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 September 30, 2019

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

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 October 15, 2019, 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 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** *section of this Form 10-Q, the* **Risk Factors** *section of our Form 10-Q for the quarter ended June 30, 2019 and the* **Business, Forward-Looking Statements, and Risk Factors** *sections of our Annual Report on Form 10-K for the year ended December 31, 2018, or 2018 Annual Report.*

Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the **Glossary** *of our 2018 Annual Report.*

You should read the following **MD&A** *in conjunction with our 2018 Annual Report and our condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2019 included in* **Financial Statements***. Throughout this Form 10-Q, we refer to the three months ended September 30, 2019, the three months ended June 30, 2019, the three months ended March 31, 2019, the three months ended December 31, 2018, the three months ended September 30, 2018, the three months ended June 30, 2018, the three months ended March 31, 2018, and the three months ended December 31, 2017 as "3Q 2019," "2Q 2019," "1Q 2019," "4Q 2018," "3Q 2018," "2Q 2018," "1Q 2018," and "4Q 2017," respectively. We refer to the nine months ended September 30, 2019 and the nine months ended September 30, 2018 as "YTD 2019" and "YTD 2018," respectively.*

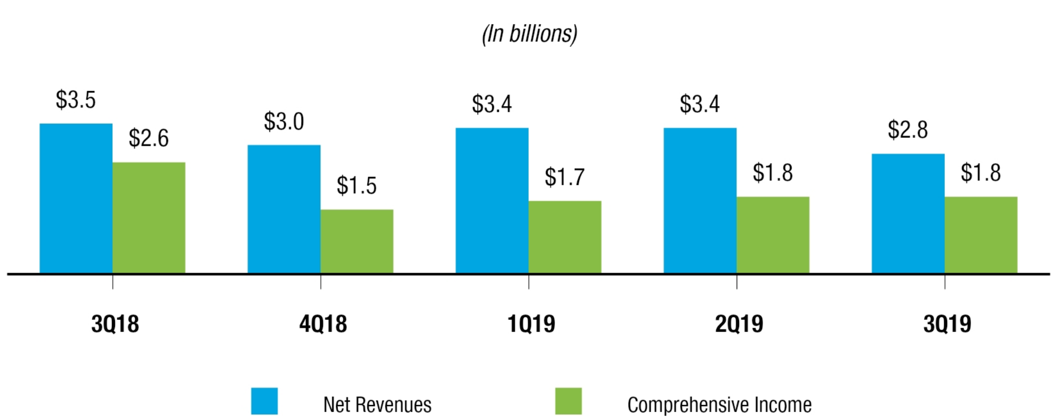
INTRODUCTION

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 mortgage-related securities, which are guaranteed by us and sold in the global capital markets. In addition, we transfer mortgage credit risk exposure to private 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.

Business Results

Consolidated Financial Results[1]



(1) Net revenues consist of net interest income, guarantee fee income, and other income (loss).

Comprehensive income for 3Q 2019 was $1.8 billion, demonstrating strong business performance in a challenging interest rate environment. Net revenues declined $0.8 billion, or 21%, from 3Q 2018 largely due to lower net interest income. Market-related losses were $0.3 billion in 3Q 2019, primarily due to the decline in long-term interest rates.

Our total equity, which is also our Net Worth Amount under the Purchase Agreement with Treasury, was $6.7 billion at September 30, 2019. On September 27, 2019, the Conservator, acting on our behalf, entered into a Letter Agreement with Treasury (the September 2019 Letter Agreement), increasing the applicable Capital Reserve Amount used in calculating our dividend requirement to Treasury from $3.0 billion to $20.0 billion. As a result of this increase in our Capital Reserve Amount, we were not required to pay a dividend on the senior preferred stock to Treasury on September 30, 2019 based on our Net Worth Amount of $4.8 billion as of June 30, 2019, and we will not have a dividend requirement to Treasury in December 2019 based on our Net Worth Amount of $6.7 billion as of September 30, 2019.

