2.4 billion. As a result, the liquidation preference of the senior preferred stock increased to $81.8 billion on March 31, 2020, and will increase to $82.2 billion on June 30, 2020 based on the $0.4 billion increase in our Net Worth Amount during 1Q 2020.

The table below provides a summary of our senior preferred stock outstanding at March 31, 2020.

Table 11.3 - Senior Preferred Stock

(**In millions**, except initial liquidation preference price per share)	Shares Authorized	Shares Outstanding	Total Par Value	Initial Liquidation Preference Price per Share	Total Liquidation Preference
Non-draw Adjustment Dates:					
September 8, 2008	1.00	1.00	$1.00	$1,000	$1,000
December 31, 2017	—	—	—	N/A	3,000
September 30, 2019	—	—	—	N/A	1,826
December 31, 2019	—	—	—	N/A	1,848
March 31, 2020	—	—	—	N/A	2,448
Total non-draw adjustments	**1.00**	**1.00**	**1.00**		**10,122**
Draw Dates:					
November 24, 2008	—	—	—	N/A	13,800
March 31, 2009	—	—	—	N/A	30,800
June 30, 2009	—	—	—	N/A	6,100
June 30, 2010	—	—	—	N/A	10,600
September 30, 2010	—	—	—	N/A	1,800
December 30, 2010	—	—	—	N/A	100
March 31, 2011	—	—	—	N/A	500
September 30, 2011	—	—	—	N/A	1,479
December 30, 2011	—	—	—	N/A	5,992
March 30, 2012	—	—	—	N/A	146
June 29, 2012	—	—	—	N/A	19
March 30, 2018	—	—	—	N/A	312
Total draw adjustments	**—**	**—**	**—**		**71,648**
Total senior preferred stock	**1.00**	**1.00**	**$1.00**		**$81,770**

Stock Issuances and Repurchases

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during 1Q 2020.

Earnings Per Share

We have participating securities related to RSUs with dividend equivalent rights that receive dividends as declared on an equal basis with common shares but are not obligated to participate in undistributed net losses. These participating securities consist of vested RSUs that earn dividend equivalents at the same rate when and as declared on common stock.

Consequently, in accordance with accounting guidance, we use the "two-class" method of computing earnings per common share. The "two-class" method is an earnings allocation formula that determines earnings per share for common stock and participating securities based on dividends declared and participation rights in undistributed earnings.

Basic earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding for the period. The weighted average common shares outstanding for the period includes the weighted average number of shares that are associated with the warrant for our common stock issued to Treasury pursuant to the Purchase Agreement. These shares are included since the warrant is unconditionally exercisable by the holder at a minimal cost.

Diluted earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding during the period adjusted for the dilutive effect of common equivalent shares outstanding. For periods with net income attributable to common stockholders, the calculation includes the effect of the weighted-average of RSUs.

During periods in which a net loss attributable to common stockholders has been incurred, potential common equivalent shares outstanding are not included in the calculation because it would have an antidilutive effect.

Dividends and Dividend Restrictions

No common dividends were declared during 1Q 2020. As a result of the increase in the applicable Capital Reserve Amount pursuant to the September 2019 Letter Agreement, we did not declare or pay a dividend on the senior preferred stock during 1Q 2020. We also did not declare or pay dividends on any other series of Freddie Mac preferred stock outstanding during 1Q 2020.

Our payment of dividends on Freddie Mac common stock or any series of Freddie Mac preferred stock (other than senior preferred stock) is subject to certain restrictions as described in **Note 11** in our 2019 Annual Report.

NOTE 12

Income Taxes

Income Tax Expense

For 1Q 2020 and 1Q 2019, we reported income tax expense of $45 million and $358 million, respectively, resulting in effective tax rates of 20.6% and 20.3%, respectively. Our effective tax rates differed from the statutory tax rate of 21% in these periods primarily due to our recognition of low income housing tax credits and tax-exempt interest income.

Deferred Tax Assets, Net

We had net deferred tax assets of $4.6 billion and $5.9 billion as of March 31, 2020 and December 31, 2019, respectively. At March 31, 2020, our net deferred tax assets consisted primarily of basis differences related to derivative instruments and deferred fees.

Based on all positive and negative evidence available at March 31, 2020, we determined that it is more likely than not that our net deferred tax assets, except for a portion of the deferred tax asset related to our capital loss carryforward, will be realized. As of March 31, 2020, we have a $37 million valuation allowance recorded against our capital loss carryforward deferred tax asset.

Unrecognized Tax Benefits

We evaluated all income tax positions and determined that there were no uncertain tax positions that required reserves as of March 31, 2020.

We are under IRS examination for tax years 2013 through 2016 related to the carryback of 2016 capital losses to the prior three years.

NOTE 13

Segment Reporting

We have three reportable segments, which are based on the type of business activities each performs - Single-family Guarantee, Multifamily, and Capital Markets. Material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments are included in the All Other category. For more information, see our 2019 Annual Report.

Segment Earnings

We present Segment Earnings by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP condensed consolidated statements of comprehensive income (loss) and allocating certain revenues and expenses, including certain returns on assets, funding and hedging costs, and administrative expenses, to our three reportable segments.

We do not consider our assets by segment when evaluating segment performance or allocating resources. We operate our business in the United States and its territories, and accordingly, we generate no revenue from and have no long-lived assets, other than financial instruments, in geographic locations other than the United States and its territories.

We evaluate segment performance and allocate resources based on a Segment Earnings approach, subject to the conduct of our business under the direction of the Conservator. See **Note 2** for information about the conservatorship.

The table below presents Segment Earnings by segment.

Table 13.1 - Segment Earnings

(In millions)	1Q 2020	1Q 2019
Segment Earnings (Loss), net of taxes:		
Single-family Guarantee	$588	$740
Multifamily	(238)	330
Capital Markets	(177)	337
All Other	—	—
Total Segment Earnings (Loss), net of taxes	**173**	**1,407**
Net income (loss)	**$173**	**$1,407**
Comprehensive income (loss) of segments:		
Single-family Guarantee	$586	$736
Multifamily	(174)	395
Capital Markets	210	534
All Other	—	—
Comprehensive income (loss) of segments	**622**	**1,665**
Comprehensive income (loss)	**$622**	**$1,665**

The tables below present detailed reconciliations between our GAAP condensed consolidated statements of comprehensive income (loss) and Segment Earnings for our reportable segments and All Other.

Table 13.2 - Segment Earnings and Reconciliations to GAAP Condensed Consolidated Statements of Comprehensive Income (Loss)

	1Q 2020						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$269	$509	$—	$778	$2,007	$2,785
Guarantee fee income	2,093	413	—	—	2,506	(2,129)	377
Investment gains (losses), net	437	(851)	(427)	—	(841)	6	(835)
Other income (loss)	15	37	(201)	—	(149)	244	95
Benefit (provision) for credit losses	(1,222)	(67)	—	—	(1,289)	56	(1,233)
Administrative expense	(372)	(120)	(95)	—	(587)	—	(587)
Credit enhancement (expense) benefit, net	28	24	—	—	52	184	236
REO operations expense	(87)	—	—	—	(87)	2	(85)
Other expense	(151)	(5)	(9)	—	(165)	(370)	(535)
Income tax (expense) benefit	(153)	62	46	—	(45)	—	(45)
Net income (loss)	**588**	**(238)**	**(177)**	**—**	**173**	**—**	**173**
Changes in unrealized gains (losses) related to available-for-sale securities	—	64	374	—	438	—	438
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	13	—	13	—	13
Changes in defined benefit plans	(2)	—	—	—	(2)	—	(2)
Total other comprehensive income (loss), net of taxes	**(2)**	**64**	**387**	**—**	**449**	**—**	**449**
Comprehensive income (loss)	**$586**	**($174)**	**$210**	**$—**	**$622**	**$—**	**$622**

	1Q 2019						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$247	$758	$—	$1,005	$2,148	$3,153
Guarantee fee income	1,635	287	—	—	1,922	(1,632)	290
Investment gains (losses), net	6	(26)	(36)	—	(56)	(457)	(513)
Other income (loss)	112	29	(206)	—	(65)	48	(17)
Benefit (provision) for credit losses	71	(1)	—	—	70	65	135
Administrative expense	(374)	(112)	(92)	—	(578)	—	(578)
Credit enhancement (expense) benefit, net	(316)	(4)	—	—	(320)	162	(158)
REO operations expense	(38)	—	—	—	(38)	5	(33)
Other expense	(168)	(6)	(1)	—	(175)	(339)	(514)
Income tax (expense) benefit	(188)	(84)	(86)	—	(358)	—	(358)
Net income (loss)	**740**	**330**	**337**	**—**	**1,407**	**—**	**1,407**
Changes in unrealized gains (losses) related to available-for-sale securities	—	66	180	—	246	—	246
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	18	—	18	—	18
Changes in defined benefit plans	(4)	(1)	(1)	—	(6)	—	(6)
Total other comprehensive income (loss), net of taxes	**(4)**	**65**	**197**	**—**	**258**	**—**	**258**
Comprehensive income (loss)	**$736**	**$395**	**$534**	**$—**	**$1,665**	**$—**	**$1,665**

NOTE 14

Concentration of Credit and Other Risks

Single-Family Credit Guarantee Portfolio

The table below summarizes the concentration by loan portfolio and geographic area of the approximately $2.0 trillion UPB of our single-family credit guarantee portfolio as of both March 31, 2020 and December 31, 2019. See **Note 4** and **Note 7** for more information about credit risk associated with loans and mortgage-related securities that we hold or guarantee.

Table 14.1 - Concentration of Credit Risk of Our Single-Family Credit Guarantee Portfolio

	March 31, 2020		December 31, 2019		Percent of Credit Losses	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate	1Q 2020	1Q 2019
Core single-family loan portfolio	86%	0.26%	85%	0.26%	21%	12%
Legacy and relief refinance single-family loan portfolio	14	1.79	15	1.84	79	88
Total	**100%**	**0.60**	**100%**	**0.63**	**100%**	**100%**
Region(1)						
West	30%	0.35	30%	0.36	8%	15%
Northeast	24	0.83	24	0.87	36	37
North Central	16	0.59	16	0.61	29	16
Southeast	16	0.70	16	0.73	18	25
Southwest	14	0.52	14	0.54	9	7
Total	**100%**	**0.60**	**100%**	**0.63**	**100%**	**100%**
State(2)						
Illinois	4%	0.82	4%	0.85	16%	10%
New York	5	1.13	5	1.21	9	12
Florida	6	0.71	6	0.77	9	18
New Jersey	3	1.01	3	1.08	8	10
Maryland	3	0.82	3	0.88	5	4
All other	79	0.52	79	0.54	53	46
Total	**100%**	**0.60**	**100%**	**0.63**	**100%**	**100%**

(1) Region designation: West (AK, AZ, CA, GU, HI, ID, MT, NV, OR, UT, WA); Northeast (CT, DE, DC, MA, ME, MD, NH, NJ, NY, PA, RI, VT, VA, WV); North Central (IL, IN, IA, MI, MN, ND, OH, SD, WI); Southeast (AL, FL, GA, KY, MS, NC, PR, SC, TN, VI); Southwest (AR, CO, KS, LA, MO, NE, NM, OK, TX, WY).

(2) States presented based on those with the highest percentage of credit losses during 1Q 2020.

Credit Performance of Certain Higher Risk Single-Family Loan Categories

Participants in the mortgage market have characterized single-family loans based upon their overall credit quality at the time of origination, including as prime or subprime. Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between their prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. Although we discontinued new purchases of loans with lower documentation standards beginning March 1, 2009, we continued to purchase certain amounts of these loans in cases where the loan was either:

- Purchased pursuant to a previously issued other mortgage-related guarantee;
- Part of our relief refinance initiative; or
- In another refinance loan initiative and the pre-existing loan (including Alt-A loans) was originated under less than full documentation standards.

In the event we purchase a refinance loan and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as Alt-A in the table below because the new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred.

Although we do not categorize single-family loans we purchase or guarantee as prime or subprime, we recognize that there are a number of loan types with certain characteristics that indicate a higher degree of credit risk.

For example, a borrower's credit score is a useful measure for assessing the credit quality of the borrower. Statistically, borrowers with higher credit scores are more likely to repay or have the ability to refinance than those with lower scores.

Presented below is a summary of the serious delinquency rates of certain higher-risk categories (based on characteristics of the loan at origination) of loans in our single-family credit guarantee portfolio. The table includes a presentation of each higher-risk category in isolation. A single loan may fall within more than one category (for example, an interest-only loan may also have an original LTV ratio greater than 90%). Loans with a combination of these attributes will have an even higher risk of delinquency than those with an individual attribute.

Table 14.2 - Certain Higher Risk Categories in Our Single-Family Credit Guarantee Portfolio

	Percentage of Portfolio(1)		Serious Delinquency Rate(1)	
(Percentage of portfolio based on UPB)	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Interest-only	1%	1%	2.68%	2.72%
Alt-A	1	1	3.64	3.75
Original LTV ratio greater than 90%(2)	18	18	0.93	0.96
Lower credit scores at origination (less than 620)	2	2	4.43	4.52

(1) Excludes loans underlying certain other securitization products for which data was not available.

(2) Includes HARP loans, which we purchased as part of our participation in the MHA Program.

Sellers and Servicers

We are exposed to counterparty credit risk arising from the potential insolvency or non-performance by our sellers and servicers of their obligations to repurchase loans or (at our option) indemnify us in the event of breaches of the representations and warranties they made when they sold the loans to us or failure to comply with our servicing requirements.

The ultimate amounts of recovery payments we receive from seller/servicers related to their repurchase obligations may be significantly less than the amount of our estimates of potential exposure to losses. Our exposure to seller/servicers for their repurchase obligations is considered in our allowance for credit losses. See **Note 4** for further information.

Sellers

We acquire a significant portion of our single-family and multifamily loan purchase volume from several large sellers. The tables below summarize the concentration of single-family and multifamily sellers who provided 10% or more of our purchase volume during 1Q 2020 or 1Q 2019.

Table 14.3 - Seller Concentration

Single-family Sellers(1)	1Q 2020	1Q 2019
JPMorgan Chase Bank, N.A.	12%	16%
United Shore Financial Services, LLC	10	10
Other top 10 sellers	33	31
Top 10 single-family sellers	**55%**	**57%**

Multifamily Sellers(1)	1Q 2020	1Q 2019
CBRE Capital Markets, Inc.	17%	15%
Berkadia Commercial Mortgage LLC	14	13
Other top 10 sellers	47	49
Top 10 multifamily sellers	**78%**	**77%**

(1) Sellers presented based on those with the highest percentage of purchase volume during 1Q 2020.

In recent years, there has been a shift in our single-family purchase volume from depository institutions to non-depository and smaller depository financial institutions. Some of these non-depository sellers have grown in recent years, and we purchase a significant share of our loans from them. Our top five non-depository sellers provided approximately 27% and 26% of our single-family purchase volume during 1Q 2020 and 1Q 2019, respectively.

Servicers

Significant portions of our single-family and multifamily loans are serviced by several large servicers. The tables below summarize the concentration of single-family and multifamily servicers who serviced 10% or more of our single-family credit guarantee portfolio and multifamily mortgage portfolio as of March 31, 2020 or December 31, 2019.

Table 14.4 - Servicer Concentration

Single-family Servicers[1]	March 31, 2020[2]	December 31, 2019[2]
Wells Fargo Bank, N.A.	15%	15%
JPMorgan Chase Bank, N.A.	10	10
Other top 10 servicers	32	32
Top 10 single-family servicers	**57%**	**57%**

Multifamily Servicers[1]	March 31, 2020	December 31, 2019
CBRE Capital Markets, Inc.	17%	17%
Berkadia Commercial Mortgage LLC	13	13
Other top 10 servicers	46	46
Top 10 multifamily servicers	**76%**	**76%**

(1) Servicers presented based on those with the highest percentage of servicing volume as of March 31, 2020.

(2) Percentage of servicing volume is based on the total single-family credit guarantee portfolio, which includes loans where we do not exercise servicing control. However, loans where we do not exercise servicing control are not included for purposes of determining the concentration of servicers who serviced more than 10% of our single-family credit guarantee portfolio because we do not know which entity serves as the primary servicer for such loans.

In recent years, there has been a shift in our single-family servicing from depository institutions to non-depository servicers. Some of these non-depository servicers have grown in recent years and now service a large share of our loans. As of both March 31, 2020 and December 31, 2019, approximately 18% of our single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing, was serviced by our five largest non-depository servicers, on a combined basis. We routinely monitor the performance of our largest non-depository servicers.

In March 2020, as the COVID-19 pandemic evolved rapidly, liquidity concerns primarily regarding non-depository financial institutions arose as market conditions changed and borrowers affected by COVID-19 were offered widespread forbearance, including forbearance on loans purchased and securitized by Freddie Mac. Single-family servicers must continue to advance mortgage interest payments for Freddie Mac loans for up to 120 days during the forbearance period which may increase liquidity pressures on certain of our counterparties. In response to these potential liquidity concerns, we have heightened our monitoring and review of the financial stability of our non-depository institutional counterparties.

We also have exposure to the master servicers of our multifamily securitization transactions who bear responsibility to advance funds in the event of payment shortfalls. In the majority of our primary multifamily securitizations, we utilize one of three large financial depository institutions, except for small balance loan securitizations where we serve as master servicer. In instances where payment shortfalls occur, the master servicer is required to make advances as long as such advances have not been deemed non-recoverable. For multifamily loans purchased and held in our mortgage-related investments portfolio, the primary servicers are not required to advance funds in the event of payment shortfalls and therefore do not present significant counterparty credit risk.

Credit Enhancement Providers

We have counterparty credit risk relating to the potential insolvency of, or non-performance by, mortgage insurers that insure single-family loans we purchase or guarantee. We also have similar exposure to insurers and reinsurers through our ACIS and other insurance transactions where we purchase insurance policies as part of our CRT activities.

In March 2019, we implemented a set of revised Private Mortgage Insurer Eligibility Requirements (PMIERs) with enhancements to the risk-based capital requirements for mortgage insurers. In addition, we revised master policies with mortgage insurers which provide contract certainty and improve our ability to collect claims for mortgage insurance obligations. These policies were approved by FHFA and became effective on March 1, 2020.

We evaluate the expected recovery and collectability from mortgage insurers as part of the estimate of our allowance for credit losses. See **Note 4** for additional information. As of March 31, 2020, mortgage insurers provided coverage with maximum loss limits of $109.0 billion, for $427.5 billion of UPB, in connection with our single-family credit guarantee portfolio. These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected loan is covered under other types of insurance. Changes in our expectations related to recovery and collectability from our credit enhancement providers may affect our estimates of expected credit losses, perhaps significantly.

The table below summarizes the concentration of mortgage insurer counterparties who provided 10% or more of our overall mortgage insurance coverage. On October 23, 2016, Genworth Financial, Inc. announced that it had entered into an agreement to be acquired by China Oceanwide Holdings Group Co., Ltd. Because Genworth Mortgage Insurance Corporation, a subsidiary of Genworth Financial, Inc., is an approved mortgage insurer, Freddie Mac evaluated the planned acquisition and approved China Oceanwide Holdings Group's control of Genworth Mortgage Insurance Corporation. In January 2020, Freddie Mac reapproved the acquisition. Regulatory and other approvals of the acquisition are still pending.

Table 14.5 - Mortgage Insurer Concentration

		Mortgage Insurance Coverage[2]	
Mortgage Insurer	**Credit Rating[1]**	**March 31, 2020**	**December 31, 2019**
Arch Mortgage Insurance Company	A-	22%	22%
Radian Guaranty Inc.	BBB+	20	20
Mortgage Guaranty Insurance Corporation	BBB+	18	17
Genworth Mortgage Insurance Corporation	BB+	15	15
Essent Guaranty, Inc.	BBB+	15	15
Total		**90%**	**89%**

(1) Ratings are for the corporate entity to which we have the greatest exposure. Latest rating available as of March 31, 2020. Represents the lower of S&P and Moody's credit ratings stated in terms of the S&P equivalent.

(2) Coverage amounts may include coverage provided by affiliates and subsidiaries of the counterparty.

During both 1Q 2020 and 1Q 2019, we received proceeds of $0.1 billion from our mortgage insurance policies for recovery of losses on our single-family loans. We had outstanding receivables from mortgage insurers of $0.1 billion (excluding deferred payment obligations associated with unpaid claim amounts) as of both March 31, 2020 and December 31, 2019. The balance of these receivables, net of associated reserves, was approximately $0.1 billion at both March 31, 2020 and December 31, 2019.

PMI Mortgage Insurance Co. and Triad Guaranty Insurance Corp. are both under the control of their state regulators and are in run-off. A substantial portion of their claims is recorded by us as deferred payment obligations. As of March 31, 2020 and December 31, 2019, we had cumulative unpaid deferred payment obligations of $0.4 billion and $0.5 billion, respectively, from these insurers. We have reserved substantially all of these unpaid amounts as collectability is uncertain. It is not clear how the regulators of these companies will administer their respective deferred payment plans in the future, nor when or if those obligations will be paid.

As part of our insurance/reinsurance CRT transactions, we regularly obtain insurance coverage from insurers and reinsurers. These transactions incorporate several features designed to increase the likelihood that we will recover on the claims we file with the insurers and reinsurers, including the following:

- In each transaction, we require the individual insurers and reinsurers to post collateral to cover portions of their exposure, which helps to promote certainty and timeliness of claim payment and
- While private mortgage insurance companies are required to be monoline (i.e., to participate solely in the mortgage insurance business, although the holding company may be a diversified insurer), many of our insurers and reinsurers in these transactions participate in multiple types of insurance business, which helps diversify their risk exposure.

Other Investments Counterparties

We are exposed to the non-performance of counterparties relating to other investments (including non-mortgage-related securities and cash equivalents) transactions, including those entered into on behalf of our securitization trusts. Our policies require that the counterparty be evaluated using our internal counterparty rating model prior to our entering into such transactions. We monitor the financial strength of our counterparties to these transactions and may use collateral maintenance requirements to manage our exposure to individual counterparties. The permitted term and dollar limits for each of these transactions are also based on the counterparty's financial strength.

Our other investments (including non-mortgage-related securities and cash equivalents) counterparties are primarily major financial institutions, including other GSEs, Treasury, the Federal Reserve Bank of New York, GSD/FICC, highly-rated supranational institutions, depository and non-depository institutions, brokers and dealers, and government money market funds. As of March 31, 2020 and December 31, 2019, including amounts related to our consolidated VIEs, the balance in our other investments was $123.5 billion and $103.6 billion, respectively. The balances consist primarily of cash, securities purchased under agreements to resell invested with counterparties, U.S. Treasury securities, cash deposited with the Federal Reserve Bank of New York, and secured lending activities. As of March 31, 2020 and December 31, 2019, $1.0 billion and $2.4 billion of our securities purchased under agreements to resell were used to provide financing to investors in Freddie Mac securities to increase liquidity and expand the investor base for those securities. These transactions differ from the securities purchased under agreements to resell that we use for liquidity purposes as the counterparties we face may not be major financial institutions and we are exposed to the counterparty risk of these institutions. Due to the economic downturn and market volatility caused by the COVID-19 pandemic, certain of our counterparties engaging in these securities purchased under agreements to resell defaulted under the terms of the governing legal agreements by failing to meet margin requirements. The transactions were terminated in accordance with the terms of the agreements, and we recognized the collateral at fair value, which was in excess of their outstanding obligation. We did not recognize a financial loss as a result of these defaults.

NOTE 15

Fair Value Disclosures

The accounting guidance for fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value, and sets forth disclosure requirements regarding fair value measurements. This guidance applies whenever other accounting guidance requires or permits assets or liabilities to be measured at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or non-recurring basis.

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures establishes a three-level fair value hierarchy that prioritizes the inputs into the valuation techniques used to measure fair value. The levels of the fair value hierarchy are defined as follows in priority order:

- Level 1 - inputs to the valuation techniques are based on quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs to the valuation techniques are based on observable inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3 - one or more inputs to the valuation technique are unobservable and significant to the fair value measurement.

We use quoted market prices and valuation techniques that seek to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs. Our inputs are based on the assumptions a market participant would use in valuing the asset or liability. Assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present our assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis subsequent to initial recognition, including instruments where we have elected the fair value option.

Table 15.1 - Assets and Liabilities Measured at Fair Value on a Recurring Basis

	March 31, 2020				
(In millions)	Level 1	Level 2	Level 3	Netting Adjustment[1]	Total
Assets:					
Investment securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Agency	$—	$23,586	$650	$—	$24,236
Non-agency and other	—	1	1,101	—	1,102
Total available-for-sale securities, at fair value	**—**	**23,587**	**1,751**	**—**	**25,338**
Trading, at fair value:					
Mortgage-related securities:					
Agency	—	18,532	2,544	—	21,076
Non-agency	—	—	1	—	1
Total mortgage-related securities	**—**	**18,532**	**2,545**	**—**	**21,077**
Non-mortgage-related securities	31,144	1,630	—	—	32,774
Total trading securities, at fair value	**31,144**	**20,162**	**2,545**	**—**	**53,851**
Total investments in securities	**31,144**	**43,749**	**4,296**	**—**	**79,189**
Mortgage loans:					
Held-for-sale, at fair value	—	13,518	—	—	13,518
Derivative assets, net:					
Interest-rate swaps	—	3,522	—	—	3,522
Option-based derivatives	55	9,038	—	—	9,093
Other	—	1,142	63	—	1,205
Subtotal, before netting adjustments	**55**	**13,702**	**63**	**—**	**13,820**
Netting adjustments[1]	—	—	—	(11,005)	(11,005)
Total derivative assets, net	**55**	**13,702**	**63**	**(11,005)**	**2,815**
Other assets:					
Guarantee asset, at fair value	—	—	4,565	—	4,565
Non-derivative held-for-sale purchase commitments, at fair value	—	243	—	—	243
All other, at fair value	—	—	106	—	106
Total other assets	**—**	**243**	**4,671**	**—**	**4,914**
Total assets carried at fair value on a recurring basis	**$31,199**	**$71,212**	**$9,030**	**($11,005)**	**$100,436**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$6	$199	$—	$205
Other debt, at fair value	—	2,858	151	—	3,009
Derivative liabilities, net:					
Interest-rate swaps	—	9,018	—	—	9,018
Option-based derivatives	—	536	—	—	536
Other	—	1,998	24	—	2,022
Subtotal, before netting adjustments	**—**	**11,552**	**24**	**—**	**11,576**
Netting adjustments[1]	—	—	—	(9,350)	(9,350)
Total derivative liabilities, net	**—**	**11,552**	**24**	**(9,350)**	**2,226**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	4	—	—	4
All other, at fair value	—	—	1	—	1
Total other liabilities	**—**	**4**	**1**	**—**	**5**
Total liabilities carried at fair value on a recurring basis	**$—**	**$14,420**	**$375**	**($9,350)**	**$5,445**

Referenced footnote is included after the next table.

	December 31, 2019				
(In millions)	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustment[1]**	**Total**
Assets:					
Investment securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Agency	$—	$22,927	$1,960	$—	$24,887
Non-agency and other	—	20	1,267	—	1,287
Total available-for-sale securities, at fair value	**—**	**22,947**	**3,227**	**—**	**26,174**
Trading, at fair value:					
Mortgage-related securities:					
Agency	—	19,772	2,709	—	22,481
Non-agency	—	—	1	—	1
Total mortgage-related securities	**—**	**19,772**	**2,710**	**—**	**22,482**
Non-mortgage-related securities	25,108	1,947	—	—	27,055
Total trading securities, at fair value	**25,108**	**21,719**	**2,710**	**—**	**49,537**
Total investment securities	**25,108**	**44,666**	**5,937**	**—**	**75,711**
Mortgage loans:					
Held-for-sale, at fair value	—	15,035	—	—	15,035
Derivative assets, net:					
Interest-rate swaps	—	2,104	—	—	2,104
Option-based derivatives	—	4,198	—	—	4,198
Other	—	61	16	—	77
Subtotal, before netting adjustments	**—**	**6,363**	**16**	**—**	**6,379**
Netting adjustments[1]	—	—	—	(5,535)	(5,535)
Total derivative assets, net	**—**	**6,363**	**16**	**(5,535)**	**844**
Other assets:					
Guarantee asset, at fair value	—	—	4,426	—	4,426
Non-derivative held-for-sale purchase commitments, at fair value	—	81	—	—	81
All other, at fair value	—	—	120	—	120
Total other assets	**—**	**81**	**4,546**	**—**	**4,627**
Total assets carried at fair value on a recurring basis	**$25,108**	**$66,145**	**$10,499**	**($5,535)**	**$96,217**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$6	$203	$—	$209
Other debt, at fair value	—	3,600	129	—	3,729
Derivative liabilities, net:					
Interest-rate swaps	—	4,882	—	—	4,882
Option-based derivatives	—	130	—	—	130
Other	—	233	37	—	270
Subtotal, before netting adjustments	**—**	**5,245**	**37**	**—**	**5,282**
Netting adjustments[1]	—	—	—	(4,910)	(4,910)
Total derivative liabilities, net	**—**	**5,245**	**37**	**(4,910)**	**372**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	7	—	—	7
All other, at fair value	—	—	1	—	1
Total other liabilities	**—**	**7**	**1**	**—**	**8**
Total liabilities carried at fair value on a recurring basis	**$—**	**$8,858**	**$370**	**($4,910)**	**$4,318**

(1) Represents counterparty netting, cash collateral netting, and net derivative interest receivable or payable.

Level 3 Fair Value Measurements

The tables below present a reconciliation of all assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis using significant unobservable inputs (Level 3), including transfers into and out of Level 3. The tables also present gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized on our condensed consolidated statements of comprehensive income (loss) for Level 3 assets and liabilities.

Table 15.2 - Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs

	1Q 2020											
		Total Realized/Unrealized Gains (Losses)										
(In millions)	Balance, January 1, 2020	Included in Earnings	Included in Other Comprehensive Income	Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2020	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of March 31, 2020 [3]	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of March 31, 2020
Assets												
Investment securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Agency	$1,960	$12	$38	$—	$—	($208)	($57)	$—	($1,095)	$650	$—	($2)
Non-agency and other	1,267	3	(126)	—	—	—	(43)	—	—	1,101	3	(100)
Total available-for-sale mortgage-related securities	**3,227**	**15**	**(88)**	**—**	**—**	**(208)**	**(100)**	**—**	**(1,095)**	**1,751**	**3**	**(102)**
Trading, at fair value:												
Mortgage-related securities:												
Agency	2,709	15	—	352	—	(105)	(31)	—	(396)	2,544	1	—
Non-agency	1	—	—	—	—	—	—	—	—	1	—	—
Total trading mortgage-related securities	**2,710**	**15**	**—**	**352**	**—**	**(105)**	**(31)**	**—**	**(396)**	**2,545**	**1**	**—**
Other assets:												
Guarantee asset	4,426	99	—	—	223	—	(183)	—	—	4,565	99	—
All other, at fair value	120	(7)	—	(1)	6	(8)	(4)	—	—	106	(8)	—
Total other assets	**$4,546**	**$92**	**$—**	**($1)**	**$229**	**($8)**	**($187)**	**$—**	**$—**	**$4,671**	**$91**	**$—**
		Total Realized/Unrealized Gains (Losses)										
	Balance, January 1, 2020	Included in Earnings	Included in Other Comprehensive Income	Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2020	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of March 31, 2020 [3]	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of March 31, 2020
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$203	($4)	$—	$—	$—	$—	$—	$—	$—	$199	($4)	$—
Other debt, at fair value	129	(11)	—	—	1	—	(1)	33	—	151	(11)	—
Net derivatives[2]	21	(57)	—	—	1	—	(4)	—	—	(39)	(61)	—
All other, at fair value	1	—	—	—	—	—	—	—	—	1	—	—

Referenced footnotes are included after the prior period table.

	1Q 2019											
		Total Realized/Unrealized Gains (Losses)										
(In millions)	Balance, January 1, 2019	Included in Earnings	Included in Other Comprehensive Income	Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2019	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of March 31, 2019 [3]	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of March 31, 2019
Assets												
Investment securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Agency	$4,135	($18)	$72	$52	$—	($486)	($98)	$—	($58)	$3,599	($1)	$56
Non-agency and other	1,640	4	50	—	—	—	(61)	—	—	$1,633	4	40
Total available-for-sale mortgage-related securities	**5,775**	**(14)**	**122**	**52**	**—**	**(486)**	**(159)**	**—**	**(58)**	**5,232**	**3**	**96**
Trading, at fair value:												
Mortgage-related securities:												
Agency	3,293	(59)	—	143	—	(115)	(24)	—	(180)	3,058	(61)	—
Non-agency	1	—	—	—	—	—	—	—	—	1	—	—
Total trading mortgage-related securities	**3,294**	**(59)**	**—**	**143**	**—**	**(115)**	**(24)**	**—**	**(180)**	**3,059**	**(61)**	**—**
Other assets:												
Guarantee asset	3,633	35	—	—	282	—	(155)	—	—	3,795	35	—
All other, at fair value	137	(34)	—	52	9	(12)	(2)	—	—	150	(33)	—
Total other assets	**$3,770**	**$1**	**$—**	**$52**	**$291**	**($12)**	**($157)**	**$—**	**$—**	**$3,945**	**$2**	**$—**
		Total Realized/Unrealized Gains (Losses)										
	Balance, January 1, 2019	Included in Earnings	Included in Other Comprehensive Income	Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2019	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of March 31, 2019 [3]	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of March 31, 2019
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$728	$2	$—	$—	$—	$—	$—	$—	$—	$730	$2	$—
Other debt, at fair value	134	—	—	—	80	—	—	—	—	214	—	—
Net derivatives[2]	91	(38)	—	—	—	—	(5)	—	—	48	(43)	—
All other, at fair value	—	(2)	—	3	—	—	—	—	—	1	(2)	—

(1) Transfers out of Level 3 during 1Q 2020 and 1Q 2019 consisted primarily of certain mortgage-related securities due to an increased volume and level of activity in the market and availability of price quotes from dealers and third-party pricing services. Certain Freddie Mac securities are classified as Level 3 at issuance and generally are classified as Level 2 when they begin trading. Transfers into Level 3 during 1Q 2020 and 1Q 2019 consisted primarily of certain mortgage-related securities due to a decrease in market activity and the availability of relevant price quotes from dealers and third-party pricing services.

(2) Amounts are the net of derivative assets and liabilities prior to counterparty netting, cash collateral netting, net trade/settle receivable or payable, and net derivative interest receivable or payable.

(3) Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains and losses related to assets and liabilities classified as Level 3 that were still held at March 31, 2020 and March 31, 2019, respectively. This amount includes any allowance for credit losses recorded on available-for-sale securities and amortization of basis adjustments.

The tables below provide valuation techniques, the range, and the weighted average of significant unobservable inputs for Level 3 assets and liabilities measured on our condensed consolidated balance sheets at fair value on a recurring basis.

Table 15.3 - Quantitative Information about Recurring Level 3 Fair Value Measurements

	March 31, 2020				
			Unobservable Inputs		
(Dollars in millions, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average[2]
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Agency	$494	Discounted cash flows	OAS	93 - 93 bps	93 bps
	156	Other			
Non-agency and other	912	Median of external sources	External pricing sources	$61.1 - $72.6	$66.9
	189	Other			
Trading, at fair value					
Mortgage-related securities					
Agency	1,662	Single external source	External pricing sources	$0.0 - $8,530.9	$912.6
	523	Discounted cash flows	OAS	(2,231) - 8,095 bps	944 bps
	359	Other			
Guarantee asset, at fair value	4,304	Discounted cash flows	OAS	17 - 186 bps	46 bps
	261	Other			
Insignificant Level 3 assets[1]	170				
Total level 3 assets	**$9,030**				
Liabilities					
Insignificant Level 3 liabilities[1]	375				
Total level 3 liabilities	**$375**				

Referenced footnote is included after the next table.

(**Dollars in millions**, except for certain unobservable inputs as shown)	December 31, 2019				
	Level 3 Fair Value	Predominant Valuation Technique(s)	Unobservable Inputs		
			Type	Range	Weighted Average[2]
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Agency	$1,960	Discounted cash flows	OAS	30 - 261 bps	80 bps
Non-agency and other	886	Median of external sources	External pricing sources	$71.9 - $78.2	$75.0
	381	Other			
Trading, at fair value					
Mortgage-related securities					
Agency	1,948	Single external source	External pricing sources	$0.0 - $100.7	$36.6
	761	Discounted cash flows	OAS	(1,201) - 8,095 bps	611 bps
Guarantee asset, at fair value	4,141	Discounted cash flows	OAS	17 - 186 bps	40 bps
	285	Other			
Insignificant Level 3 assets[1]	137				
Total level 3 assets	**$10,499**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	$203	Single external source	External pricing sources	$99.4 - $103.6	$101.4
Insignificant Level 3 liabilities[1]	167				
Total level 3 liabilities	**$370**				

(1) Represents the aggregate amount of Level 3 assets or liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant.

(2) Unobservable inputs were weighted primarily by the relative fair value of the financial instruments.

Assets Measured at Fair Value on a Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These adjustments usually result from the application of lower-of-cost-or-fair-value accounting or measurement of impairment based on the fair value of the underlying collateral. Certain of the fair values in the tables below were not obtained as of the period end, but were obtained during the period.

The table below presents assets measured on our condensed consolidated balance sheets at fair value on a non-recurring basis.

Table 15.4 - Assets Measured at Fair Value on a Non-Recurring Basis

	March 31, 2020				December 31, 2019			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a non-recurring basis:								
Mortgage loans(1)	$—	$2,127	$6,080	$8,207	$—	$22	$4,059	$4,081

(1) Includes loans that are classified as held-for-investment and have been measured for impairment based on the fair value of the underlying collateral and held-for-sale loans where the fair value is below cost.

The tables below provide valuation techniques, the range, and the weighted average of significant unobservable inputs for Level 3 assets measured on our condensed consolidated balance sheets at fair value on a non-recurring basis.

Table 15.5 - Quantitative Information About Non-Recurring Level 3 Fair Value Measurements

	March 31, 2020				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$6,080				
		Internal model	Historical sales proceeds	$3,000 - $765,000	$182,407
		Internal model	Housing sales index	53 - 419 bps	112 bps
		Median of external sources	External pricing sources	$54.0 - $100.7	$88.1

	December 31, 2019				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$4,059				
		Internal model	Historical sales proceeds	$3,000 - $765,000	$186,234
		Internal model	Housing sales index	46 - 420 bps	112 bps
		Median of external sources	External pricing sources	$66.5 - $105.4	$95.0

Fair Value of Financial Instruments

The tables below present the carrying value and estimated fair value of our financial instruments. For certain types of financial instruments, such as cash and cash equivalents, securities purchased under agreements to resell, secured lending and other, and certain debt, the carrying value on our GAAP balance sheets approximates fair value, as these assets and liabilities are short-term in nature and have limited fair value volatility.

Table 15.6 - Fair Value of Financial Instruments

	March 31, 2020						
			Fair Value				
(In millions)	GAAP Measurement Category[(1)]	GAAP Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustments[(2)]	Total
Financial Assets							
Cash and cash equivalents	Amortized cost	$24,324	$24,324	$—	$—	$—	$24,324
Securities purchased under agreements to resell	Amortized cost	45,968	—	60,273	—	(14,305)	45,968
Investment securities:							
Available-for-sale, at fair value	FV - OCI	25,338	—	23,587	1,751	—	25,338
Trading, at fair value	FV - NI	53,851	31,144	20,162	2,545	—	53,851
Total investment securities		**79,189**	**31,144**	**43,749**	**4,296**	**—**	**79,189**
Mortgage loans:							
Loans held by consolidated trusts		1,963,630	—	1,796,060	242,753	—	2,038,813
Loans held by Freddie Mac		83,027	—	43,389	41,656	—	85,045
Total mortgage loans	**Various[(3)]**	**2,046,657**	**—**	**1,839,449**	**284,409**	**—**	**2,123,858**
Derivative assets, net	FV - NI	2,815	55	13,702	63	(11,005)	2,815
Guarantee asset	FV - NI	4,565	—	—	4,571	—	4,571
Non-derivative purchase commitments	Various	243	—	244	—	—	244
Secured lending and other	Amortized cost	5,072	—	1,607	3,280	—	4,887
Total financial assets		**$2,208,833**	**$55,523**	**$1,959,024**	**$296,619**	**($25,310)**	**$2,285,856**
Financial Liabilities							
Debt:							
Debt securities of consolidated trusts held by third parties		$1,930,005	$—	$2,006,288	$1,140	$—	$2,007,428
Other debt		286,130	—	300,522	4,063	(14,305)	290,280
Total debt	**Various[(4)]**	**2,216,135**	**—**	**2,306,810**	**5,203**	**(14,305)**	**2,297,708**
Derivative liabilities, net	FV - NI	2,226	—	11,552	24	(9,350)	2,226
Guarantee obligation	Amortized cost	4,313	—	—	5,070	—	5,070
Non-derivative purchase commitments	Various	22	—	15	30	—	45
Total financial liabilities		**$2,222,696**	**$—**	**$2,318,377**	**$10,327**	**($23,655)**	**$2,305,049**

(1) FV - NI denotes fair value through net income. FV - OCI denotes fair value through other comprehensive income.