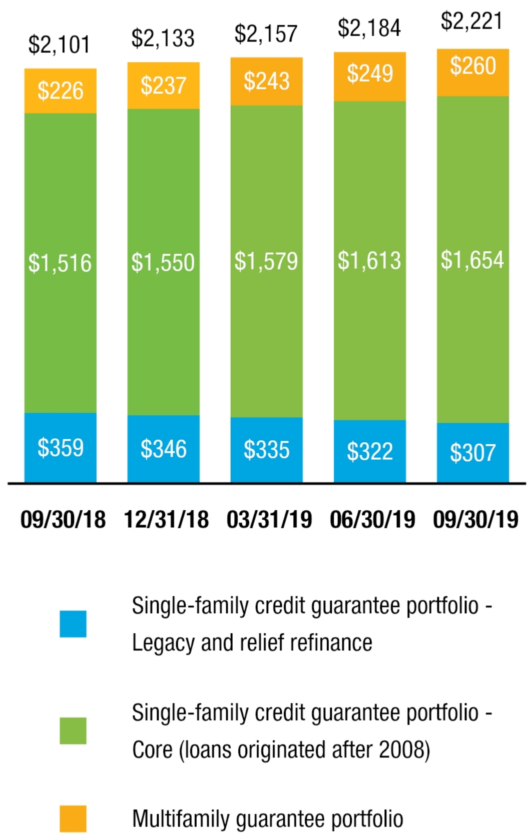
The September 2019 Letter Agreement also provides that the liquidation preference of the senior preferred stock will be increased, at the end of each fiscal quarter, beginning on September 30, 2019, by an amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter, until the liquidation preference has increased by $17.0 billion. As a result, the liquidation preference of the senior preferred stock increased from $75.6 billion to $77.5 billion on September 30, 2019 based on the $1.8 billion increase in our Net Worth Amount during 2Q 2019, and will increase to $79.3 billion on December 31, 2019 based on the $1.8 billion increase in our Net Worth Amount during 3Q 2019. See **Note 2** for more information about our Purchase Agreement with Treasury.

The amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

Portfolio Balances

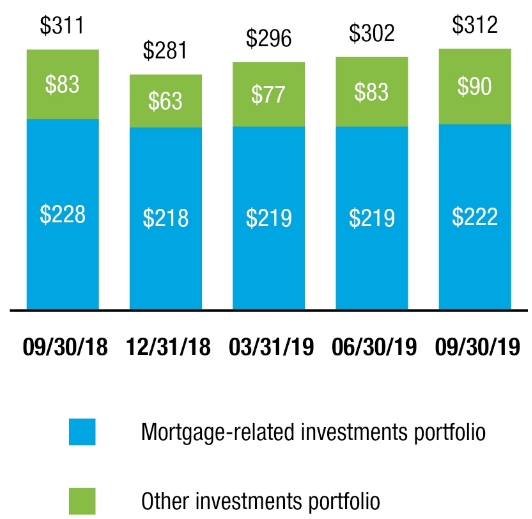
Guarantee Portfolio

(UPB in billions)



Investments Portfolio

(UPB in billions)



Total Guarantee Portfolio

- Our total guarantee portfolio grew $120 billion, or 6%, from September 30, 2018 to September 30, 2019, driven by a 5% increase in our single-family credit guarantee portfolio and a 15% increase in our multifamily guarantee portfolio.
  - The growth in our single-family credit guarantee portfolio was primarily driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation and our overall share of the single-family

mortgage market. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.

- The growth in our multifamily guarantee portfolio was primarily driven by strong loan purchase and securitization activity. Continued strong demand for multifamily financing and healthy multifamily market fundamentals resulted in continued growth in overall multifamily mortgage debt outstanding.

Total Investments Portfolio

- Our total investments portfolio at September 30, 2019 was relatively unchanged compared to September 30, 2018, 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, partially offset by a reduction in the balance of our mortgage-related investments portfolio pursuant to the portfolio limits established by the Purchase Agreement and FHFA. In February 2019, FHFA directed us to maintain the mortgage-related investments portfolio at or below $225 billion at all times.

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.

Our Purchase Agreement with Treasury and the terms of the senior preferred stock we issued to Treasury 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.