(2) Represents counterparty netting, cash collateral netting, and net derivative interest receivable or payable.

(3) As of March 31, 2020, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were $2.0 trillion, $19.0 billion, and $13.5 billion, respectively.

(4) As of March 31, 2020, the GAAP carrying amounts measured at amortized cost and FV - NI were $2.2 trillion and $3.2 billion, respectively.

			December 31, 2019				
			Fair Value				
(In millions)	GAAP Measurement Category(1)	GAAP Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustments(2)	Total
Financial Assets							
Cash and cash equivalents	Amortized cost	$5,189	$5,189	$—	$—	$—	$5,189
Securities purchased under agreements to resell	Amortized cost	56,271	—	66,114	—	(9,843)	56,271
Investment securities:							
Available-for-sale, at fair value	FV - OCI	26,174	—	22,947	3,227	—	26,174
Trading, at fair value	FV - NI	49,537	25,108	21,719	2,710	—	49,537
Total investment securities		**75,711**	**25,108**	**44,666**	**5,937**	**—**	**75,711**
Mortgage loans:							
Loans held by consolidated trusts		1,940,523	—	1,732,434	244,500	—	1,976,934
Loans held by Freddie Mac		79,677	—	38,100	45,588	—	83,688
Total mortgage loans	**Various(3)**	**2,020,200**	**—**	**1,770,534**	**290,088**	**—**	**2,060,622**
Derivative assets, net	FV - NI	844	—	6,363	16	(5,535)	844
Guarantee asset	FV - NI	4,426	—	—	4,433	—	4,433
Non-derivative purchase commitments	Various	81	—	90	72	—	162
Secured lending and other	Amortized cost	4,186	—	1,874	2,131	—	4,005
Total financial assets		**$2,166,908**	**$30,297**	**$1,889,641**	**$302,677**	**($15,378)**	**$2,207,237**
Financial Liabilities							
Debt:							
Debt securities of consolidated trusts held by third parties		$1,898,355	$—	$1,931,473	$1,277	$—	$1,932,750
Other debt		271,330	—	282,431	3,619	(9,843)	276,207
Total debt	**Various(4)**	**2,169,685**	**—**	**2,213,904**	**4,896**	**(9,843)**	**2,208,957**
Derivative liabilities, net	FV - NI	372	—	5,245	37	(4,910)	372
Guarantee obligation	Amortized cost	4,292	—	—	4,527	—	4,527
Non-derivative purchase commitments	Various	7	—	7	67	—	74
Total financial liabilities		**$2,174,356**	**$—**	**$2,219,156**	**$9,527**	**($14,753)**	**$2,213,930**

(1) FV - NI denotes fair value through net income. FV - OCI denotes fair value through other comprehensive income.

(2) Represents counterparty netting, cash collateral netting, and net derivative interest receivable or payable.

(3) As of December 31, 2019, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were $2.0 trillion, $20.3 billion, and $15.0 billion, respectively.

(4) As of December 31, 2019, the GAAP carrying amounts measured at amortized cost and FV - NI were $2.2 trillion and $3.9 billion, respectively.

Fair Value Option

We elected the fair value option for certain multifamily held-for-sale loans, multifamily held-for-sale loan purchase commitments, and long-term debt.

The table below presents the fair value and UPB related to certain loans and long-term debt for which we have elected the fair value option. This table does not include interest-only securities related to debt securities of consolidated trusts and other debt held by third parties with a fair value of $99 million and $146 million and multifamily held-for-sale loan purchase commitments with a fair value of $239 million and $74 million, as of March 31, 2020 and December 31, 2019, respectively.

Table 15.7 - Difference between Fair Value and UPB for Certain Financial Instruments with Fair Value Option Elected

	March 31, 2020			December 31, 2019		
(In millions)	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities of Consolidated Trusts Held by Third Parties	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities of Consolidated Trusts Held by Third Parties
Fair value	$13,518	$2,916	$199	$15,035	$3,589	$203
UPB	12,467	3,157	200	14,444	3,329	200
Difference	$1,051	($241)	($1)	$591	$260	$3

Changes in Fair Value Under the Fair Value Option Election

The table below presents the changes in fair value included in non-interest income (loss) in our condensed consolidated statements of comprehensive income (loss), related to items for which we have elected the fair value option.

Table 15.8 - Changes in Fair Value Under the Fair Value Option Election

	1Q 2020	1Q 2019
(In millions)	Gains (Losses)	
Multifamily held-for-sale loans	$638	$341
Multifamily held-for-sale loan purchase commitments	532	390
Other debt - long term	548	(2)
Debt securities of consolidated trusts held by third parties	4	(2)

Changes in fair value attributable to instrument-specific credit risk were not material for 1Q 2020 and 1Q 2019 for any assets or liabilities for which we elected the fair value option.

NOTE 16

Legal Contingencies

We are involved as a party in a variety of legal and regulatory proceedings arising from time to time in the ordinary course of business including, among other things, contractual disputes, personal injury claims, employment-related litigation, and other legal proceedings incidental to our business. We are frequently involved, directly or indirectly, in litigation involving mortgage foreclosures. From time to time, we are also involved in proceedings arising from our termination of a seller's or servicer's eligibility to sell loans to, and/or service loans for, us. In these cases, the former seller or servicer sometimes seeks damages against us for wrongful termination under a variety of legal theories. In addition, we are sometimes sued in connection with the origination or servicing of loans. These suits typically involve claims alleging wrongful actions of sellers and servicers. Our contracts with our sellers and servicers generally provide for indemnification of Freddie Mac against liability arising from sellers' and servicers' wrongful actions with respect to loans sold to or serviced for Freddie Mac.

Litigation and claims resolution are subject to many uncertainties and are not susceptible to accurate prediction. In accordance with the accounting guidance for contingencies, we reserve for litigation claims and assessments asserted or threatened against us when a loss is probable (as defined in such guidance) and the amount of the loss can be reasonably estimated.

Putative Securities Class Action Lawsuit: Ohio Public Employees Retirement System vs. Freddie Mac, Syron, Et Al.

This putative securities class action lawsuit was filed against Freddie Mac and certain former officers on January 18, 2008 in the U.S. District Court for the Northern District of Ohio purportedly on behalf of a class of purchasers of Freddie Mac stock from August 1, 2006 through November 20, 2007. FHFA later intervened as Conservator, and the plaintiff amended its complaint on several occasions. The plaintiff alleged, among other things, that the defendants violated federal securities laws by making false and misleading statements concerning our business, risk management, and the procedures we put into place to protect the company from problems in the mortgage industry. The plaintiff seeks unspecified damages and interest, and reasonable costs and expenses, including attorney and expert fees.

In October 2013, defendants filed motions to dismiss the complaint. In October 2014, the District Court granted defendants' motions and dismissed the case in its entirety against all defendants, with prejudice. In November 2014, plaintiff filed a notice of appeal in the U.S. Court of Appeals for the Sixth Circuit. On July 20, 2016, the Court of Appeals reversed the District Court's dismissal and remanded the case to the District Court for further proceedings. On August 14, 2018, the District Court denied the plaintiff's motion for class certification. On January 23, 2019, the Court of Appeals denied plaintiff's petition for leave to appeal that decision.

At present, it is not possible for us to predict the probable outcome of this lawsuit or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matter due to the following factors, among others: pre-trial litigation is inherently uncertain; while the District Court denied plaintiff's motion for class certification, this denial may be appealed upon the entry of final judgment; and the District Court has not yet ruled upon motions for summary judgment. In particular, absent a final resolution of whether a class will be certified, the identification of a class if one is certified, and the identification of the alleged statement or statements that survive dispositive motions, we cannot reasonably estimate any possible loss or range of possible loss.

LIBOR Lawsuit

On March 14, 2013, Freddie Mac filed a lawsuit in the U.S. District Court for the Eastern District of Virginia against the British Bankers Association and the 16 U.S. Dollar LIBOR panel banks and a number of their affiliates. The case was subsequently transferred to the U.S. District Court for the Southern District of New York. The complaint alleges, among other things, that the defendants fraudulently and collusively depressed LIBOR, a benchmark interest rate indexed to trillions of dollars of financial products, and asserts claims for antitrust violations, breach of contract, tortious interference with contract, and fraud. Freddie Mac filed an amended complaint in July 2013, and a second amended complaint in October 2014. In August 2015, the District Court dismissed the portion of our claim related to antitrust violations and fraud and we filed a motion for reconsideration. On March 31, 2016, the District Court granted a portion of our motion, finding personal jurisdiction over certain defendants, and denied the portion of our motion with respect to statutes of limitation for our fraud claims. Subsequently, in a related case, the U.S. Court of Appeals for the Second Circuit reversed the District Court's dismissal of certain plaintiffs' antitrust claims and remanded the case to the District Court for consideration of whether, among other things, the plaintiffs are "efficient enforcers" of the antitrust laws.

On December 20, 2016, after briefing and argument on the defendants' renewed motions to dismiss on personal jurisdiction and efficient enforcer grounds, the District Court denied defendants' motions in part and granted them in part. The District Court held that Freddie Mac is an efficient enforcer of the antitrust laws, but dismissed on personal jurisdiction grounds Freddie Mac's antitrust claims against all defendants except HSBC USA, N.A. Then, in an order issued February 2, 2017, the District Court effectively dismissed Freddie Mac's remaining antitrust claim against HSBC USA, N.A. At present, Freddie Mac's breach of contract actions against Bank of America, N.A., Barclays Bank, Citibank, N.A., Credit Suisse, Deutsche Bank, Royal Bank of Scotland, and UBS AG are its only claims remaining in the District Court.

On February 23, 2018, the Second Circuit reversed the District Court's dismissal of certain plaintiffs' state law fraud and unjust enrichment claims on statutes of limitations grounds. While Freddie Mac was not a party to the appeal, this decision could have the effect of reinstating Freddie Mac's fraud claims against the above-named defendants. The Second Circuit also reversed certain aspects of the District Court's personal jurisdiction rulings and remanded with instructions to allow the named appellant to amend its complaint. The District Court subsequently granted in part Freddie Mac's motion for leave to amend its complaint, and Freddie Mac amended its complaint on April 16, 2019.

Litigation Concerning the Purchase Agreement

Since July 2013, a number of lawsuits have been filed against us concerning the August 2012 amendment to the Purchase Agreement, which created the net worth sweep dividend provisions of the senior preferred stock. The plaintiffs in the lawsuits allege that they are holders of common stock and/or junior preferred stock issued by Freddie Mac and Fannie Mae. (For purposes of this discussion, junior preferred stock refers to the various series of preferred stock of Freddie Mac and Fannie Mae other than the senior preferred stock issued to Treasury.) It is possible that similar lawsuits will be filed in the future. The lawsuits against us are described below.

Litigation in the U.S. District Court for the District of Columbia

In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations. This case is the result of the consolidation of three putative class action lawsuits: *Cacciapelle and Bareiss vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 29, 2013; *American European Insurance Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 30, 2013; and *Marneu Holdings, Co. vs. FHFA, Treasury, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation*, filed on September 18, 2013. (The Marneu case was also filed as a shareholder derivative lawsuit.) A consolidated amended complaint was filed in December 2013. In the consolidated amended complaint, plaintiffs alleged, among other items, that the August 2012 amendment to the Purchase Agreement breached Freddie Mac's and Fannie Mae's respective contracts with the holders of junior preferred stock and common stock and the covenant of good faith and fair dealing inherent in such contracts. Plaintiffs sought unspecified damages, equitable and injunctive relief, and costs and expenses, including attorney and expert fees.

The Cacciapelle and American European Insurance Company lawsuits were filed purportedly on behalf of a class of purchasers of junior preferred stock issued by Freddie Mac or Fannie Mae who held stock prior to, and as of, August 17, 2012. The Marneu lawsuit was filed purportedly on behalf of a class of purchasers of junior preferred stock and purchasers of common stock issued by Freddie Mac or Fannie Mae over a not-yet-defined period of time.

Arrowood Indemnity Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, FHFA, and Treasury. This case was filed on September 20, 2013. The allegations and demands made by plaintiffs in this case were generally similar to those made by the plaintiffs in the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case described above. Plaintiffs in the Arrowood lawsuit also requested that, if injunctive relief were not granted, the Arrowood plaintiffs be awarded damages against the defendants in an amount to be determined including, but not limited to, the aggregate par value of their junior preferred stock, the total of which they stated to be approximately $42 million.

American European Insurance Company, Cacciapelle, and Miller vs. Treasury and FHFA. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on July 30, 2014. The complaint alleged that, through the August 2012 amendment to the Purchase Agreement, Treasury and FHFA breached their respective fiduciary duties to Freddie Mac, causing Freddie Mac to suffer damages. The plaintiffs asked that Freddie Mac be awarded compensatory damages and disgorgement, as well as attorneys' fees, costs, and other expenses.

FHFA, joined by Freddie Mac and Fannie Mae, moved to dismiss the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case and the other related cases in January 2014. Treasury filed a motion to dismiss the same day. In September 2014, the District Court granted the motions and dismissed the plaintiffs' claims. All plaintiffs appealed that decision, and on February 21, 2017, the U.S. Court of Appeals for the District of Columbia Circuit affirmed in part and remanded in part the decision granting the motions to dismiss. The Court of Appeals affirmed dismissal of all claims except certain claims seeking monetary damages for breach of contract and breach of implied duty of good faith and fair dealing. In March 2017, certain institutional and class plaintiffs filed petitions for panel rehearing with respect to certain claims. On July 17, 2017, the Court of Appeals granted the petitions for rehearing and issued a modified decision, which permitted the institutional plaintiffs to pursue the breach of contract and breach of implied duty of good faith and fair dealing claims that had been remanded. The Court of Appeals also removed language related to the standard to be applied to the implied duty claims, leaving that issue for the District Court to determine on remand. On October 16, 2017, certain institutional and class plaintiffs filed petitions for a writ of certiorari in the U.S. Supreme Court challenging whether HERA's prohibition on injunctive relief against FHFA bars judicial review of the net worth sweep dividend provisions of the August 2012 amendment to the Purchase Agreement, as well as whether HERA bars shareholders from pursuing derivative litigation where they allege the conservator faces a conflict of interest. The Supreme Court denied the petitions on February 20, 2018. On November 1, 2017, certain institutional and class plaintiffs and plaintiffs in another case in which Freddie Mac was not originally a defendant, *Fairholme Funds, Inc. v. FHFA, Treasury, and Federal National Mortgage Association*, filed proposed amended complaints in the District Court. Each of the proposed amended complaints names Freddie Mac as a defendant for breach of contract and breach of the covenant of good faith and fair dealing claims as well as for new claims alleging breach of fiduciary duty and breach of Virginia corporate law. On January 10, 2018, FHFA, Freddie Mac, and Fannie Mae moved to dismiss the amended complaints. On September 28, 2018, the District Court dismissed all of the claims except those alleging breach of the implied covenant of good faith and fair dealing. Discovery is ongoing.

Angel vs. The Federal Home Loan Mortgage Corporation et al. This case was filed pro se on May 21, 2018 against Freddie Mac, Fannie Mae, certain current and former directors of Freddie Mac and Fannie Mae, and FHFA as a nominal defendant. The original complaint alleges, among other things, breach of contract, breach of the implied covenant of good faith and fair dealing, and that defendants aided and abetted the government's "avoidance" of plaintiff's dividend rights. On March 6, 2019, the U.S. District Court for the District of Columbia granted the defendants' motion to dismiss the case. On March 18, 2019, Mr. Angel filed a motion seeking to alter or amend the judgment and for leave to file an amended complaint. On May 24, 2019, the District Court denied Mr. Angel's motion, and on June 19, 2019, Mr. Angel filed a notice of appeal to the U.S. Court of Appeals for the District of Columbia Circuit. On April 24, 2020, the DC Circuit affirmed the District Court's dismissal of the case.

Litigation in the U.S. Court of Federal Claims

Reid and Fisher vs. the United States of America and Federal Home Loan Mortgage Corporation. This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on February 26, 2014. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation. The plaintiffs ask that Freddie Mac be awarded just compensation for the U.S. government's alleged taking of its property, attorneys' fees, costs, and other expenses. On March 8, 2018, the plaintiffs filed an amended complaint under seal, with a redacted copy filed on November 14, 2018. The United States filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018.

Fairholme Funds, Inc., et al. vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. This case was originally filed on July 9, 2013 against the United States of America. On March 8, 2018, plaintiffs filed an amended complaint under seal. A redacted public version was filed on May 11, 2018 and adds Freddie Mac and Fannie Mae as nominal defendants. The amended complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking or exaction of private property for public use without just compensation, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiffs ask that plaintiffs, Freddie Mac, and Fannie Mae be awarded (1) just compensation for the government's alleged taking or exaction of their property, (2) damages for the government's breach of fiduciary duties, and (3) damages for the government's breach of the alleged implied-in-fact contracts. In addition, plaintiffs seek pre- and post-judgment interest, attorneys' fees, costs, and other expenses. The United States filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018. On December 6, 2019, the Court dismissed the claims plaintiffs labeled as direct claims and denied defendant's motion to dismiss with respect to the claims plaintiffs labeled as derivative. Accordingly, derivative takings, exaction, breach of fiduciary duty, and breach of implied-in-fact contract claims remain. By order dated March 9, 2020, the Court granted unopposed motions by plaintiffs and defendant to certify the December 6 opinion for interlocutory review, modified its December 6 opinion to include the language necessary for an interlocutory appeal to the U.S. Court of Appeals for the Federal Circuit, and stayed further proceedings in the case pending the completion of the interlocutory appeal process.

Perry Capital LLC vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac and Fannie Mae as "nominal" defendants, on August 15, 2018. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation or an illegal exaction in violation of the Fifth Amendment, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiff asks that it, Freddie Mac, and Fannie Mae be awarded just compensation for the government's alleged taking of its property or damages for the illegal exaction; damages for the government's breach of fiduciary duties; and damages for the government's breach of the alleged implied-in-fact contracts. The proceedings have been stayed pending the interlocutory appeals in the *Fairholme Funds* matter.

At present, it is not possible for us to predict the probable outcome of the lawsuits discussed above in the U.S. District Courts and the U.S. Court of Federal Claims (including the outcome of any appeal) or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matters due to a number of factors, including the inherent uncertainty of pre-trial litigation. In addition, with respect to the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case, the plaintiffs have not demanded a stated amount of damages they believe are due, and the Court has not certified a class.

NOTE 17

Regulatory Capital

In October 2008, FHFA announced that it was suspending capital classification of us during conservatorship in light of the Purchase Agreement. FHFA continues to monitor our capital levels, but the existing statutory and FHFA regulatory capital requirements are not binding during conservatorship.

We continue to provide quarterly submissions to FHFA on minimum capital. The table below summarizes our minimum capital requirements and deficits and net worth.

Table 17.1 - Net Worth and Minimum Capital

(In millions)	March 31, 2020	December 31, 2019
GAAP net worth (deficit)	$9,504	$9,122
Core capital (deficit)(1)(2)	(64,031)	(63,964)
Less: Minimum capital requirement(1)	19,521	19,123
Minimum capital surplus (deficit)(1)	**($83,552)**	**($83,087)**

(1) Core capital and minimum capital figures are estimates and represent amounts submitted to FHFA. FHFA is the authoritative source for our regulatory capital.

(2) Core capital excludes certain components of GAAP total equity (i.e., AOCI and the liquidation preference of the senior preferred stock) as these items do not meet the statutory definition of core capital.

In May 2017, FHFA, as Conservator, issued guidance to us to evaluate and manage our financial risk and to make economic business decisions, while in conservatorship, utilizing a newly-developed risk-based CCF, a capital system with detailed formulae provided by FHFA. We use the CCF to measure risk for making economically effective decisions. We are required to submit quarterly reports to FHFA related to the CCF requirements.

NOTE 18

Selected Financial Statement Line Items

The table below presents the significant components of investment gains (losses), net on our condensed consolidated statements of comprehensive income (loss).

Table 18.1 - Significant Components of Investment Gains (Losses), Net

(In millions)	1Q 2020	1Q 2019
Investment gains (losses), net:		
Mortgage loans gains (losses)	$1,172	$934
Investment securities gains (losses)	1,055	144
Debt gains (losses)	700	15
Derivative gains (losses)	(3,762)	(1,606)
Investment gains (losses), net	**($835)**	**($513)**

The table below presents the significant components of other assets and other liabilities on our condensed consolidated balance sheets.

Table 18.2 - Significant Components of Other Assets and Other Liabilities

(In millions)	March 31, 2020	December 31, 2019
Other assets:		
Real estate owned, net	$457	$555
Accounts and other receivables[1]	17,200	10,780
Guarantee asset	4,565	4,426
Secured lending and other	6,066	5,158
All other	3,273	1,880
Total other assets	**$31,561**	**$22,799**
Other liabilities:		
Guarantee obligation	$4,313	$4,292
All other	3,535	3,750
Total other liabilities	**$7,848**	**$8,042**

(1) Primarily consists of servicer receivables and other non-interest receivables.

END OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

Other Information

LEGAL PROCEEDINGS

We are involved as a party to a variety of legal proceedings. For more information, see **Note 16** in this Form 10-Q and our 2019 Annual Report.

In addition, a number of lawsuits have been filed against the U.S. government related to the conservatorship and the Purchase Agreement. Some of these cases also have challenged the constitutionality of the structure of FHFA. For information on these lawsuits, see the **Legal Proceedings** section in our 2019 Annual Report. Freddie Mac is not a party to any of these lawsuits.

RISK FACTORS

This Form 10-Q should be read together with the **Risk Factors** section in our 2019 Annual Report, which describes various risks and uncertainties to which we are or may become subject. This section updates that discussion.

These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies, and/or prospects.

The COVID-19 pandemic has significantly and adversely affected general economic conditions and the housing market. These adverse changes, as well as the effects of actions taken in response to the pandemic, such as forbearance for Freddie Mac-owned mortgages and other relief measures, have significantly and adversely affected our business, results of operations, and financial condition and will likely continue to do so for the remainder of 2020 and into 2021, and perhaps beyond. For example, our allowance for credit losses has increased significantly and we expect serious delinquency rates and the volume of loss mitigation activity to increase significantly as a result of the pandemic and the forbearance programs we have announced. In addition, our credit risk, market risk, liquidity, risk, and operational risk levels have increased as a result of the pandemic. The duration and continued severity of the pandemic will determine the extent of the negative effects on our business, and these adverse effects could require us to request additional draws from Treasury in future periods.

The COVID-19 pandemic has significantly and adversely affected our business, results of operations, and financial condition and will likely continue to affect us for the remainder of 2020 and into 2021, and perhaps beyond. Certain of the Risk Factors in our 2019 Annual Report may be amplified by the pandemic. The unpredictable and unprecedented nature of the current situation makes it impractical to identify all potential risks and estimate the ultimate adverse impact on our business. The extent of the adverse effects will depend on the duration and continued severity of the COVID-19 pandemic and its effects on the U.S. economy and housing market. During the duration of the pandemic, our focus will be on supporting the mortgage market, and this focus, combined with current market conditions, will likely delay our ability to raise capital and exit from conservatorship. In addition, given our limited capital buffer, which was $9.5 billion as of March 31, 2020, the adverse effects of the pandemic could require us to request additional draws from Treasury in future periods.

Recently, financial markets have experienced significant volatility as a result of the effects of the COVID-19 pandemic. Many state and local jurisdictions have enacted measures requiring closure of businesses and other economically restrictive efforts to combat the COVID-19 pandemic. Unemployment levels have increased significantly and may remain at elevated levels or continue to rise. There may be a significant increase in the rate and number of mortgage payment delinquencies, and house sales, home prices, and multifamily fundamentals may be adversely affected, further contributing to the overall adverse impact.

In response to the COVID-19 pandemic, Freddie Mac has taken several steps to support the mortgage market, such as forbearance for Freddie Mac-owned mortgages and other measures to assist homeowners, renters, multifamily property owners, lenders, and sellers. For additional information on our relief efforts, see **MD&A - Introduction - *COVID-19 Pandemic Response Efforts***. These actions may not be successful and may negatively affect our financial condition and results of operations, perhaps significantly. We expect serious delinquency rates and the volume of loss mitigation activity to increase significantly as a result of the pandemic and the forbearance programs we have announced, and we expect to advance significant amounts to cover principal and interest payments to security holders for loans in forbearance in the coming months. The pandemic and forbearance programs also will cause a significant increase in our allowance for credit losses. We had a $1.2 billion provision for credit losses in 1Q 2020 due to our forecast of higher expected credit losses from our single-family credit guarantee portfolio as a result of the pandemic, but these estimates are subject to significant uncertainty and may increase substantially in the future depending on the depth and severity of the economic downturn caused by the pandemic.

The government has taken several actions to provide relief to those negatively affected by COVID-19, such as the CARES Act enacted in March 2020, guidance from FHFA regarding relief for homeowners and renters affected by COVID-19, and the Federal Reserve's support of the financial markets. For additional information on federal government relief efforts, see **MD&A - Introduction - *COVID-19 Pandemic Response Efforts***, **MD&A - Liquidity and Capital Resources - *Mortgage Loans and Mortgage-Related Securities***, and **MD&A - Regulation and Supervision - *Legislative and Regulatory***

Developments - The CARES Act. State and local jurisdictions have also implemented measures that affect the mortgage market, such as measures to provide foreclosure and eviction relief. Current and future government relief efforts taken in response to the COVID-19 pandemic may provide insufficient support for the economy and the housing market.

Our credit risk, market risk, and liquidity risk levels have increased as a result of the COVID-19 pandemic, and may increase further depending on the duration and severity of the pandemic. For example:

- ***Our mortgage credit risk level is heightened***, as a result of increased forbearance, modifications, and defaults due to the COVID-19 pandemic. These trends are expected to continue and may accelerate as the pandemic continues. Our recent relief efforts and any future measures we adopt related to COVID-19 could result in a significant increase in borrower forbearances and subsequent modifications. These developments could adversely affect our results of operations through increased expected credit losses. The liquidity, pricing, and yield of our securities could also be adversely affected. Payment and recovery of principal and interest on certain of our securities could depend on our ability to honor our guarantee obligations. Payment defaults on mortgages could result in accelerated prepayments of certain of our securities as a result of our repurchase practices relating to seriously delinquent mortgages and mortgage modifications, foreclosures, and workouts.
- ***Our counterparty credit risk level has increased,*** particularly with respect to non-depository sellers/servicers and credit enhancement providers, as a result of financial strains and liquidity pressures on our counterparties due to the economic downturn and market volatility caused by the COVID-19 pandemic. If these financial strains and liquidity pressures continue, our single-family seller/servicer counterparties may not be able to perform under their contracts, and we could experience a decline in mortgage servicing quality and/or be less likely to recover losses. In addition, our credit enhancement providers may fail to timely meet their full obligations to provide coverage or reimburse us for claims, and we could experience an increase in our share of credit losses. For additional information, see ***MD&A - Risk Management - Credit Risk - Counterparty Credit Risk***.
- ***Our CRT transactions have been adversely affected.*** Our ability to transfer single-family credit risk has been, and may continue to be, negatively affected by the COVID-19 pandemic. In addition, the cost to us of doing so has been fluctuating more significantly and rapidly than usual as a result of developments related to the COVID-19 pandemic, and may continue to change significantly and rapidly depending on continuing effects of the pandemic on market conditions. While CRT remains a critical component of our business strategy and we intend to continue to pursue our existing CRT strategies, there may not be sufficient investor demand for single-family CRT transactions at acceptable prices for the foreseeable future, and it is uncertain if there will be adequate demand for them over the longer term based on the potential impacts of the pandemic on mortgage performance. The transfer of credit risk through CRT transactions has become a central component of our business strategy, and an inability to continue to transfer credit risk could cause an increase in the level of our conservatorship credit capital under the CCF.
- ***We may be adversely affected by holding excess liquidity in this volatile market.*** We maintained excess liquidity during 1Q 2020 due to volatile market conditions driven by the COVID-19 pandemic, and we expect to continue to do so in the near term, which may negatively affect our net interest income. How long we continue to hold excess liquidity and the extent of the negative effects of doing so will depend on the duration of the market volatility resulting from the effects of the pandemic.
- ***The liquidity of our portfolios has been adversely affected.*** The overall liquidity of our portfolios has been, and may continue to be, adversely affected by the effects of the COVID-19 pandemic on market conditions. In addition, although FHFA has instructed us to maintain loans in COVID-19 payment forbearance plans in mortgage-backed security pools for at least the duration of the forbearance plan, our less liquid assets will likely increase as we will likely purchase a higher amount of delinquent or modified loans out of Freddie Mac mortgage-backed security pools in future periods. Our ability to continue to sell less liquid assets at acceptable prices may also be negatively affected by the market volatility caused by the COVID-19 pandemic.
- ***The Purchase Agreement and FHFA limits on the amount of debt we can incur and the size of our mortgage-related investments portfolio could limit our ability to meet our contractual obligations with respect to Freddie Mac mortgage-related securities.*** We generally fund our obligations to advance principal and interest to security holders for loans in forbearance and our purchase of delinquent and modified loans from our securities trusts through debt issuances. So far, we have maintained adequate access to debt markets to meet our financial obligations as they come due. However, depending on the extent of forbearance and delinquencies as a result of the COVID-19 pandemic, even if we are able to continue to access debt markets, it is possible that we may not be able to meet our contractual obligations as a result of our current $300.0 billion aggregate indebtedness limit under the Purchase Agreement and FHFA's $225.0 billion limit on our mortgage-related investments portfolio, without breaching limits or obtaining the prior written consent of Treasury and FHFA to increase these limits.
- ***Market instability may adversely affect*** our ability to hedge, and demand for Freddie Mac securities, other than from the Federal Reserve, may decrease substantially.

Our operational risk level has increased as a result of the COVID-19 pandemic.

Freddie Mac has instituted temporary operational changes, such as shifting to remote work for the majority of our employees. A prolonged period of remote work for us or our counterparties or vendors, or any significant technological or infrastructure-related disruptions during this period of remote work, could significantly adversely affect our ability to conduct normal business operations. It is possible that key employees may be adversely affected by the virus. In addition, model risk levels are heightened. Due to the unprecedented events surrounding the pandemic along with the associated severe market dislocation, there is an increased degree of uncertainty concerning key inputs into our financial cash flows, such as projections of mortgage interest rates, home prices, credit defaults, negative yields, prepayments, and interest rates, and we expect our models to face significant challenges in accurately forecasting these inputs. We are attempting to mitigate this increased risk by applying model overlays and adjustments, where deemed appropriate, but these adjustments have an element of subjectivity, and are based upon difficult and complex judgments. Actual results could differ from our estimates, and the use of different judgments and assumptions related to these estimates could have a material impact on our condensed consolidated financial statements. For additional information on operational risk, see **MD&A - Risk Management - *Operational Risk***.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

The securities we issue are "exempted securities" under the Securities Act of 1933, as amended. As a result, we do not file registration statements with the SEC with respect to offerings of our securities.

Following our entry into conservatorship, we suspended the operation of, and ceased making grants under, equity compensation plans. Previously, we had provided equity compensation under those plans to employees and members of the Board of Directors. Under the Purchase Agreement, we cannot issue any new options, rights to purchase, participations, or other equity interests without Treasury's prior approval. However, grants outstanding as of the date of the Purchase Agreement remain in effect in accordance with their terms.

Information About Certain Securities Issuances by Freddie Mac

We make available, free of charge through our website at **www.freddiemac.com**, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with the SEC. The SEC also maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

We provide disclosure about our debt securities on our website at **www.freddiemac.com/debt**. From this address, investors can access the offering circular and related supplements for debt securities offerings under Freddie Mac's global debt facility, including pricing supplements for individual issuances of debt securities. Similar information about our STACR transactions and SCR notes is available at **crt.freddiemac.com** and **mf.freddiemac.com/investors**, respectively.

We provide disclosure about our mortgage-related securities, some of which are off-balance sheet obligations (e.g., K Certificates and SB Certificates), on our website at **www.freddiemac.com/mbs**. From this address, investors can access information and documents, including offering circulars and offering circular supplements, for mortgage-related securities offerings.

We provide additional information, including product descriptions, investor presentations, securities issuance calendars, transactions volumes and details, redemption notices, Freddie Mac research, and material developments or other events that may be important to investors, in each case as applicable, on the websites for our business segments, which can be found at **sf.freddiemac.com**, **mf.freddiemac.com**, and **www.freddiemac.com/capital-markets**.

EXHIBITS

The exhibits are listed in the **Exhibit Index** of this Form 10-Q.

Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to management of the company, including the company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in implementing possible controls and procedures.

Management, including the company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2020. As a result of management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2020, at a reasonable level of assurance, because we have not been able to update our disclosure controls and procedures to provide reasonable assurance that information known by FHFA on an ongoing basis is communicated from FHFA to Freddie Mac's management in a manner that allows for timely decisions regarding our required disclosure under the federal securities laws. We consider this situation to be a material weakness in our internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING DURING 1Q 2020

We evaluated the changes in our internal control over financial reporting that occurred during 1Q 2020 and concluded that there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MITIGATING ACTIONS RELATED TO THE MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As described above under **Evaluation of Disclosure Controls and Procedures**, we have one material weakness in internal control over financial reporting as of March 31, 2020 that we have not remediated.

Given the structural nature of this material weakness, we believe it is likely that we will not remediate it while we are under conservatorship. However, both we and FHFA have continued to engage in activities and employ procedures and practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws. These include the following:

- FHFA has established the Division of Resolutions, which is intended to facilitate operation of the company with the oversight of the Conservator.
- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of certain external press releases and statements to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-Q, and engage in discussions with us regarding issues associated with the information contained in those filings. Prior to filing this Form 10-Q, FHFA provided us with a written acknowledgment that it had reviewed the Form 10-Q, was not aware of any material misstatements or omissions in the Form 10-Q, and had no objection to our filing the Form 10-Q.
- The Director of FHFA is in frequent communication with our Chief Executive Officer, typically meeting (in person or by phone) on at least a bi-weekly basis.
- FHFA representatives attend meetings frequently with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and capital markets management, external communications, and legal matters.
- Senior officials within FHFA's accounting group meet frequently with our senior financial executives regarding our accounting policies, practices, and procedures.

In view of our mitigating actions related to this material weakness, we believe that our condensed consolidated financial statements for 1Q 2020 have been prepared in conformity with GAAP.

Exhibit Index

Exhibit	Description*
4.1	Federal Home Loan Mortgage Corporation Global Debt Facility Agreement, dated February 13, 2020
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Senior Vice President — Interim Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Senior Vice President — Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema
101. CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Label
101. PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* The SEC file numbers for the Registrant's Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are 000-53330 and 001-34139.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal Home Loan Mortgage Corporation

By: /s/ David M. Brickman

David M. Brickman

Chief Executive Officer

Date: April 30, 2020

By: /s/ Donald F. Kish

Donald F. Kish

Senior Vice President - Corporate Controller, Principal Accounting Officer & Interim Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Date: April 30, 2020

Form 10-Q Index

Exhibit 4.1

FEDERAL HOME LOAN MORTGAGE CORPORATION
GLOBAL DEBT FACILITY AGREEMENT

AGREEMENT, dated as of February 13, 2020, among the Federal Home Loan Mortgage Corporation **("Freddie Mac"**) and Holders of Debt Securities (each as hereinafter defined).

Whereas:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the laws of the United States (Title III of the Emergency Home Finance Act of 1970, as amended (the **"Freddie Mac Act**")) and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein;

(b) Pursuant to Section 306(a) of the Freddie Mac Act, Freddie Mac is authorized, upon such terms and conditions as it may prescribe, to borrow, to pay interest or other return, and to issue notes, bonds or other obligations or securities; and

(c) To provide funds to permit Freddie Mac to engage in activities consistent with its statutory purposes, Freddie Mac has established a Global Debt Facility (the **"Facility"**) and authorized the issuance, from time to time, pursuant to this Agreement, of unsecured general obligations of Freddie Mac or, if so provided in the applicable Supplemental Agreement (as hereinafter defined), secured obligations of Freddie Mac **("Debt Securities"**).

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed that the following terms and conditions of this Agreement (including, as to each issue of the Debt Securities, the applicable Supplemental Agreement) shall govern the Debt Securities and the rights and obligations of Freddie Mac and Holders with respect to the Debt Securities.

ARTICLE I

Definitions

Whenever used in this Agreement, the following words and phrases shall have the following meanings, unless the context otherwise requires.

Additional Debt Securities: Debt Securities issued by Freddie Mac with the same terms (other than Issue Date, interest commencement date and issue price) and conditions as Debt Securities for which settlement has previously occurred so as to form a single series of Debt Securities as specified in the applicable Supplemental Agreement.

Agreement: This Global Debt Facility Agreement dated as of February 13, 2020, as it may be amended or supplemented from time to time, and successors thereto pursuant to which Freddie Mac issues the Debt Securities.

Amortizing Debt Securities: Debt Securities on which Freddie Mac makes periodic payments of principal during the terms of such Debt Securities as described in the related Supplemental Agreement.

Beneficial Owner: The entity or individual that beneficially owns a Debt Security.

Bonds: Callable or non-callable, puttable or non-puttable Debt Securities with maturities of more than ten years.

Book-Entry Rules: FHFA regulations, 12 C.F.R. Part 1249, applicable to the Fed Book-Entry Debt Securities, and such procedures as to which Freddie Mac and the FRBNY may agree.

Business Day: (i) With respect to Fed Book-Entry Debt Securities, any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the FRBNY is closed, (d) as to any Holder of a Fed Book-Entry Debt Security, a day on which the Federal Reserve Bank that maintains the Holder's account is closed, or (e) a day on which Freddie Mac's offices are closed; and (ii) with respect to Registered Debt Securities, any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions are closed in (i) the City of New York, if the Specified Payment Currency is U.S. dollars or (2) the Principal Financial Center of the country of such Specified Payment Currency, if the Specified Payment Currency is other than U.S. dollars or euro, (d) if the Specified Payment Currency is euro, a day on which the TARGET2 system is not open for settlements, or a day on which payments in euro cannot be settled in the international interbank market as determined by the Global Agent, (e) for any required payment, a day on which banking institutions are closed in the place of payment, or (f) a day on which Freddie Mac's offices are closed.

Calculation Agent: Freddie Mac or a bank or broker-dealer designated by Freddie Mac in the applicable Supplemental Agreement as the entity responsible for determining the interest rate on a Variable Rate Debt Security.

Calculation Date: In each year, each of those days in the calendar year that are specified in the applicable Supplemental Agreement as being the scheduled Interest Payment Dates regardless, for this purpose, of whether any such date is in fact an Interest Payment Date and, for the avoidance of doubt, a "Calculation Date" may occur prior to the Issue Date or after the last Principal Payment Date.

Cap: A maximum interest rate at which interest may accrue on a Variable Rate Debt Security during any Interest Reset Period.

Citibank - London: Citibank, N.A., London office, the Global Agent for Registered Debt Securities.

Citigroup - Frankfurt: Citigroup Global Markets Europe AG, the Registrar for Registered Debt Securities.

Clearstream, Luxembourg: Clearstream Banking, société anonyme, which holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants.

CMT Determination Date: The second New York Banking Day preceding the applicable Reset Date.

CMT Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(M).

Code: The Internal Revenue Code of 1986, as amended.

Common Depositary: The common depositary for Euroclear, Clearstream, Luxembourg and/or any other applicable clearing system, which will hold Other Registered Debt Securities on behalf of Euroclear, Clearstream, Luxembourg and/or any such other applicable clearing system.

CUSIP Number: A unique nine-character designation assigned to each Debt Security by the CUSIP Service Bureau and used to identify each issuance of Debt Securities on the records of the Federal Reserve Banks or DTC, as applicable.

Dealers: Firms that engage in the business of dealing or trading in debt securities as agents, brokers or principals.

Debt Securities: Unsecured subordinated or unsubordinated notes, bonds and other debt securities issued from time to time by Freddie Mac under the Facility, or if so provided in the applicable Supplemental Agreement, secured obligation issued from time to time by Freddie Mac under the Facility.

Deleverage Factor: A Multiplier of less than one by which an applicable Index is multiplied.

Depository: DTC or any successor.

Deposits: Deposits commencing on the applicable Reset Date.

Designated EURIBOR Reuters Page: The display on Reuters Page EURIBOR01, or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying rates for Deposits in euro.

Designated EUR-LIBOR Reuters Page: The display on Reuters Page LIBOR01 or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying rates for Deposits in euro.

Designated Reuters Page: The display on Reuters Page LIBOR01 (or where the Index Currency is Australian dollars, Swiss francs or Yen, Page LIBOR02) or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying British Bankers' Association interest settlement rates for Deposits in the Index Currency.

Determination Date: The date as of which the rate of interest applicable to an Interest Reset Period is determined.

Determination Period: The period from, and including, one Calculation Date to, but excluding, the next Calculation Date.

DTC: The Depository Trust Company, a limited-purpose trust company, which holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes in accounts of DTC participants.

DTC Registered Debt Securities: Registered Debt Securities registered in the name of a nominee of DTC, which will clear and settle through the system operated by DTC.

EURIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(J).

EURIBOR Determination Date: The second TARGET2 Business Day preceding the applicable Reset Date, unless EURIBOR is determined in accordance with Section 2.07(i)(J)(3), in which case it means the applicable Reset Date.