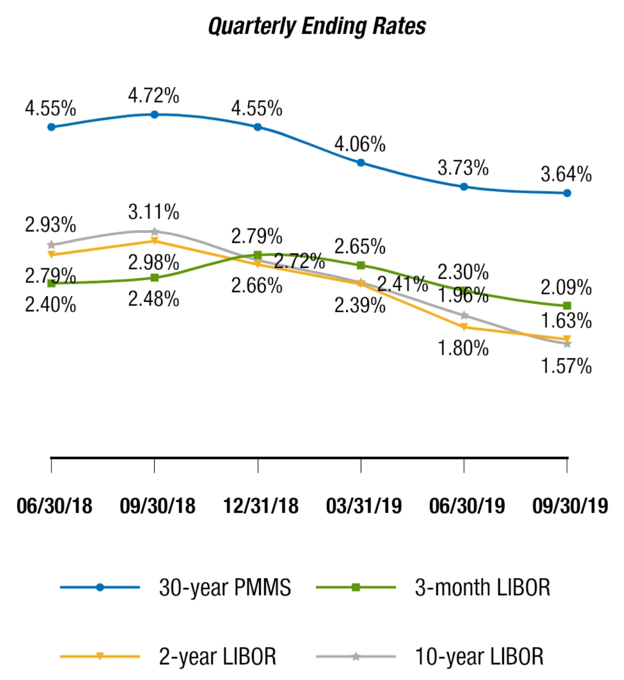
Under the August 2012 amendment to the Purchase Agreement, our cash dividend requirement each quarter is the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. Pursuant to the September 2019 Letter 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.

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 the Treasury's September 2019 Housing Reform Plan. For more information regarding Treasury's Plan, see **Regulation and Supervision - *Legislative and Regulatory Developments - Treasury Housing Reform Plan***.

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.

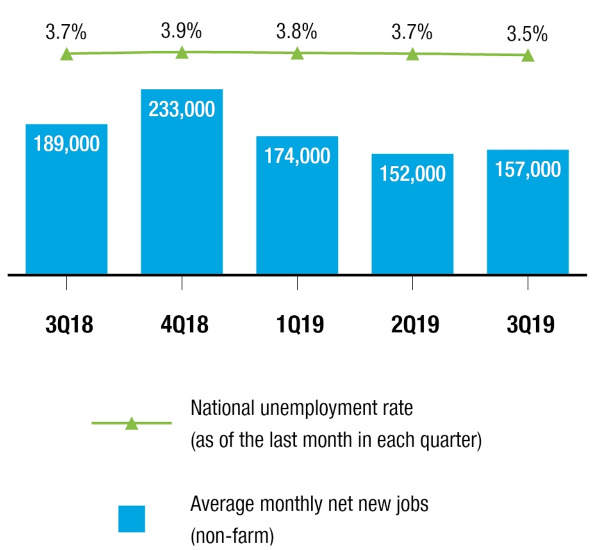
Interest Rates[1]



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

- 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 and 2-year LIBOR interest rates can significantly affect the fair value of our debt, derivatives, and mortgage and non-mortgage-related securities. In addition, the GAAP accounting treatment for our financial assets and liabilities, including derivatives (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our GAAP earnings when interest rates change. We have elected hedge accounting for certain assets and liabilities in an effort to reduce GAAP earnings variability and better align GAAP results with the economics of our business.
- Changes in the 3-month LIBOR rate affect the interest earned on our short-term investments and interest expense on our short-term funding.
- Long-term rates continued their recent downward trend, resulting in further inversion of the yield curve. The 10-year LIBOR rate decreased 39 and 115 basis points during 3Q 2019 and YTD 2019, respectively.

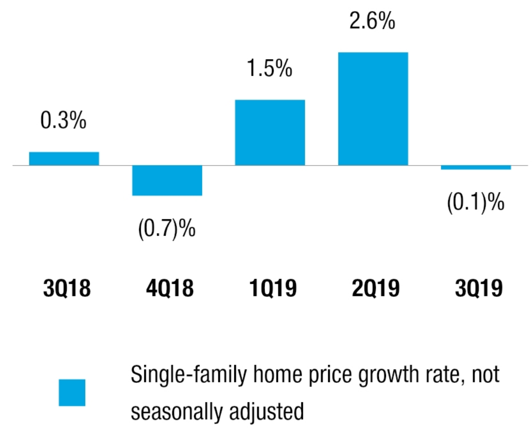
Unemployment Rate



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.
- Continued job growth, a declining unemployment rate, and generally favorable economic conditions resulted in strong credit performance.