EUR-LIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(I).

EUR-LIBOR Determination Date: The second TARGET2 Business Day preceding the applicable Reset Date.

Euroclear: Euroclear System, a depositary that holds securities for its participants and clears and settles transactions between its participants through simultaneous electronic book-entry delivery against payment.

Euro Representative Amount: A principal amount of not less than the equivalent of U.S. $1,000,000 in euro that, in the Calculation Agent's sole judgment, is representative for a single transaction in the relevant market at the relevant time.

Euro-Zone: The region consisting of member states of the European Union that adopt the single currency in accordance with the Treaty.

Event of Default: As defined in Section 7.01(a).

Extendible Variable Rate Securities: Variable Rate Debt Securities, the maturity of which may be extended at a Beneficial Owner's option effective as of certain specified dates, subject to a final maturity date, and that bear interest at variable rates subject to different Spreads for different specified periods.

Facility: The Global Debt Facility described in the Offering Circular dated February 13, 2020 under which Freddie Mac issues the Debt Securities.

Fed Book-Entry Debt Securities: U.S. dollar denominated Debt Securities issued and maintained in book-entry form on the Fed Book-Entry System.

Fed Book-Entry System: The book-entry system of the Federal Reserve Banks which provides book-entry holding and settlement for U.S. dollar denominated securities issued by the U.S. Government, certain of its agencies, instrumentalities, government-sponsored enterprises and international organizations of which the United States is a member.

Federal Funds Rate (Daily): The rate determined by the Calculation Agent in accordance with Section 2.07(i)(N).

Federal Funds Rate (Daily) Determination Date: The applicable Reset Date; provided, however, that if the Reset Date is not a Business Day, then the Federal Funds Rate (Daily) Determination Date means the Business Day immediately following the applicable Reset Date.

Federal Reserve: The Board of Governors of the Federal Reserve System.

Federal Reserve Bank: Each U.S. Federal Reserve Bank that maintains Debt Securities in book-entry form.

Federal Reserve Banks: Collectively, the Federal Reserve Banks.

Fiscal Agency Agreement: The Uniform Fiscal Agency Agreement between Freddie Mac and the FRBNY.

Fiscal Agent: The FRBNY is fiscal agent for Fed Book-Entry Debt Securities.

Fixed Principal Repayment Amount: An amount equal to 100% of the principal amount of a Debt Security, payable on the applicable Maturity Date or earlier date of redemption or repayment or a specified amount above or below such principal amount, as provided in the applicable Supplemental Agreement.

Fixed Rate Debt Securities: Debt Securities that bear interest at a single fixed rate.

Fixed/Variable Rate Debt Securities: Debt Securities that bear interest at a single fixed rate during one or more specified periods and at a variable rate determined by reference to one or more Indices, or otherwise, during one or more other periods. As to any such fixed rate period, the provisions of this Agreement relating to Fixed Rate Debt Securities shall apply, and, as to any such variable rate period, the provisions of this Agreement relating to Variable Rate Debt Securities shall apply.

Floor: A minimum interest rate at which interest may accrue on a Debt Security during any Interest Reset Period.

Freddie Mac: Federal Home Loan Mortgage Corporation, a government-sponsored enterprise chartered by Congress pursuant to the Freddie Mac Act.

Freddie Mac Act: Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. § 1451-1459.

FRB: The Board of Governors of the Federal Reserve System.

FRBNY: The Federal Reserve Bank of New York.

FRBNY's Website: The website of the FRBNY, currently at http://www.newyorkfed.org, or any successor source.

Global Agency Agreement: The agreement between Freddie Mac, the Global Agent and the Registrar.

Global Agent: The entity selected by Freddie Mac to act as its fiscal, transfer and paying agent for Registered Debt Securities.

H.15: The statistical release entitled "Statistical Release H.15, Selected Interest Rates" as published by the Federal Reserve, or any successor publication of the Federal Reserve available on its website at http://www.federalreserve.gov/releases/h15/or any successor site.

Holder: In the case of Fed Book-Entry Debt Securities, the entity whose name appears on the book-entry records of a Federal Reserve Bank as Holder; in the case of Registered Debt Securities in global registered form, the depository, or its nominee, in whose name the Registered Debt Securities are registered on behalf of a related clearing system; and, in the case of Registered Debt Securities in definitive registered form, the person or entity in whose name such Debt Securities are registered in the Register.

Holding Institutions: Entities eligible to maintain book-entry accounts with a Federal Reserve Bank.

Index: LIBOR, SOFR, EUR-LIBOR, EURIBOR, Prime Rate, Treasury Rate, CMT Rate, or Federal Funds Rate (Daily) or other specified interest rate, exchange rate or other index, as the case may be.

Index Currency: The currency or currency unit specified in the applicable Supplemental Agreement with respect to which an Index will be calculated for a Variable Rate Debt Security; provided, however, that if euro are substituted for such currency or currency unit, the Index Currency will be euro and the determination provisions for EUR-LIBOR will apply to such Debt Securities upon such substitution. If no such currency or currency unit is specified in the applicable Supplemental Agreement, the Index Currency will be U.S. dollars.

Index Maturity: The period with respect to which an Index will be calculated for a Variable Rate Debt Security that is specified in the applicable Supplemental Agreement.

Interest Component: Each future interest payment, or portion thereof, due on or prior to the Maturity Date, or if the Debt Security is subject to redemption or repayment prior to the Maturity Date, the first date on which such Debt Security is subject to redemption or repayment.

Interest Payment Date: The date or dates on which interest on Debt Securities will be payable in arrears.

Interest Payment Period: Unless otherwise provided in the applicable Supplemental Agreement, the period beginning on (and including) the Issue Date or the most recent Interest Payment Date, as the case may be, and ending on (but excluding) the earlier of the next Interest Payment Date or the Principal Payment Date.

Interest Reset Period: The period beginning on the applicable Reset Date and ending on the calendar day preceding the next Reset Date.

Issue Date: The date on which Freddie Mac wires an issue of Debt Securities to Holders or other date specified in the applicable Supplemental Agreement.

Leverage Factor: A Multiplier of greater than one by which an applicable Index is multiplied.

LIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(G).

LIBOR Determination Date: The second London Banking Day preceding the applicable Reset Date unless the Index Currency is Sterling, in which case it means the applicable Reset Date.

London Banking Day: Any day on which commercial banks are open for business (including dealings in foreign exchange and deposits in the Index Currency) in London.

Maturity Date: The date, one day or longer from the Issue Date, on which a Debt Security will mature unless extended, redeemed or repaid prior thereto.

Mortgage Linked Amortizing Debt Securities: Amortizing Debt Securities on which Freddie Mac makes periodic payments of principal based on the rate of payments on referenced mortgage or mortgage-related assets, as described in the related Supplemental Agreement.

Multiplier: A constant or variable number (which may be greater than or less than one) to be multiplied by the relevant Index for a Variable Rate Debt Security.

Notes: Callable or non-callable, puttable or non-puttable Debt Securities with maturities of more than one day.

New York Banking Day: Any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions in the City of New York are required or permitted by law or executive order to close, or (d) a day on which the FRBNY is closed.

Offering Circular: The Freddie Mac Global Debt Facility Offering Circular dated February 13, 2020 (including any related Offering Circular Supplement) and successors thereto.

OID Determination Date: The last day of the last accrual period ending prior to the date of the meeting of Holders (or, for consents not at a meeting, prior to a date established by Freddie Mac). The accrual period will be the same as the accrual period used by Freddie Mac to determine its deduction for accrued original issue discount under section 163 (e) of the Code.

Other Registered Debt Securities: Registered Debt Securities that are not DTC Registered Debt Securities, that are deposited with a Common Depositary and that will clear and settle through the systems operated by Euroclear, Clearstream, Luxembourg and/or any such other applicable clearing system other than DTC.

Pricing Supplement: A supplement to the Offering Circular that describes the specific terms of, and provides pricing information and other information for, an issue of Debt Securities or which otherwise amends, modifies or supplements the terms of the Offering Circular.

Prime Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(K).

Prime Rate Determination Date: The New York Banking Day preceding the applicable Reset Date.

Principal Component: The principal payment plus any interest payments that are either due after the date specified in, or are specified as ineligible for stripping in, the applicable Supplemental Agreement.

Principal Financial Center: (1) with respect to U.S. dollars, Sterling, Yen and Swiss francs, the City of New York, London, Tokyo and Zurich, respectively; or (2) with respect to any other Index Currency, the city specified in the related Pricing Supplement.

Principal Payment Date: The Maturity Date, or the earlier date of redemption or repayment, if any (whether such redemption or repayment is in whole or in part).

Range Accrual Debt Securities: Variable Rate Debt Securities on which no interest may accrue during periods when the applicable Index is outside a specified range as described in the related Supplemental Agreement.

Record Date: As to Registered Debt Securities issued in global form, the close of business on the Business Day immediately preceding such Interest Payment Date. As to Registered Debt Securities issued in definitive form, the fifteenth calendar day preceding an Interest Payment Date. Interest on a Registered Debt Security will be paid to the Holder of such Registered Debt Security as of the close of business on the Record Date.

Reference Bonds: U.S. dollar denominated non-callable and non-puttable Reference Securities with maturities of more than ten years.

Reference Notes: U.S. dollar denominated non-callable and non-puttable Reference Securities with maturities of more than one year.

Reference Securities: Scheduled U.S. dollar denominated issues of Debt Securities in large principal amounts, which may be either Reference Bonds or Reference Notes.

Register: A register of the Holders of Registered Debt Securities maintained by the Registrar.

Registered Debt Securities: Debt Securities issued and maintained in global registered or definitive registered form on the books and records of the Registrar.

Registrar: The entity selected by Freddie Mac to maintain the Register.

Representative Amount: A principal amount of not less than U.S. $1,000,000 that, in the Calculation Agent's sole judgment, is representative for a single transaction in the relevant market at the relevant time.

Reset Date: The date on which a new rate of interest on a Debt Security becomes effective.

Reuters: Reuters Group PLC or any successor service.

Reuters USAUCTION10 Page: The display designated as "USAUCTION10" (or any successor page) provided by Reuters.

Reuters USAUCTION11 Page: The display designated as "USAUCTION11" (or any successor page) provided by Reuters.

Reuters US PRIME1 Page: The display designated as page "USPRIME1"' (or any successor page) provided by Reuters.

Secured Overnight Financing Rate: The secured overnight financing rate published by the FRBNY on the FRBNY's Website.

SOFR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(H).

Specified Currency: The currency or currency unit in which a Debt Security may be denominated and in which payments of principal of and interest on a Debt Security may be made.

Specified Interest Currency: The Specified Currency provided for the payment of interest on Debt Securities.

Specified Payment Currency: The term to which the Specified Interest Currency and Specified Principal Currency are referred collectively.

Specified Principal Currency: The Specified Currency provided for the payment of principal on Debt Securities.

Spread: A constant or variable percentage or number to be added to or subtracted from the relevant Index for a Variable Rate Debt Security.

Step Debt Securities: Debt Securities that bear interest at different fixed rates during different specified periods.

Sterling: British pounds sterling.

Supplemental Agreement: An agreement which, as to the related issuance of Debt Securities, supplements the other provisions of this Agreement and identifies and establishes the particular offering of Debt Securities issued in respect thereof. A Supplemental Agreement may be documented by a supplement to this Agreement, a Pricing Supplement, a confirmation or a terms sheet. A Supplemental Agreement may, as to any particular issuance of Debt Securities, modify, amend or supplement the provisions of this Agreement in any respect whatsoever. A Supplemental Agreement shall be effective and binding as of its publication, whether or not executed by Freddie Mac.

TARGET2: The Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on November 19, 2007.

TARGET2 Business Day: A day on which the TARGET2 system or its successor is operating.

Treasury Auction: The most recent auction of Treasury Bills prior to a given Reset Date.

Treasury Bills: Direct obligations of the United States.

Treasury Department: United States Department of the Treasury.

Treasury Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(L).

Treasury Rate Determination Date: The day of the week in which the Reset Date falls on which Treasury Bills would normally be auctioned or, if no auction is held for a particular week, the first Business Day of that week. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday; provided, however, that if an auction is held on the Friday of the week preceding the Reset Date, the Treasury Rate Determination Date will be that preceding Friday; and provided, further, that if the Treasury Rate Determination Date would otherwise fall on the Reset Date, that Reset Date will be postponed to the next succeeding Business Day.

U.S. Government Securities Business Day: Any day except for (i) a Saturday, (ii) a Sunday, (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities, or (iv) a day on which the FRBNY is closed for business.

Variable Principal Repayment Amount: The principal amount determined by reference to one or more Indices or otherwise, payable on the applicable Maturity Date or date of redemption or repayment of a Debt Security, as specified in the applicable Supplemental Agreement.

Variable Rate Debt Securities: Debt Securities that bear interest at a variable rate, and reset periodically, determined by reference to one or more Indices or otherwise. The formula for a variable rate may include a Spread.

Yen: Japanese yen.

Zero Coupon Debt Securities: Debt Securities that do not bear interest and may be issued at a discount to their principal amount.

ARTICLE II

Authorization; Certain Terms

Section 2.01. Authorization.

Debt Securities shall be issued by Freddie Mac in accordance with the authority vested in Freddie Mac by Section 306(a) of the Freddie Mac Act. The indebtedness represented by the Debt Securities shall be unsecured general obligations of Freddie Mac, or, if so provided in the applicable Supplemental Agreement, secured obligations of Freddie Mac. Debt Securities shall be offered from time to time by Freddie Mac in an unlimited amount and shall be known by the designation given them, and have the Maturity Dates stated, in the applicable Supplemental Agreement. Freddie Mac, in its discretion and at any time, may offer Additional Debt Securities having the same terms and conditions as Debt Securities previously offered. The Debt Securities may be issued as Reference Securities, which includes Reference Notes and Reference Bonds, or may be issued as any other Debt Securities denominated in U.S. dollars or other currencies, with maturities of one day or longer and may be in the form of Notes or Bonds or otherwise. Issuances may consist of new issues of Debt Securities or reopenings of an existing issue of Debt Securities.

Section 2.02. Other Debt Securities Issued Hereunder.

Freddie Mac may from time to time create and issue Debt Securities hereunder which contain terms and conditions not specified in this Agreement. Such Debt Securities shall be governed by the applicable Supplemental Agreement and, to the extent that the terms of this Agreement are not inconsistent with Freddie Mac's intent in creating and issuing such Debt Securities, by the terms of this Agreement. Such Debt Securities shall be secured or unsecured obligations of Freddie Mac. If the Debt Securities are secured obligations of Freddie Mac, the provisions of Article V hereof shall apply to such Debt Securities.

Section 2.03. Specified Currencies and Specified Payment Currencies.

(a) Each Debt Security shall be denominated and payable in such Specified Currency as determined by Freddie Mac. Fed Book-Entry Debt Securities will be denominated and payable in U.S. dollars only.

(b) Except under the circumstances provided in Article VI hereof, Freddie Mac shall make payments of any interest on Debt Securities in the Specified Interest Currency and shall make payments of the principal of Debt Securities in the Specified Principal Currency. The Specified Currency for the payment of interest and principal with respect to any Debt Security shall be set forth in the applicable Supplemental Agreement.

Section 2.04. Minimum Denominations.

The Debt Securities shall be issued and maintained in the minimum denominations of U.S. $1,000 and additional increments of U.S. $1,000 for U.S. dollar denominated Debt Securities, unless otherwise provided in the applicable Supplemental Agreement and as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency. In the case of Zero Coupon Debt Securities, denominations will be expressed in terms of the principal amount payable on the Maturity Date.

Section 2.05. Maturity.

(a) Each Debt Security shall mature on its Maturity Date, as provided in the applicable Supplemental Agreement, unless redeemed at the option of Freddie Mac or repaid at the option of the Holder prior thereto in accordance with the provisions described under Section 2.06. Debt Securities may be issued with minimum or maximum maturities allowed or required from time to time by the relevant regulatory or stock exchange authority or clearing systems or any laws or regulations applicable to the Specified Currency.

(b) If so provided in the applicable Supplemental Agreement, certain Debt Securities may have provision permitting their Beneficial Owner to elect to extend the initial Maturity Date specified in such Supplemental Agreement, or any later date to which the maturity of such Debt Securities has been extended, on specified dates. However, the maturity of such Debt Securities may not be extended beyond the final Maturity Date specified in the Supplemental Agreement.

(c) The principal amount payable on the Maturity Date of a Debt Security shall be a Fixed Principal Repayment Amount or a Variable Principal Repayment Amount, in each case as provided in the applicable Supplemental Agreement.

Section 2.06. Optional Redemption and Optional Repayment.

(a) The Supplemental Agreement for any particular issue of Debt Securities shall provide whether such Debt Securities may be redeemed at Freddie Mac's option or repayable at the Holder's option, in whole or in part, prior to their Maturity Date. If so provided in the applicable Supplemental Agreement, an issue of Debt Securities shall be subject to redemption at the option of Freddie Mac, or repayable at the option of the Holders, in whole or in part, on one or more specified dates, at any time on or after a specified date, or during one or more specified periods of time. The redemption or repayment price for such Debt Securities (or such part of such Debt Securities as is redeemed or repaid) shall be an amount provided in, or determined in a manner provided in, the applicable Supplemental Agreement, together with accrued and unpaid interest to the date fixed for redemption or repayment.

(b) Unless otherwise provided in the applicable Supplemental Agreement, notice of optional redemption shall be given to Holders of the related Debt Securities not less than 5 Business Days prior to the date of redemption in the manner provided in Section 8.07. The date that we provide such notice constitutes the first Business Day for purposes of this minimum notice period. Freddie Mac also announces its intent to redeem certain Debt Securities on the Freddie Mac website at http://www.freddiemac.com/debt/html/redemption_release.html.

(c) In the case of a partial redemption of an issue of Fed Book-Entry Debt Securities by Freddie Mac, such Fed Book-Entry Debt Securities shall be redeemed pro rata. In the case of a partial redemption of an issue of Registered Debt Securities by Freddie Mac, one or more of such Registered Debt Securities shall be reduced by the Global Agent in the amount of such redemption, subject to the principal amount of such Registered Debt Securities after redemption remaining in an authorized denomination. The effect of any partial redemption of an issue of Registered Debt Securities on the Beneficial Owners of such Registered Debt Securities will depend on the procedures of the applicable clearing system and, if such Beneficial Owner is not a participant therein, on the procedures of the participant through which such Beneficial Owner owns its interest.

(d) If so provided in the applicable Supplemental Agreement, certain Debt Securities shall be repayable, in whole or in part, by Freddie Mac at the option of the relevant Holders thereof or otherwise, on one or more specified dates, at any time on or after a specified date, or during one or more specified periods of time, upon terms and procedures provided in the applicable Supplemental Agreement. Unless otherwise provided in the applicable Supplemental Agreement, in the case of a Registered Debt Security, to exercise such option, the Holder shall deposit with the Global Agent (i) such Registered Debt Security; and (ii) a duly completed notice of optional repayment in the form obtainable from the Global Agent, in each case not more than the number of days nor less than the number of days specified in the applicable Supplemental Agreement prior to the date fixed for repayment. Unless otherwise specified in the applicable Supplemental Agreement, no such Registered Debt Security (or notice of repayment) so deposited may be withdrawn without the prior consent of Freddie Mac or the Global Agent. Unless otherwise provided in the applicable Supplemental Agreement, in the case of a Fed Book-Entry Debt Security, if the Beneficial Owner wishes to exercise such option, then the Beneficial Owner shall give notice thereof to Freddie Mac through the relevant Holding Institution as provided in the applicable Supplemental Agreement.

(e) The principal amount payable upon redemption or repayment of a Debt Security shall be a Fixed Principal Repayment Amount or a Variable Principal Repayment Amount, in each case as provided in the applicable Supplemental Agreement.

Section 2.07. Payment Terms of the Debt Securities.

(a) Debt Securities shall bear interest at one or more fixed rates or variable rates or may not bear interest. If so provided in the applicable Supplemental Agreement, Debt Securities may be separated by a Holder into one or more Interest Components and Principal Components. The Offering Circular or the applicable Supplemental Agreement for such Debt Securities shall specify the procedure for stripping such Debt Securities into such Interest and Principal Components.

(b) The applicable Supplemental Agreement shall specify the frequency with which interest, if any, is payable on the related Debt Securities. Interest on Debt Securities shall be payable in arrears on the Interest Payment Dates specified in the applicable Supplemental Agreement and on each Principal Payment Date.

(c) Each issue of interest-bearing Debt Securities shall bear interest during each Interest Payment Period. No interest on the principal of any Debt Security will accrue on or after the Principal Payment Date on which such principal is repaid.

(d) The determination by the Calculation Agent of the interest rate on, or any Index in relation to, a Variable Rate Debt Security and the determination of any payment on any Debt Security (or any interim calculation in the determination of any such interest rate, index or payment) shall, absent manifest error, be final and binding on all parties. If a principal or interest payment error occurs, Freddie Mac may correct it by adjusting payments to be made on later Interest Payment Dates or Principal Payment Dates (as appropriate) or in any other manner Freddie Mac considers appropriate. If the source of an Index changes in format, but the Calculation Agent determines that the Index source continues to disclose the information necessary to determine the related interest rate substantially as required, the Calculation Agent will amend the procedure for obtaining information from that source to reflect the changed format. All Index values used to determine principal or interest payments are subject to correction within 30 days from the applicable payment. The source of a corrected value must be the same source from which the original value was obtained. A correction might result in an adjustment on a later date to the amount paid to the Holder.

(e) Payments on Debt Securities shall be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of a Specified Payment Currency other than U.S. dollars, to the nearest smallest transferable unit (with one-half cent or unit being rounded upwards).

(f) In the event that any jurisdiction imposes any withholding or other tax on any payment made by Freddie Mac (or our agent or any other person potentially required to withhold) with respect to a Debt Security, Freddie Mac (or our agent or such other person) will deduct the amount required to be withheld from such payment, and Freddie Mac (or our agent or such other person) will not be required to pay additional interest or other amounts, or redeem or repay the Debt Securities prior to the applicable Maturity Date, as a result.

(g) *Fixed Rate Debt Securities*

Fixed Rate Debt Securities shall bear interest at a single fixed interest rate. The applicable Supplemental Agreement shall specify the fixed interest rate per annum on a Fixed Rate Debt Security. Unless otherwise specified in the applicable Supplemental Agreement, interest on a Fixed Rate Debt Security shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(h) *Step Debt Securities*

Step Debt Securities shall bear interest from their Issue Date to a specified date at their initial fixed interest rate and from that date to their Maturity Date at one or more different fixed interest rates that shall be prescribed as of the Issue Date. A Step Debt Security will have one or more step periods. The applicable Supplemental Agreement shall specify the fixed interest rate per annum payable on Step Debt Securities for each related period from issuance to maturity. Unless otherwise specified in the applicable Supplemental Agreement, interest on a Step Debt Security shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(i) *Variable Rate Debt Securities*

(A) Variable Rate Debt Securities shall bear interest at a variable rate determined on the basis of a direct or an inverse relationship to one or more specified Indices or otherwise, (x) plus or minus a Spread, if any, or (y) multiplied by one or more Leverage or Deleverage Factors, if any, as specified in the applicable Supplemental Agreement. Variable Rate Debt Securities also may bear interest in any other manner described in the applicable Supplemental Agreement.

(B) Variable Rate Debt Securities may have a Cap and/or a Floor.

(C) The applicable Supplemental Agreement shall specify the accrual method (i.e., the day count convention) for calculating interest or any relevant accrual factor on the related Variable Rate Debt Securities. The accrual method may incorporate one or more of the following defined terms:

"Actual/360" shall mean that interest or any other relevant accrual factor shall be calculated on the basis of the actual number of days elapsed in a year of 360 days.

"Actual/365 (fixed)" shall mean that interest or any other relevant accrual factor shall be calculated on the basis of the actual number of days elapsed in a year of 365 days, regardless of whether accrual or payment occurs during a calendar leap year.

"Actual/Actual" shall mean, unless otherwise indicated in the applicable Supplemental Agreement, that interest or any other relevant accrual factor shall be calculated on the basis of (x) the actual number of days elapsed in the Interest Payment Period divided by 365, or (y) if any portion of the Interest Payment Period falls in a calendar leap year, (A) the actual number of days in that portion divided by 366 plus (B) the actual number of days in the remaining portion divided by 365. If so indicated in the applicable Supplemental Agreement, "Actual/Actual" shall mean interest or any other relevant accrual factor shall be calculated in accordance with the definition of "Actual/Actual" adopted by the International Securities Market Association (**"Actual/Actual (ISMA)"**), which means a calculation on the basis of the following:

(1) where the number of days in the relevant Interest Payment Period is equal to or shorter than the Determination Period during which such Interest Payment Period ends, the number of days in such Interest Payment Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Interest Payment Dates that would occur in one calendar year; or

(2) where the Interest Payment Period is longer than the Determination Period during which the Interest Payment Period ends, the sum of (A) the number of days in such Interest Payment Period falling in the Determination Period in which the Interest Payment Period begins divided by the product of (X) the number of days in such Determination Period and (Y) the number of Interest Payment Dates that would occur in one calendar year; and (B) the number of days in such Interest Payment Period falling in the next Determination Period divided by the product of (X) the number of days in such Determination Period and (Y) the number of Interest Payment Dates that would occur in one calendar year.

(D) The applicable Supplemental Agreement shall specify the frequency with which the rate of interest on the related Variable Rate Debt Securities shall reset. The applicable Supplemental Agreement also shall specify the Reset Date. If the interest rate will reset within an Interest Payment Period, then the interest rate in effect on the sixth Business Day preceding an Interest Payment Date will be the interest rate for the remainder of that Interest Payment Period and the first day of each Interest Payment Period also will be a Reset Date. Variable Rate Debt Securities may bear interest prior to the initial Reset Date at an initial interest rate, if any, specified in the applicable Supplemental Agreement. If so, then the first day of the first Interest Payment Period will not be a Reset Date. The rate of interest applicable to each Interest Reset Period shall be determined as provided below or in the applicable Supplemental Agreement.

Except for a Variable Rate Debt Security as to which the rate of interest thereon is determined by reference to LIBOR, SOFR, EUR-LIBOR, EURIBOR, Prime Rate, Treasury Rate, CMT Rate, or Federal Funds Rate (Daily) or as otherwise set forth in the applicable Supplemental Agreement, the Determination Date for a Variable Rate Debt Security means the second Business Day preceding the Reset Date applicable to an Interest Reset Period.

(E) If the rate of interest on a Variable Rate Debt Security is subject to adjustment within an Interest Payment Period, accrued interest shall be calculated by multiplying the principal amount of such Variable Rate Debt Security by an accrued interest factor. Unless otherwise specified in the applicable Supplemental Agreement, this accrued interest factor shall be computed by adding the interest factor calculated for each Interest Reset Period in such Interest Payment Period and rounding the sum to nine decimal places. The interest factor for each such Interest Reset Period shall be computed by (1) multiplying the number of days in the Interest Reset Period by the interest rate (expressed as a decimal) applicable to such Interest Reset Period; and (2) dividing the product by the number of days in the year referred to in the accrual method specified in the applicable Supplemental Agreement.

(F) For each issue of Variable Rate Debt Securities, the Calculation Agent shall also cause the interest rate for the applicable Interest Reset Period and the amount of interest accrued on the minimum denomination specified for such issue to be made available to Holders as soon as practicable after its determination but in no event later than two Business Days thereafter. Such interest amounts so made available may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Reset Period.

(G) If the applicable Supplemental Agreement specifies LIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"LIBOR" shall mean the daily average of the London interbank offered rates for Deposits in the Index Currency having the Index Maturity, as determined by the Calculation Agent (in the following order of priority):

(1) the rate that appears, at 11:00 a.m. (London time) on the LIBOR Determination Date, on the Designated Reuters Page for Deposits in the Index Currency having the Index Maturity;

(2) if such rate does not so appear pursuant to clause (1) above, the Calculation Agent shall request the principal London offices of four leading banks in the London interbank market selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the London interbank market for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on such LIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, the Calculation Agent shall request four major banks in the applicable Principal Financial Center selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to leading European banks for a loan in the Index Currency for a period of time corresponding to the Index Maturity, commencing on such Reset Date, at approximately 11:00 a.m. in the Principal Financial Center on such LIBOR Determination Date and in a Representative Amount. If at least two such quotations are provided, LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations; and

(4) if fewer than two such quotations are provided as requested in clause (3) above, LIBOR shall be LIBOR determined with respect to the Reset Date immediately preceding such Reset Date or, in the case of the first Reset Date, shall be the rate for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on the most recent London Banking Day preceding the related LIBOR Determination Date for which such rate shall have been displayed on the Designated Reuters Page with respect to Deposits commencing on the second London Banking Day following such date (or, if the Index Currency is Sterling, commencing on such date).

Effect of Benchmark Transition Event - LIBOR

Benchmark Replacement. Notwithstanding the foregoing, if Freddie Mac determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Debt Securities in respect of such determination on such date and all determinations on all subsequent dates.

Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, Freddie Mac will have the right to make Benchmark Replacement Conforming Changes from time to time.

Decisions and Determinations. Any determination, decision or election that may be made by Freddie Mac pursuant to this Section titled "Effect of Benchmark Transition Event - LIBOR," including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in Freddie Mac's sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Debt Securities, shall become effective without consent from any other party. For purposes of whether a Benchmark Replacement or Benchmark Replacement Adjustment can be determined by Freddie Mac, if a Benchmark

Replacement or Benchmark Replacement Adjustment alternative is, in the sole judgement of Freddie Mac, not administratively feasible, whether due to technical, administrative or operational issues, then such alternative shall be deemed not to be determinable.

Certain Defined Terms. As used in this Section titled "Effect of Benchmark Transition Event - LIBOR" and solely for the purposes of this Section:

"Benchmark" means, initially, LIBOR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"Benchmark Replacement" means the Interpolated Benchmark; provided that if Freddie Mac cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then "Benchmark Replacement" means the first alternative set forth in the order below that can be determined by Freddie Mac as of the Benchmark Replacement Date:

(1) the sum of: (a) Term SOFR and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(4) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(5) the sum of: (a) the alternate rate of interest that has been selected by Freddie Mac as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

provided, however, that if a Benchmark Replacement is selected pursuant to clause (2) above, then on the first day of each calendar quarter following such selection, if a redetermination of the Benchmark Replacement on such date would result in the selection of a Benchmark Replacement under clause (1) above, then (x) the Benchmark Replacement Adjustment may be redetermined on such date utilizing the Unadjusted Benchmark Replacement corresponding to the Benchmark Replacement under clause (1) above and (y) such redetermined Benchmark Replacement may, in the sole discretion of Freddie Mac, become the Benchmark on each LIBOR Determination Date on or after such date. If redetermination of the Benchmark Replacement on such date as described in the preceding sentence would not result in the selection of a Benchmark Replacement under clause (1), then the Benchmark shall remain the Benchmark Replacement as previously determined pursuant to clause (2) above.

Notwithstanding the foregoing provisions of this definition, if a Benchmark Replacement is selected on any date as a result of one or more alternatives higher in the above list not being administratively feasible as of such date and such higher alternative (including the related Benchmark Replacement Adjustment) subsequently becomes administratively feasible, Freddie Mac in its sole discretion may replace the previously selected Benchmark Replacement (including the related Benchmark Adjustment) with such higher alternative.

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by Freddie Mac as of the Benchmark Replacement Date:

(1) the spread adjustment (which may be a positive or negative value or zero), or method for calculating or determining such spread adjustment, that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by Freddie Mac giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar denominated floating rate notes at such time.

Notwithstanding the foregoing provisions of this definition, if a Benchmark Replacement Adjustment is selected on any date as a result of one or more alternatives higher in the above list not being administratively feasible as of such date and such higher alternative (and the related Unadjusted Benchmark Replacement) subsequently becomes administratively feasible, Freddie Mac in its sole discretion may replace the previously selected Benchmark Replacement Adjustment with such higher alternative (and the related Unadjusted Benchmark Replacement).

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Interest Period," timing and frequency of determining rates and making payments of interest, changes to the definition of "Corresponding Tenor" solely when such tenor is longer than the Interest Period and other administrative matters) that Freddie Mac decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if Freddie Mac decides that adoption of any portion of such market practice is not administratively feasible or if Freddie Mac determines that no market practice for use of the Benchmark Replacement exists, in such other manner as Freddie Mac determines is reasonably necessary).

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Compounded SOFR" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which will be compounded in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by Freddie Mac in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

(2) if, and to the extent that, Freddie Mac determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by Freddie Mac giving due consideration to any industry-accepted market practice for U.S. dollar denominated floating rate notes at such time.

"Corresponding Tenor" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"Interpolated Benchmark" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such determination, and (2) if the Benchmark is not LIBOR, the time determined by Freddie Mac in accordance with the Benchmark Replacement Conforming Changes.

"Relevant Governmental Body" means the Federal Reserve Board and/or the FRBNY, or a committee officially endorsed or convened by the Federal Reserve Board and/or the FRBNY or any successor thereto.

"SOFR" with respect to any day means the secured overnight financing rate published for such day by the FRBNY, as the administrator of the benchmark (or a successor administrator) on the FRBNY's Website.

"Term SOFR" means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(H) If the applicable Supplemental Agreement specifies SOFR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"SOFR" means the Secured Overnight Financing Rate published by the FRBNY on the FRBNY's Website. With respect to any U.S. Government Securities Business Day:

(1) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the FRBNY's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "SOFR Determination Time");

(2) if the rate specified in (1) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the FRBNY's Website;

"Compounded SOFR" means the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where, for purposes of applying the above formula:

"d_0," for any Observation Period, is the number of U.S. Government Securities Business Days in the relevant Observation Period;

"i" is a series of whole numbers from one to d0, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant Observation Period;

"$SOFR_i$," for any U.S. Government Securities Business Day "i" in the relevant Observation Period, is equal to SOFR in respect of that day "i";

"n_i," for any U.S. Government Securities Business Day "i" in the relevant Observation Period, is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("i+1"); and

"d" is the number of calendar days in the relevant Observation Period.

The following definitions solely apply to the preceding description of SOFR and Compounded SOFR:

"FRBNY's Website" means the website of the FRBNY, currently at http://www.newyorkfed.org, or any successor source.

"Observation Period" means, in respect of each Interest Period, the period from, and including, the date two U.S. Government Securities Business Days preceding the first date in such Interest Period to, but excluding, the date two U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period.

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Effect of Benchmark Transition Event - SOFR

Benchmark Replacement. Notwithstanding the foregoing, if Freddie Mac determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the notes in respect of all determinations on such date and for all determinations on all subsequent dates.

Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, Freddie Mac will have the right to make Benchmark Replacement Conforming Changes from time to time.

Decisions and Determinations. Any determination, decision or election that may be made by Freddie Mac pursuant to this Section titled "Effect of Benchmark Transition Event - SOFR," including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in Freddie Mac's sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Debt Securities, shall become effective without consent from any other party.

Certain Defined Terms. As used in this Section titled "Effect of Benchmark Transition Event - SOFR," and solely for purposes of this section:

"Benchmark" means, initially, SOFR, as such term is defined in Section titled "SOFR"; provided that if Freddie Mac determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by Freddie Mac as of the Benchmark Replacement Date.

(1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

(3) the sum of: (a) the alternate rate of interest that has been selected by Freddie Mac as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by Freddie Mac as of the Benchmark Replacement Date:

(1) the spread adjustment (which may be a positive or negative value or zero), or method for calculating or determining such spread adjustment, that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by Freddie Mac giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar- denominated floating rate notes at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that Freddie Mac decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if Freddie Mac decides that adoption of any portion of such market practice is not administratively feasible or if Freddie Mac determines that no market practice for use of the Benchmark Replacement exists, in such other manner as Freddie Mac determines is reasonably necessary).

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark.

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (2) if the Benchmark is not Compounded SOFR, the time determined by Freddie Mac after giving effect to the Benchmark Replacement Conforming Changes.

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(I) If the applicable Supplemental Agreement specifies EUR-LIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"EUR-LIBOR" shall mean, with respect to any Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in euro having the Index Maturity that appears on the Designated EUR-LIBOR Reuters Page at 11:00 a.m. (London time) on the related EUR-LIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, the Calculation Agent shall request the principal London offices of four leading banks in the London interbank market selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the London interbank market for Deposits in euro having the Index Maturity at 11:00 a.m. (London time) on such EUR-LIBOR Determination Date and in a Euro Representative Amount. If at least two quotations are provided, EUR-LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, the Calculation Agent shall request four major banks in London selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to leading European banks for a loan in euro for a period of time corresponding to the Index Maturity, commencing on such Reset Date, at approximately 11:00 a.m. (London time) on such EUR-LIBOR Determination Date and in a Euro Representative Amount. If at least two such quotations are provided, EUR-LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(4) if fewer than two such quotations are provided as requested in clause (3) above, EUR-LIBOR shall be EUR-LIBOR determined with respect to the Reset Date immediately preceding such Reset Date or, in the case of the first Reset Date, will be the rate for Deposits in euro having the Index Maturity at 11:00 a.m. (London time) on the most recent TARGET Business Day preceding the EUR-LIBOR Determination Date for which such rate was displayed on the Designated EUR-LIBOR Reuters Page for deposits starting on the second TARGET Business Day following such date; and

(5) if EUR-LIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to EUR-LIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to EUR-LIBOR. If, prior to the time EUR-LIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of EUR-LIBOR. If the Calculation Agent has designated an alternative determination method or index to EUR-LIBOR in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the EUR-LIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(J) If the applicable Supplemental Agreement specifies EURIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Statement):

"EURIBOR" shall mean, with respect to a Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in euro having the Index Maturity that appears on the Designated EURIBOR Reuters Page at 11:00 a.m., Brussels time, on the relevant EURIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, then the Calculation Agent will request the principal offices of four major banks in the Euro-Zone selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the Euro-Zone interbank market for Deposits in euro having the Index Maturity at 11:00 a.m. Brussels time on such EURIBOR Determination Date and in a Euro Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the rates quoted by major banks in the Euro-Zone, selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent), at approximately 11:00 a.m., Brussels time, on the EURIBOR Determination Date for loans in euro to leading European banks for a period of time corresponding to the Index Maturity and in a Euro Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the quotations;

(4) if fewer than two quotations are provided as requested in clause (3) above, EURIBOR will be EURIBOR as determined for the immediately preceding Reset Date or, in the case of the first Reset Date, the interest rate payable for the new Interest Reset Period will be the initial interest rate; and

(5) if EURIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to EURIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to EURIBOR. If, prior to the time EURIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of EURIBOR. If the Calculation Agent has designated an alternative determination method or index to EURIBOR in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the EURIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(K) If the applicable Supplemental Agreement specifies the Prime Rate as the applicable Index for determining the rate of interest for the related Variable Rate Debt Securities, the following provisions shall apply:

The **"Prime Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) the rate for the Prime Rate Determination Date, as published in H.15 or other recognized electronic source used for the purpose of displaying that rate opposite the caption "Bank prime loan";

(2) if the rate is not published in H.15 by 5:00 p.m., New York City time, on the Reset Date, then the Prime Rate will be the arithmetic mean, determined by the Calculation Agent, of the rates (after eliminating certain rates, as described below in this clause (2)) that appear, at 11:00 a.m., New York City time, on the Prime Rate Determination Date, on Reuters USPRIME1 Page as the U.S. dollar prime rate or base lending rate of each bank appearing on that page; provided, that at least three rates appear. In determining the arithmetic mean:

(i) if 20 or more rates appear, the highest five rates (or in the event of equality, five of the highest) and the lowest five rates (or in the event of equality, five of the lowest) will be eliminated,

(ii) if fewer than 20 but 10 or more rates appear, the highest two rates (or in the event of equality, two of the highest) and the lowest two rates (or in the event of equality, two of the lowest) will be eliminated, or

(iii) if fewer than 10 but five or more rates appear, the highest rate (or in the event of equality, one of the highest) and the lowest rate (or in the event of equality, one of the lowest) will be eliminated;

(3) if fewer than three rates so appear on Reuters USPRIME1 Page pursuant to clause (2) above, then the Calculation Agent will request five major banks in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such banks' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. If at least three quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest));

(4) if fewer than three quotations are so provided pursuant to clause (3) above, the Calculation Agent will request five banks or trust companies organized and doing business under the laws of the United States or any state, each having total equity capital of at least U.S. $500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent), to provide a quotation of such banks' or trust companies' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. In making such selection of five banks or trust companies, the Calculation Agent will include each bank, if any, that provided a quotation as requested in clause (3) above and exclude each bank that failed to provide a quotation as requested in clause (3). If at least three quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained; and

(5) if fewer than three quotations are so provided pursuant to clause (4) above, then the Prime Rate will be the Prime Rate determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Prime Rate will be the rate calculated pursuant to clause (1) for the most recent New York Banking Day preceding the Reset Date for which such rate was published in H.15.