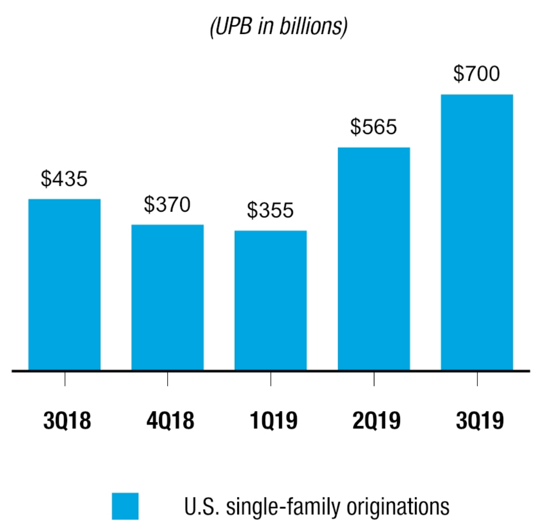
U.S. Single-Family Home Prices



Source: Freddie Mac House Price Index.

- Changes in home prices affect the amount of equity that borrowers have in their homes. 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 decreased 0.1% during 3Q 2019, compared to an increase of 0.3% during 3Q 2018. We expect home price growth will continue for full-year 2019, but grow at a slower pace than in full-year 2018.

U.S. Single-Family Originations



Source: Inside Mortgage Finance dated October 25, 2019 (latest available IMF purchase/refinance information).

- U.S. single-family loan origination volume increased to $700 billion in 3Q 2019 from $435 billion in 3Q 2018, driven by higher refinance volume as a result of lower average mortgage interest rates in 3Q 2019.
- We expect U.S. single-family home purchase volume to increase in 2019 as a result of market response to lower interest rates. Freddie Mac's single-family loan purchase volumes typically follow a similar trend.

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.

The table below compares our summarized consolidated results of operations.

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

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Net interest income	$2,410	$3,257	($847)	(26)%	$8,490	$9,278	($788)	(8)%
Guarantee fee income	231	209	22	11	670	603	67	11
Other income (loss)	146	79	67	85	389	648	(259)	(40)
Net revenues	**2,787**	**3,545**	**(758)**	**(21)**	**9,549**	**10,529**	**(980)**	**(9)**
Other non-interest income (loss):								
Mortgage loans gains (losses)	1,702	94	1,608	1,711	4,174	233	3,941	1,691
Investment securities gains (losses)	164	(443)	607	137	728	(1,024)	1,752	171
Debt gains (losses)	(56)	158	(214)	(135)	8	445	(437)	(98)
Derivative gains (losses)	(1,217)	728	(1,945)	(267)	(4,912)	2,974	(7,886)	(265)
Total other non-interest income (loss)	**593**	**537**	**56**	**10**	**(2)**	**2,628**	**(2,630)**	**(100)**
Benefit (provision) for credit losses	179	380	(201)	(53)	474	377	97	26
Non-interest expense	(1,423)	(1,200)	(223)	(19)	(4,222)	(3,453)	(769)	(22)
Income (loss) before income tax (expense) benefit	**2,136**	**3,262**	**(1,126)**	**(35)**	**5,799**	**10,081**	**(4,282)**	**(42)**
Income tax (expense) benefit	(427)	(556)	129	23	(1,177)	(1,946)	769	40
Net income (loss)	**1,709**	**2,706**	**(997)**	**(37)**	**4,622**	**8,135**	**(3,513)**	**(43)**
Total other comprehensive income (loss), net of taxes and reclassification adjustments	139	(147)	286	195	717	(991)	1,708	172
Comprehensive income (loss)	**$1,848**	**$2,559**	**($711)**	**(28)%**	**$5,339**	**$7,144**	**($1,805)**	**(25)%**

Net Interest Income

The table below presents the components of net interest income.