(L) If the applicable Supplemental Agreement specifies the Treasury Rate as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"Treasury Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) the rate for the Treasury Rate Determination Date of Treasury Bills having the Index Maturity, as published in H.15, or other recognized electronic source used for the purpose of displaying that rate under the caption "U.S. government securities/Treasury bills (secondary market)";

(2) if the rate described in clause (1) above is not so published by 3.00 p.m., New York City time, on the Reset Date, then the rate from Treasury Auction of Treasury Bills having the Index Maturity, as that rate appears under the caption "INVEST RATE" on the display on Reuters USAUCTION10 Page or Reuters USAUCTION11 Page;

(3) if the rate described in clause (2) above is not published by 5:00 p.m., New York City time, on the Reset Date, then the auction average rate for Treasury Bills having the Index Maturity obtained from the applicable Treasury Auction as announced by the Treasury Department in the form of a press release under the heading "Investment Rate" by 5:00 p.m. on such Reset Date;

(4) if the rate described in clause (3) above is not so announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date, then auction average rate obtained from the Treasury Auction of the applicable Treasury Bills, as otherwise announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date as determined by the Calculation Agent;

(5) if such rate described in clause (4) is not so announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date, the Calculation Agent will request five leading primary United States government securities dealers in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such dealers' secondary market bid yields, as of 3:00 p.m. on the Reset Date, for Treasury Bills with a remaining maturity closest to the Index Maturity (or, in the event that the remaining maturities are equally close, the longer remaining maturity). If at least three quotations are provided, then the Treasury Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained; and

(6) if fewer than three quotations are so provided pursuant to clause (5) above, then the Treasury Rate for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Treasury Rate will be the auction average rate for Treasury Bills having the Index Maturity from the most recent auction of Treasury Bills prior to the Reset Date for which such rate was announced by the Treasury Department in the form of a press release under the heading "Investment Rate."

The rate (including the auction average rate) for Treasury Bills and the secondary market bid yield for Treasury Bills will be obtained and expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable (or, if not so expressed, will be converted by the Calculation Agent to such a bond equivalent yield).

(M) If the applicable Supplemental Agreement specifies the CMT Rate as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"CMT Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) for any CMT Determination Date, the daily rate for the Index Maturity that appears on page "FRBCMT" on Reuters (or any other page that replaces the FRBCMT page on that service or any successor service) under the heading "...Treasury Constant Maturities. Federal Reserve Board Release H.15...Mondays Approximately 3:45 p.m.";

(2) if the applicable rate described in clause (1) is not displayed on Reuters page FRBCMT at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate for the Index Maturity applicable for the CMT Determination Date as published in H.15;

(3) if the CMT Rate is not determined pursuant to clause (1) and the applicable rate described in clause (2) does not appear in H.15 at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury rate, applicable to an Index Maturity with reference to the CMT Determination Date, that:

(i) is published by the Federal Reserve or the Treasury Department; and

(ii) Freddie Mac has determined to be comparable to the applicable rate formerly displayed on the FRBCMT page on Reuters and published in H.15;

(4) if the CMT Rate is not determined pursuant to clause (1) or (2) and the rate described in clause (3) above does not appear at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for U.S. Treasury securities with an original maturity of approximately the Index Maturity and a remaining term to maturity of no more than one year shorter than the Index Maturity, and in a Representative Amount, as of approximately 3:45 p.m., New York City time, on the CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City that Freddie Mac selects. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest. If two U.S. Treasury securities with an original maturity longer than the Index Maturity have remaining terms to maturity that are equally close to the Index Maturity, Freddie Mac will obtain quotations for the U.S. Treasury security with the shorter remaining term to maturity;

(5) if the CMT Rate is not determined pursuant to clause (1), (2) or (3) and fewer than five but more than two primary dealers are quoting offered rates as described in clause (4), then the CMT Rate for the CMT Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded;

(6) if the CMT Rate is not determined pursuant to clause (1), (2), (3) or (4) and two or fewer primary dealers are quoting offered rates as described in clause (5), then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for U.S. Treasury securities having an original maturity longer than the Index Maturity and a remaining term to maturity closest to the Index Maturity, and in a Representative Amount, as of approximately 3:45 p.m., New York City time, on the CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City that Freddie Mac selects. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation, or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest;

(7) if the CMT Rate is not determined pursuant to clauses (1) through (6) above and fewer than five but more than two primary dealers are quoting offered rates as described in clause (6), then the CMT Rate for the CMT Determination date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded;

(8) if the Calculation Agent obtains fewer than three quotations of the kind described in clause (6), the CMT Rate in effect for the new Interest Reset Period will be the CMT Rate in effect for the prior Interest Reset Period, or if the applicable Reset Date is the first Reset Date, the rate of interest payable for the new Interest Reset Period will be the initial interest rate; and

(9) if the CMT Rate in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to the CMT Rate, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to the CMT Rate. If, prior to the time the CMT Rate may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of the CMT Rate. If the Calculation Agent has designated an alternative determination method or index to the CMT Rate in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the CMT Rate base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(N) If the applicable Supplemental Agreement specifies the Federal Funds Rate (Daily) as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"Federal Funds Rate (Daily)"** means, with respect to any Reset Date:

(1) the rate for the Business Day preceding the Federal Funds Rate (Daily) Determination Date for U.S. dollar federal funds, as published in the latest H.15 or other recognized electronic source used for the purpose of displaying that rate opposite the caption "Federal funds (effective)";

(2) if the rate specified in clause (1) is not published by 5:00 p.m., New York City time, on the Federal Funds Rate Determination Date, then the Calculation Agent will request five leading brokers (which may include the related Dealers or their affiliates) of federal funds transactions in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) each to provide a quotation of the broker's effective rate for transactions in overnight federal funds arranged by the broker settling on the Business Day preceding the Federal Funds Rate (Daily) Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest));

(3) if fewer than two quotations are so provided pursuant to clause (2) above, then the Calculation Agent will request five leading brokers (which may include the related Dealers or their affiliates) of federal funds transactions in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) each to provide a quotation of the broker's rates for the last transaction in overnight federal funds arranged by the broker as of 11:00 a.m., New York City time, on the Business Day preceding the Federal Funds Rate (Daily) Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)); and

(4) if fewer than two quotations are so provided pursuant to clause (3) above, then the Federal Funds Rate (Daily) as of such Federal Funds Rate (Daily) Determination Date will be the Federal Funds Rate (Daily) determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the rate of interest payable for the new Interest Rate Period will be the initial interest rate.

(j) *Fixed/Variable Rate Debt Securities*

Fixed/Variable Rate Debt Securities shall bear interest at a single fixed rate for one or more specified periods and at a rate determined by reference to one or more Indices, or otherwise, for one or more other specified periods. Fixed/Variable Rate Debt Securities also may bear interest at a rate that Freddie Mac may elect to convert from a fixed rate to a variable rate or from a variable rate to a fixed rate, if so provided in the applicable Supplemental Agreement.

If Freddie Mac may convert the interest rate on a Fixed/Variable Rate Debt Security from a fixed rate to a variable rate, or from a variable rate to a fixed rate, accrued interest for each Interest Payment Period may be calculated using an accrued interest factor in the manner described in Section 2.07(i)(E).

(k) *Zero Coupon Debt Securities*

Zero Coupon Debt Securities shall not bear interest.

(l) *Amortizing Debt Securities*

Amortizing Debt Securities are those on which Freddie Mac makes periodic payments of principal during the terms of such Debt Securities as described in the related Supplemental Agreement. Amortizing Debt Securities may bear interest at fixed or variable rates.

(m) *Debt Securities with Variable Principal Repayment Amounts*

Variable Principal Repayment Amount Debt Securities are those on which the amount of principal payable is determined with reference to an Index specified in the related Supplemental Agreement.

(n) *Mortgage Linked Amortizing Debt Securities*

Mortgage Linked Amortizing Debt Securities are Amortizing Debt Securities on which Freddie Mac makes periodic payments of principal based on the rate of payments on referenced mortgage or mortgage-related assets, as described in the related Supplemental Agreement. Mortgage Linked Amortizing Debt Securities may bear interest at fixed or variable rates.

(o) *Range Accrual Debt Securities*

Range Accrual Debt Securities are Variable Rate Debt Securities on which no interest may accrue during periods when the applicable Index is outside a specified range as described in the related Supplemental Agreement.

(p) *Extendible Variable Rate Debt Securities*

Extendible Variable Rate Debt Securities' are Variable Rate Debt Securities, the maturity of which may be extended at a Beneficial Owner's option effective as of specified dates, subject to a final maturity date, and that bear interest at variable rates subject to different Spreads for different specified periods, as described in the related Supplemental Agreement.

Section 2.08. Business Day Convention.

Unless otherwise specified in the applicable Supplemental Agreement, in any case in which an Interest Payment Date or Principal Payment Date is not a Business Day, payment of any interest on or the principal of the Debt Securities shall not be made on such date but shall be made on the next Business Day with the same force and effect as if made on such Interest Payment Date or Principal Payment Date, as the case may be. Unless otherwise provided in the applicable Supplemental Agreement, no interest on such payment shall accrue for the period from and after such Interest Payment Date or Principal Payment Date, as the case may be, to the actual date of such payment.

Section 2.09. Reopened Issues and Repurchases.

Freddie Mac reserves the right, in its discretion and at any time, to offer additional Debt Securities which have the same terms (other than Issue Date, interest commencement date and issue price) and conditions as Debt Securities for which settlement has previously occurred or been scheduled so as to form a single series of Debt Securities as specified in the applicable Supplemental Agreement.

Freddie Mac reserves the right, in its discretion and at any time, to purchase Debt Securities or otherwise acquire (either for cash or in exchange for securities) some or all of an issue of Debt Securities at any price or prices in the open market or otherwise. Such Debt Securities may be held, resold or canceled by Freddie Mac.

ARTICLE III

Form; Clearance and Settlement Procedures

Section 3.01. Form of Fed Book-Entry Debt Securities.

(a) *General*

Fed Book-Entry Debt Securities shall be issued and maintained only on the Fed Book-Entry System. Fed Book-Entry Debt Securities shall not be exchangeable for definitive Debt Securities. The Book-Entry Rules are applicable to Fed Book-Entry Debt Securities.

(b) *Title*

Fed Book-Entry Debt Securities shall be held of record only by Holding Institutions. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities to whose accounts Fed Book-Entry Debt Securities have been deposited shall be the Holders of such Fed Book-Entry Debt Securities. The rights of the Beneficial Owner of a Fed Book-Entry Debt Security with respect to Freddie Mac and the Federal Reserve Banks may be exercised only through the Holder of the Fed Book-Entry Debt Security. Freddie Mac and the Federal Reserve Banks shall have no direct obligation to a Beneficial Owner of a Fed Book-Entry Debt Security that is not also the Holder of the Fed Book-Entry Debt Security. The Federal Reserve Banks shall act only upon the instructions of the Holder in recording transfers of a Debt Security maintained on the Fed Book-Entry System. Freddie Mac and the Federal Reserve Banks may treat the Holders as the absolute owners of Fed Book-Entry Debt Securities for the purpose of making payments in respect thereof and for all other purposes, whether or not such Fed Book-Entry Debt Securities shall be overdue and notwithstanding any notice to the contrary.

The Holders and each other financial intermediary holding such Fed Book-Entry Debt Securities directly or indirectly on behalf of the Beneficial Owners shall have the responsibility of remitting payments for the accounts of their customers. All payments on Fed Book-Entry Debt Securities shall be subject to any applicable law or regulation.

(c) *Fiscal Agent*

The FRBNY shall be the Fiscal Agent for Fed Book-Entry Debt Securities.

In acting under the Fiscal Agency Agreement, the FRBNY shall act solely as Fiscal Agent of Freddie Mac and does not assume any obligation or relationship of agency or trust for or with any Holder of a Fed Book-Entry Debt Security.

Section 3.02. Form of Registered Debt Securities.

(a) *General*

As specified in the applicable Supplemental Agreement, Registered Debt Securities shall be deposited with (i) a custodian for, and registered in the name of a nominee of, DTC, or (ii) a Common Depositary, and registered in the name of such Common Depositary or a nominee of such Common Depositary.

(b) *Title*

The person in whose name a Registered Debt Security is registered in the Register shall be the Holder of such Registered Debt Security. Beneficial interests in a Registered Debt Security shall be represented, and transfers thereof shall be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Owners of such Registered Debt Security, as a direct or indirect participant in the applicable clearing system for such Registered Debt Security.

Freddie Mac, the Global Agent and the Registrar may treat the Holders as the absolute owners of Registered Debt Securities for the purpose of making payments and for all other purposes, whether or not such Registered Debt Securities shall be overdue and notwithstanding any notice to the contrary. Owners of beneficial interests in a Registered Debt Security shall not be considered by Freddie Mac, the Global Agent or the Registrar as the owner or Holder of such Registered Debt Security and, except as provided in Section 4.02(a), shall not be entitled to have Debt Securities registered in their names and shall not receive or be entitled to receive definitive Debt Securities. Any Beneficial Owner shall rely on the procedures of the applicable clearing system and, if such Beneficial Owner is not a participant therein, on the procedures of the participant through which such Beneficial Owner holds its interest, to exercise any rights of a Holder of such Registered Debt Securities.

Payments by DTC participants to Beneficial Owners of DTC Registered Debt Securities held through DTC participants shall be the responsibility of such participants. Payments with respect to Other Registered Debt Securities held through Euroclear, Clearstream, Luxembourg or any other applicable clearing system shall be credited to Euroclear participants, Clearstream, Luxembourg participants or participants of any other applicable clearing system in accordance with the relevant system's rules and procedures.

(c) *Global Agent*

In acting under the Global Agency Agreement, the Global Agent acts solely as a fiscal agent of Freddie Mac and does not assume any obligation or relationship of agency or trust for or with any Holder of a Registered Debt Security, except that any moneys held by the Global Agent for payment on a Registered Debt Security shall be held in trust for the Holder as provided in the Global Agency Agreement.

(d) *Registrar*

In acting under the Global Agency Agreement, the Registrar does not assume any obligation or relationship of agency or trust for, or with, any Holder of a Registered Debt Security.

Section 3.03. Clearance and Settlement Procedures.

(a) *General*

Unless otherwise provided in the applicable Supplemental Agreement:

(i) Most Debt Securities denominated and payable in U.S. dollars and distributed within the United States shall clear and settle through the Fed Book-Entry System.

(ii) Most Debt Securities denominated and payable in U.S. dollars and distributed simultaneously within and outside of the United States, including all Reference Securities, shall clear and settle, within the United States, through the Fed Book-Entry System and, outside of the United States, through the systems operated by Euroclear, Clearstream, Luxembourg and/or any other designated clearing system.

(iii) Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars that are not cleared and settled in accordance with clause (i) and (ii) above and distributed solely within the United States will clear and settle through the system operated by DTC.

(iv) Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars that are not cleared and settled in accordance with clauses (i) and (ii) above) and distributed simultaneously within and outside of the United States shall clear and settle through the systems operated by DTC, Euroclear, Clearstream, Luxembourg and/or any other designated clearing system.

(v) Debt Securities, irrespective of the Specified Currency in which such Debt Securities are denominated or payable, distributed solely outside of the United States shall clear and settle through the systems operated by Euroclear, Clearstream, Luxembourg and/or any other designated clearing system or, in certain cases, DTC.

(b) *Primary Distribution*

(i) *General.* On initial issue, Debt Securities shall be credited through one or more of the systems specified below or any other system specified in the applicable Supplemental Agreement.

(ii) *Federal Reserve Banks.* Fed Book-Entry Debt Securities shall be issued and settled through the Fed-Book-Entry System in same-day funds and shall be held by designated Holding Institutions. After initial issue, all Fed Book-Entry Debt Securities shall continue to be held by such Holding Institutions in the Fed Book-Entry System unless arrangements are made for the transfer thereof to another Holding Institution. Fed Book-Entry Debt Securities shall not be exchangeable for definitive Debt Securities.

(iii) *DTC.* DTC participants acting on behalf of investors holding DTC Registered Debt Securities through DTC shall follow the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement System. DTC Registered Debt Securities shall be credited to DTC participants' securities accounts following confirmation of receipt of payment to Freddie Mac on the relevant Issue Date.

(iv) *Euroclear and Clearstream, Luxembourg.* Investors holding Other Registered Debt Securities through Euroclear, Clearstream, Luxembourg or such other clearing system shall follow the settlement procedures applicable to conventional Eurobonds in registered form. Such Other Registered Debt Securities shall be credited to Euroclear, Clearstream, Luxembourg or such other clearing system participants' securities accounts either on the relevant Issue Date or on the settlement day following the relevant Issue Date against payment in same-day funds (for value on the relevant Issue Date).

(c) *Secondary Market Transfers*

(i) *Fed Book-Entry Debt Securities.* Transfers of Fed Book-Entry Debt Securities shall take place only in book-entry form on the Fed Book-Entry System. Such transfers shall occur between Holding Institutions in accordance with the rules of the Fed Book-Entry System.

(ii) *Registered Debt Securities.* Transfers of beneficial interests in Registered Debt Securities within the various systems that may be clearing and settling interests therein shall be made in accordance with the usual rules and operating procedures of the relevant system applicable to the Registered Debt Securities and the nature of the transfer.

(iii) Freddie Mac shall not bear responsibility for the performance by any system or the performance of the system's respective direct or indirect participants or accountholders of the respective obligations of such participants or account holders under the rules and procedures governing such system's operations.

ARTICLE IV

Payments, Exchange for Definitive Debt Securities

Section 4.01. Payments.

(a) *Payments on Fed Book-Entry Debt Securities*

Payments of principal of and any interest on Fed Book-Entry Debt Securities shall be made in U.S. dollars (except as otherwise provided in the applicable Supplemental Agreement) on the applicable payment dates to Holders thereof as of the end of the Business Day preceding each such payment date. Payments on Fed Book-Entry Debt Securities shall be made by credit of the payment amount to the Holders' accounts at the relevant Federal Reserve Bank. All payments to or upon the order of a Holder shall be valid and effective to discharge the liability of Freddie Mac and the Fiscal Agent in respect of the related Fed Book-Entry Debt Securities.

(b) *Payments on Registered Debt Securities*

(i) Payments in respect of Registered Debt Securities shall be made in immediately available funds to DTC, Euroclear, Clearstream, Luxembourg or any other applicable clearing system, or their respective nominees, as the case may be, as the Holders thereof. Except as provided in Article VII hereof, such payments shall be made in the Specified Payment Currency. All payments to or upon the order of the Holder of a Registered Debt Security shall be valid and effective to discharge the liability of Freddie Mac in respect of such Registered Debt Security. Ownership positions within each system shall be determined in accordance with the normal conventions observed by such system. Freddie Mac, the Global Agent and the Registrar shall not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Registered Debt Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(ii) Interest on a Registered Debt Security shall be paid on the applicable Interest Payment Date. Such interest payment shall be made to the Holder of such Registered Debt Security as of the close of business on the related Record Date. The first payment of interest on any Registered Debt Security originally issued between a Record Date and the related Interest Payment Date shall be made on the Interest Payment Date following the next Record Date to the Holder on such next Record Date. The principal of each Registered Debt Security, together with accrued and unpaid interest thereon, shall be paid to the Holder thereof against presentation and surrender of such Registered Debt Security.

(iii) All payments on Registered Debt Securities are subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, payments in respect of the related Registered Debt Securities shall be made at the office of any paying agent in the United States.

Section 4.02. Exchange for Definitive Debt Securities.

In the event that Freddie Mac issues definitive Debt Securities in exchange for Registered Debt Securities issued in global form, such definitive Debt Securities shall have terms identical to the Registered Debt Securities for which they were exchanged except as described below.

(a) *Issuance of Definitive Debt Securities*

Unless otherwise provided in the applicable Supplemental Agreement, beneficial interests in Registered Debt Securities issued in global form shall be subject to exchange for definitive Debt Securities only if such exchange is permitted by applicable law and (i) in the case of a DTC Registered Debt Security, DTC notifies Freddie Mac that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such DTC Registered Debt Security, or ceases to be a "clearing agency" registered under the Securities Exchange Act of 1934 (if so required), or is at any time no longer eligible to act as such, and in each case Freddie Mac is unable to locate a successor within 90 calendar days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of any Other Registered Debt Security, if all of the systems through which it is cleared or settled are closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or are permanently closed for business or have announced an intention permanently to cease business and in any such situations Freddie Mac is unable to locate a single successor within 90 calendar days of such closure; or (iii) an Event of Default has occurred and continues unremedied. In such circumstances, Freddie Mac shall cause sufficient definitive Debt Securities to be executed and delivered as soon as practicable (and in any event within 45 calendar days of Freddie Mac's receiving notice of the occurrence of such circumstances) to the Global Agent or its agent for completion, authentication and delivery to the relevant registered holders of such definitive Debt Securities. A person having an interest in a DTC Registered Debt Security or Other Registered Debt Security issued in global form shall provide Freddie Mac or the Global Agent with a written order containing instructions and such other information as Freddie Mac or the Global Agent may require to complete, execute and deliver such definitive Debt Securities in authorized denominations.

(b) *Title*

The person in whose name a definitive Debt Security is registered in the Register shall be the **"Holder"** of such definitive Debt Security. Freddie Mac, the Global Agent and the Registrar may treat the Holders as the absolute owners of definitive Debt Securities for the purpose of making payments and for all other purposes, whether or not such definitive Debt Securities shall be overdue and notwithstanding any notice to the contrary.

(c) *Payments*

Interest on a definitive Debt Security shall be paid on the applicable Interest Payment Date. Such interest payments shall be made by check mailed to the Holder thereof at the close of business on the Record Date preceding such Interest Payment Date at such Holder's address appearing in the Register. The principal of each definitive Debt Security, together with accrued and unpaid interest thereon, shall be due on the Principal Payment Date (subject to the right of the Holder thereof on the related Record Date to receive interest due on an Interest Payment Date that is on or prior to such Principal Payment Date) and shall be paid against presentation and surrender of such definitive Debt Security at the offices of the Global Agent or other paying agent. Payments on the Principal Payment Date shall be made by check provided at the appropriate office of the Global Agent or other paying agent or mailed by the Global Agent to the Holder of such definitive Debt Security. U.S. dollar checks shall be drawn on a bank in the United States. Checks in a Specified Payment Currency other than U.S. dollars shall be drawn on a bank office located outside the United States.

Notwithstanding the provisions described in the preceding paragraph relating to payments by check, the Holder of an aggregate principal amount of at least $10,000,000 of an issue of Debt Securities of which definitive Debt Securities form a part (or, in the case of a definitive Debt Security denominated in a Specified Currency other than U.S. dollars, the Specified Currency equivalent of at least $10,000,000) may elect to receive payments thereon by wire transfer of immediately available funds in the Specified Payment Currency to an account in such Specified Payment Currency with a bank designated by such Holder that is acceptable to Freddie Mac; provided, that such bank has appropriate facilities therefor and accepts such transfer and such transfer is permitted by any applicable law or regulation and will not subject Freddie Mac to any liability, requirement or unacceptable charge. In order for such Holder to receive such payments, the relevant paying agent (including the Global Agent) must receive at its office from such Holder (i) in the case of payments on an Interest Payment Date, a written request therefor not later than the close of business (a) on the related Record Date in the case of a definitive Debt Security or (b) 15 days prior to such Interest Payment Date in the case of a Registered Debt Security issued in the global form; or (ii) in the case of payments on the Principal Payment Date, a written request therefor not later than the close of business on the date 15 days prior to such Principal Payment Date and the related definitive Debt Security not later than two Business Days prior to such Principal Payment Date. Such written request must be delivered to the relevant paying agent (including the Global Agent) by mail, by hand delivery or by tested or authenticated telex. Any such request shall remain in effect until the relevant paying agent receives written notice to the contrary.

All payments on definitive Debt Securities shall be subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or similar restrictions, payments in respect of the related definitive Debt Securities may be made at the office of any paying agent in the United States.

(d) *Partial Redemption*

Definitive Debt Securities subject to redemption in part by Freddie Mac shall be selected by the Global Agent by lot or in such other manner as the Global Agent deems fair and appropriate, subject to the requirement that the principal amount of each outstanding definitive Debt Security after such redemption is in an authorized denomination.

(e) *Transfer and Exchange*

Definitive Debt Securities shall be presented for registration of transfer or exchange (with the form of transfer included thereon properly endorsed, or accompanied by a written instrument of transfer, with such evidence of due authorization and guaranty of signature as may be required by the Registrar, duly executed) at the office of the Registrar or any other transfer agent upon payment of any taxes and other governmental charges and other amounts, but without payment of any service charge to the Registrar or such transfer agent for such transfer or exchange. A transfer or exchange shall not be effective unless, and until, recorded in the Register.

A transfer or exchange of a definitive Debt Security shall be effected upon satisfying the Registrar with regard to the documents and identity of the person making the request and subject to such reasonable regulations as Freddie Mac may from time to time agree with the Registrar. Such documents may include forms prescribed by U.S. tax authorities to establish the applicability of, or the exemption from, withholding or other taxes regarding the transferee Holder. Definitive Debt Securities may be transferred or exchanged in whole or in part only in the authorized denominations of the DTC Registered Debt Securities or Other Registered Debt Securities issued in global form for which they were exchanged. In the case of a transfer of a definitive Debt Security in part, a new definitive Debt Security in respect of the balance not transferred shall be issued to the transferor. In addition, replacement of mutilated, destroyed, stolen or lost definitive Debt Securities also is subject to the conditions discussed above with respect to transfers and exchanges generally. Each new definitive Debt Security to be issued upon transfer of such a definitive Debt Security, as well as the definitive Debt Security issued in respect of the balance not transferred, shall be mailed to such address as may be specified in the form or instrument of transfer at the risk of the Holder entitled thereto in accordance with the customary procedures of the Registrar.

ARTICLE V

Secured Debt Securities

If so provided in the applicable Supplemental Agreement, the indebtedness represented by certain Debt Securities shall be secured obligations of Freddie Mac. In such event, the description of the security interest and the terms of the grant of the security interest shall be set forth in the applicable Supplemental Agreement.

ARTICLE VI

Currency Conversions

Section 6.01. Currency Conversions for DTC Registered Debt Securities.

(a) In the case of DTC Registered Debt Securities whose Specified Payment Currency is other than U.S. dollars, the Currency Exchange Bank specified in the applicable Supplemental Agreement, for Holders of such DTC Registered Debt Securities, shall convert any amounts paid by Freddie Mac in such Specified Payment Currency into U.S. dollars, unless such Holders elect to receive payments in such Specified Payment Currency as hereinafter described. Freddie Mac shall have no responsibility for the conversion of the Specified Payment Currency for such DTC Registered Debt Securities into U.S. dollars.

(b) The U.S. dollar amount to be received by a Holder of a DTC Registered Debt Security in respect of which payments are to be converted from the Specified Payment Currency into U.S. dollars shall be determined by the Currency Exchange Bank in the morning of the day that would be considered the date for “spot” settlement of the Specified Payment Currency on the applicable payment date in accordance with market convention (generally two New York business days prior to such payment date) at the market rate determined by the Currency Exchange Bank to accomplish the conversion on such payment date of the aggregate amount of the Specified Payment Currency payable in respect of DTC Registered Debt Securities scheduled to receive payments converted into U.S. dollars. All currency exchange costs shall be borne by the Holders of such DTC Registered Debt Securities (and, accordingly, by the related Beneficial Owners) by deductions from such payments. In the event all or any portion of a Specified Payment Currency is not convertible into U.S. dollars, Holders of such DTC Registered Debt Securities shall receive payment in the Specified Payment Currency.

(c) A Holder of a DTC Registered Debt Security to be paid in a Specified Payment Currency other than U.S. dollars shall have the option to receive payments of the principal of and any interest on such DTC Registered Debt Security in the Specified Payment Currency by notifying DTC no later than the date 12 days prior to such Principal Payment Date or Interest Payment date, as applicable.

ARTICLE VII

Events of Default and Remedies

Section 7.01. Events of Default.

(a) An "**Event of Default**" with respect to a specific issue of Debt Securities shall consist of (i) any failure by Freddie Mac to pay to Holders of such Debt Securities any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac to perform in any material respect any other covenant or agreement in this Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of not less than 25% of the outstanding principal amount (or notional principal amount) of such Debt Securities; (iii) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, or sequestrator (or other similar official) of Freddie Mac or for all or substantially all of its property, or order the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (iv) Freddie Mac shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, or sequestrator (or other similar official) of Freddie Mac or any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over Freddie Mac, whether or not Freddie Mac consents to such appointment, will not constitute an Event of Default.

Section 7.02. Rights Upon Event of Default.

(a) As long as an Event of Default under this Agreement remains unremedied, Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities to which such Event of Default relates may, by written notice to Freddie Mac, declare such Debt Securities due and payable and accelerate the maturity of such Debt Securities. Upon such acceleration, the principal amount of such Debt Securities and the interest accrued thereon shall be due and payable.

(b) No Holder has any right under this Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, or for the appointment of a receiver or trustee, or for any other remedy, unless (i) such Holder previously has given to Freddie Mac written notice of an Event of Default and of the continuance thereof; (ii) the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities to which such Event of Default relates have given written notice to Freddie Mac of such Event of Default; and (iii) such Event of Default continues uncured for a period of 60 days following such notice. No Holder of an issue of Debt Securities has any right in any manner whatsoever by virtue of or by availing itself of any provision of this Agreement to affect, disturb or prejudice the rights of any other such Holder, or to obtain or seek to obtain preference or priority over any other such Holder or to enforce any right under this Agreement, except in the manner provided in this Agreement and for the ratable and common benefit of all such Holders.

(c) Prior to or after the institution of any action or proceeding relating to an issue of Debt Securities, the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of such Debt Securities may waive an Event of Default, whether or not it has resulted in a declaration of an acceleration of the maturity of such Debt Securities, and may rescind and annul any previously declared acceleration.

(d) Whenever in this Agreement it is provided that the Holders of a specified percentage in outstanding principal amount (or notional principal amount) of an issue of Debt Securities may take any action (including the making of any demand or request, or the giving of any authorization, notice, consent or waiver), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by a writing, or any number of writings of similar tenor, executed by Holders in person, or by an agent or proxy appointed in writing.

ARTICLE VIII

Miscellaneous Provisions

Section 8.01. Limitations on Liability of Freddie Mac and Others.

Neither Freddie Mac nor any of its directors, officers, employees or agents shall be under any liability to the Holders or Beneficial Owners for any action taken, or not taken, by them in good faith under this Agreement or for errors in judgment. This provision will not protect Freddie Mac or any other related person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of obligations and duties under this Agreement. Freddie Mac and such related persons shall have no liability of whatever nature for special, indirect or consequential damages, lost profits or business, or any other liability or claim (other than for direct damages), even if reasonably foreseeable or Freddie Mac has been advised of the possibility of such loss, damage, liability or claim.

In performing its responsibilities under this Agreement, Freddie Mac may employ agents or independent contractors. Except upon an Event of Default (as defined herein), Freddie Mac shall not be subject to the control of Holders in any manner in the discharge of its responsibilities pursuant to this Agreement.

Freddie Mac shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its responsibilities under this Agreement and which in its opinion may involve it in any expense or liability. However, Freddie Mac may in its discretion undertake any such legal action which it may deem necessary or desirable in the interests of the Holders. In such event, the legal expenses and costs of such action shall be expenses and costs of Freddie Mac.

Section 8.02. Binding Effect of this Agreement.

(a) By receiving and accepting a Debt Security, each Holder, financial intermediary and Beneficial Owner of such Debt Security unconditionally agrees, without any signature or further manifestation of assent, to be bound by the terms and conditions of this Agreement, as supplemented, modified or amended pursuant to its terms.

(b) This Agreement shall be binding upon and inure to the benefit of any successor to Freddie Mac.

Section 8.03. Replacement.

Any Registered Debt Security in definitive form that becomes mutilated, destroyed, stolen or lost shall be replaced by Freddie Mac at the expense of the Holder upon delivery to the Global Agent of evidence of the destruction, theft or loss thereof, and an indemnity satisfactory to Freddie Mac and the Global Agent. Upon the issuance of any substituted Registered Debt Security, Freddie Mac or the Global Agent may require the payment by the Holder of a sum sufficient to cover any taxes and expenses connected therewith.

Section 8.04. Conditions to Payment, Transfer or Exchange.

Freddie Mac, its agent or any other person potentially required to withhold with respect to payments on a Debt Security shall have the right to require a Holder of a Debt Security, as a condition to payment of principal of or interest on such Debt Security, or as a condition to transfer or exchange of such Debt Security, to present at such place as Freddie Mac, its agent or such other person shall designate a certificate in such form as Freddie Mac, its agent or such other person may from time to time prescribe, to enable Freddie Mac, its agent or such other person to determine its duties and liabilities with respect to (i) any taxes, assessments or governmental charges which Freddie Mac, any Federal Reserve Bank, the Global Agent or such other person, as the case may be, may be required to deduct or withhold from payments in respect of such Debt Security under any present or future law of the United States or jurisdiction therein or any regulation or interpretation of any taxing authority thereof; and (ii) any reporting or other requirements under such laws, regulations or interpretations. Freddie Mac, its agent or such other person shall be entitled to determine its duties and liabilities with respect to such deduction, withholding, reporting or other requirements on the basis of information contained in such certificate or, if no certificate shall be presented, on the basis of any presumption created by any such law, regulation or interpretation, and shall be entitled to act in accordance with such determination.

Section 8.05. Amendment.

(a) Freddie Mac may modify, amend or supplement this Agreement and the terms of an issue of Debt Securities, without the consent of the Holders or Beneficial Owners, (i) to cure any ambiguity, or to correct or supplement any defective provision or to make any other provision with respect to matters or questions arising under this Agreement or the terms of any Debt Security that are not inconsistent with any other provision of this Agreement or the Debt Security; (ii) to add to the covenants of Freddie Mac for the benefit of the Holders or surrender any right or power conferred upon Freddie Mac; (iii) to evidence the succession of another entity to Freddie Mac and its assumption of the covenants of Freddie Mac; (iv) to conform the terms of an issue of Debt Securities or cure any ambiguity or discrepancy resulting from any changes in the Book-Entry Rules or any regulation or document that are applicable to book-entry securities of Freddie Mac; (v) to increase the amount of an issue of Debt Securities as contemplated under Section 2.09; or (vi) in any other manner that Freddie Mac may determine and that will not adversely affect in any material respect the interests of Holders or Beneficial Owners at the time of such modification, amendment or supplement.

(b) In addition, either (i) with the written consent of the Holders of at least 50% of the aggregate then outstanding principal amount or notional principal amount of an issue of Debt Securities affected thereby, excluding any such Debt

Securities owned by Freddie Mac; or (ii) by the adoption of a resolution at a meeting of Holders at which a quorum is present, by the Holders of at least 50% of the aggregate then outstanding principal amount or notional principal amount of an issue of Debt Securities represented at such meeting, excluding any such Debt Securities owned by Freddie Mac, Freddie Mac may from time to time and at any time modify, amend or supplement the terms of an issue of Debt Securities for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of such Debt Securities or modifying in any manner the rights of the Holders; provided, however, that no such modification, amendment or supplement may, without the written consent or affirmative vote of each Holder of a Debt Security; (A) change the Maturity Date or any Interest Payment Date of such Debt Security; (B) materially modify the redemption or repayment provisions, if any, relating to the redemption or repayment price of, or any redemption or repayment date or period for, such Debt Security; (C) reduce the principal amount of, delay the principal payment of, or materially modify the rate of interest or the calculation of the rate of interest on, such Debt Security; (D) in the case of Registered Debt Securities only, change the Specified Payment Currency of such Registered Debt Security; or (E) reduce the percentage of Holders whose consent or affirmative vote is necessary to modify, amend or supplement the terms of the relevant issue of Debt Securities. A quorum at any meeting of Holders called to adopt a resolution shall be Holders entitled to vote a majority of the then aggregate outstanding principal amount or notional principal amount of an issue of such Debt Securities called to such meeting and, at any reconvened meeting adjourned for lack of a quorum, 25% of the then aggregate outstanding principal amount or notional principal amount of such issue of Debt Securities, in both cases excluding any such Debt Securities owned by Freddie Mac. It shall not be necessary for the Holders to approve the particular form of any proposed amendment, but it shall be sufficient if such consent or resolution approves the substance of such change. If any modification, amendment or supplement of the terms of an issue of Debt Securities that have been separated into Interest and Principal Components requires the consent of Holders, only the Holders of the Principal Components will be entitled to give or withhold that consent. Holders of Interest Components will have no right to give or withhold such consent.

(c) The "principal amount," for purposes of the preceding paragraph, for a Debt Security that is a Zero Coupon Debt Security issued at a discount or for a Debt Security issued at an "issue price" of 80% or less of its principal amount will be equal to (i) the issue price of such Debt Security; plus (ii) the original issue discount that has accrued from the Issue Date of such Debt Security to the OID Determination Date; minus (iii) any amount considered as part of the "stated redemption price at maturity" of such Debt Security that has been paid from the Issue Date of such Debt Security to the OID Determination Date.

The "principal amount," for purposes of the second preceding paragraph, of a Debt Security whose Specified Principal Currency is other than U.S. dollars will be the U.S. dollar equivalent, determined on the Issue Date, of the principal amount (or, in the case of the Debt Securities referred to in the preceding paragraph, the amount determined in accordance with the provisions described in such preceding paragraph) of such Debt Security. The "principal amount" of a Debt Security with principal determined by reference to an Index will be described in the applicable Supplemental Agreement. The "principal amount" of a Debt Security with principal determined by reference to an Index will be described in the applicable Supplemental Agreement.

(d) Freddie Mac may establish a record date for the determination of Holders entitled to vote at any meeting of Holders of Debt Securities, to grant any consent in respect of Debt Securities and to notice with respect to any such meeting or consent.

(e) Any instrument given by or on behalf of any Holder of a Debt Security in connection with any consent to any such modification, amendment or supplement shall be irrevocable once given and shall be conclusive and binding on all subsequent Holders of such Debt Security or any Debt Security issued, directly or indirectly, in exchange or substitution therefor, irrespective of whether or not notation in regard thereto is made thereon. Any modification, amendment or supplement of this Agreement or of the terms of Debt Securities shall be conclusive and binding on all Holders of Debt Securities affected thereby, whether or not they have given such consent or were present at any meeting (unless by the terms of this Agreement a written consent or an affirmative vote of such Holders is required), and whether or not notation of such modification, amendment or supplement is made upon the Debt Securities.

Section 8.06. Securities Acquired by Freddie Mac.

Freddie Mac may, from time to time, repurchase or otherwise acquire (either for cash or in exchange for newly-issued Debt Securities) all or a portion of any issue of Debt Securities. Any Debt Securities owned by Freddie Mac shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority or distinction as among such Debt Securities, except that in determining whether the Holders of the required percentage of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities have given any required demand, authorization, notice, consent or waiver under this Agreement, any Debt Securities owned by Freddie Mac or any person directly or indirectly controlling or controlled by or under direct or indirect common control with Freddie Mac shall be disregarded and deemed not to be outstanding for the purpose of such determination.

Section 8.07. Notice.

(a) Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the mail, addressed to such Holder as such Holder's name and address may appear in the records of Freddie Mac, a Federal Reserve Bank or the Registrar, as the case may be, or, in the case of a Holder of a Fed Book-Entry Debt Security by transmission to such Holder through the communication system linking the Federal Reserve Banks, or, in the case of a Holder of a Debt Security maintained on DTC, by transmission to such Holder through the DTC communication system. In the event that the Federal Reserve Banks' communication system and/or the DTC communication system is unavailable, Freddie Mac may give notice to a Holder by making use of an alternate comparable communication system, platform or service. Such notice, demand or other communication to or upon any Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

(b) Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon Freddie Mac shall be given in writing addressed (until another address is published by Freddie Mac) as follows: Federal Home Loan Mortgage Corporation, 8200 Jones Branch Drive, McLean, Virginia 22102 Attention: General Counsel and Secretary. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

Section 8.08. Governing Law.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE HOLDERS AND FREDDIE MAC WITH RESPECT TO THE DEBT SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE UNITED STATES. INSOFAR AS THERE MAY BE NO APPLICABLE PRECEDENT, AND INSOFAR AS TO DO SO WOULD NOT FRUSTRATE THE PURPOSES OF THE FREDDIE MAC ACT OR ANY PROVISION OF THIS AGREEMENT OR THE TRANSACTIONS GOVERNED THEREBY, THE LAWS OF THE STATE OF NEW YORK SHALL BE DEEMED REFLECTIVE OF THE LAWS OF THE UNITED STATES.

Section 8.09. Headings.

The Article, Section and Subsection headings are for convenience only and shall not affect the construction of this Agreement.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Exhibit 31.1

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, David M. Brickman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of the Federal Home Loan Mortgage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2020

/s/ David M. Brickman

David M. Brickman

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, Donald F. Kish, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of the Federal Home Loan Mortgage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2020

/s/ Donald F. Kish

Donald F. Kish

Senior Vice President - Corporate Controller, Principal Accounting Officer
& Interim Chief Financial Officer

Exhibit 32.1

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David M. Brickman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2020

/s/ David M. Brickman

David M. Brickman

Chief Executive Officer

Exhibit 32.2

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald F. Kish, Senior Vice President – Corporate Controller, Principal Accounting Officer & Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2020

/s/ Donald F. Kish

Donald F. Kish

Senior Vice President - Corporate Controller, Principal Accounting Officer
& Interim Chief Financial Officer