Table 2 - Components of Net Interest Income

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Guarantee portfolio net interest income:								
Contractual net interest income	$943	$869	$74	9 %	$2,751	$2,561	$190	7 %
Net interest income related to the Temporary Payroll Tax Cut Continuation Act of 2011	405	364	41	11	1,172	1,067	105	10
Amortization	564	820	(256)	(31)	1,521	2,269	(748)	(33)
Total guarantee portfolio net interest income	**1,912**	**2,053**	**(141)**	**(7)**	**5,444**	**5,897**	**(453)**	**(8)**
Investments portfolio net interest income:								
Contractual net interest income	1,167	1,346	(179)	(13)	3,737	4,189	(452)	(11)
Amortization	(152)	(108)	(44)	(41)	(429)	(187)	(242)	(129)
Total investments portfolio net interest income	**1,015**	**1,238**	**(223)**	**(18)**	**3,308**	**4,002**	**(694)**	**(17)**
Hedge accounting impact	(517)	(34)	(483)	(1,421)	(262)	(621)	359	58
Net interest income	**$2,410**	**$3,257**	**($847)**	**(26)%**	**$8,490**	**$9,278**	**($788)**	**(8)%**

Key Drivers:

- **Guarantee portfolio contractual net interest income**
  - **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Increased primarily due to the continued growth of the core single-family loan portfolio.
- **Guarantee portfolio amortization**
  - **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Decreased primarily due to the timing differences in amortization related to prepayments between debt of consolidated trusts and the underlying mortgage loans. For further discussion on timing differences in amortization, see **MD&A - Consolidated Results of Operations** in our 2018 Annual Report.
- **Investments portfolio contractual net interest income**
  - **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Decreased primarily due to the reduction in the balance of our mortgage-related investments portfolio pursuant to the portfolio limits established by the Purchase Agreement and FHFA. See **Conservatorship and Related Matters - *Managing Our Mortgage-Related Investments Portfolio*** for a discussion of the key drivers of the decline in our mortgage-related investments portfolio.
- **Investments portfolio amortization**
  - **YTD 2019 vs. YTD 2018** - Decreased primarily due to lower accretion income related to previously recognized other-than-temporary impairments as a result of a decline in the population of impaired securities.
- **Hedge accounting impact**
  - **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Decreased in 3Q 2019 primarily due to amortization of previously deferred fair value hedge accounting losses and a negative earnings mismatch related to fair value hedge accounting. Increased in YTD 2019 primarily due to a positive earnings mismatch and lower expense related to accruals of periodic cash settlements on derivatives in hedging relationships, partially offset by amortization of hedge-related basis adjustments. The earnings mismatch is the amount by which the gain or loss on the designated derivative instrument does not exactly offset the gain or loss on the hedged item attributable to the hedged risk.

Net Interest Yield Analysis

The tables below present an analysis of interest-earning assets and interest-bearing liabilities.

Table 3 - Analysis of Net Interest Yield

	3Q 2019			3Q 2018		
(Dollars in millions)	Average Balance	Interest Income (Expense)[1]	Average Rate	Average Balance	Interest Income (Expense)[1]	Average Rate
Interest-earning assets:						
Cash and cash equivalents	$10,313	$72	2.75 %	$7,114	$15	0.84 %
Securities purchased under agreements to resell	54,238	322	2.37	45,412	235	2.07
Secured lending	3,750	32	3.35	1,626	11	2.48
Mortgage-related securities	133,278	1,435	4.31	143,113	1,495	4.18
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(87,159)	(883)	(4.05)	(89,976)	(885)	(3.93)
Total mortgage-related securities, net	**46,119**	**552**	**4.79**	**53,137**	**610**	**4.60**
Non-mortgage-related securities	24,377	134	2.19	24,799	145	2.33
Loans held by consolidated trusts[1]	1,892,375	15,541	3.28	1,804,347	15,759	3.49
Loans held by Freddie Mac[1]	88,706	887	4.00	97,456	1,028	4.22
Total interest-earning assets	**2,119,878**	**17,540**	**3.31**	**2,033,891**	**17,803**	**3.50**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including those held by Freddie Mac	1,916,417	(14,207)	(2.97)	1,832,707	(13,712)	(2.99)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(87,159)	883	4.05	(89,976)	885	3.93
Total debt securities of consolidated trusts held by third parties	**1,829,258**	**(13,324)**	**(2.91)**	**1,742,731**	**(12,827)**	**(2.94)**
Other debt:						
Short-term debt	85,980	(499)	(2.28)	69,435	(361)	(2.04)
Long-term debt	195,530	(1,307)	(2.65)	212,256	(1,358)	(2.54)
Total other debt	**281,510**	**(1,806)**	**(2.54)**	**281,691**	**(1,719)**	**(2.42)**
Total interest-bearing liabilities	**2,110,768**	**(15,130)**	**(2.86)**	**2,024,422**	**(14,546)**	**(2.87)**
Impact of net non-interest-bearing funding	9,110	—	0.01	9,469	—	0.01
Total funding of interest-earning assets	**$2,119,878**	**($15,130)**	**(2.85)%**	**$2,033,891**	**($14,546)**	**(2.86)%**
Net interest income/yield		**$2,410**	**0.46 %**		**$3,257**	**0.64 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $922 million and $620 million for loans held by consolidated trusts and $49 million and $25 million for loans held by Freddie Mac during 3Q 2019 and 3Q 2018, respectively.

	YTD 2019			YTD 2018		
(Dollars in millions)	Average Balance	Interest Income (Expense)(1)	Average Rate	Average Balance	Interest Income (Expense)(1)	Average Rate
Interest-earning assets:						
Cash and cash equivalents	$8,608	$156	2.40 %	$6,917	$39	0.74 %
Securities purchased under agreements to resell	52,398	968	2.46	46,743	637	1.82
Secured lending	2,547	72	3.73	1,340	26	2.58
Mortgage-related securities:						
Mortgage-related securities	133,585	4,369	4.36	145,965	4,571	4.18
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(86,341)	(2,687)	(4.15)	(89,861)	(2,577)	(3.82)
Total mortgage-related securities, net	**47,244**	**1,682**	**4.74**	**56,104**	**1,994**	**4.74**
Non-mortgage-related securities	21,571	378	2.33	18,017	302	2.23
Loans held by consolidated trusts(1)	1,869,628	48,895	3.49	1,789,433	45,908	3.42
Loans held by Freddie Mac(1)	88,191	2,837	4.29	100,382	3,174	4.22
Total interest-earning assets	**2,090,187**	**54,988**	**3.51**	**2,018,936**	**52,080**	**3.44**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including those held by Freddie Mac	1,894,109	(43,688)	(3.08)	1,816,897	(40,573)	(2.98)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(86,341)	2,687	4.15	(89,861)	2,577	3.82
Total debt securities of consolidated trusts held by third parties	**1,807,768**	**(41,001)**	**(3.02)**	**1,727,036**	**(37,996)**	**(2.93)**
Other debt:						
Short-term debt	78,076	(1,419)	(2.40)	63,576	(832)	(1.73)
Long-term debt	197,826	(4,078)	(2.74)	220,820	(3,974)	(2.39)
Total other debt	**275,902**	**(5,497)**	**(2.64)**	**284,396**	**(4,806)**	**(2.24)**
Total interest-bearing liabilities	**2,083,670**	**(46,498)**	**(2.97)**	**2,011,432**	**(42,802)**	**(2.84)**
Impact of net non-interest-bearing funding	6,517	—	0.01	7,504	—	0.01
Total funding of interest-earning assets	**$2,090,187**	**($46,498)**	**(2.96)%**	**$2,018,936**	**($42,802)**	**(2.83)%**
Net interest income/yield		**$8,490**	**0.55 %**		**$9,278**	**0.61 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $2.2 billion and $1.8 billion for loans held by consolidated trusts and $88 million and $70 million for loans held by Freddie Mac during YTD 2019 and YTD 2018, respectively.

Guarantee Fee Income

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Increased due to the continued growth in the multifamily guarantee portfolio.

Other Non-Interest Income (Loss)

Mortgage Loans Gains (Losses)

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

Table 4 - Components of Mortgage Loans Gains (Losses)

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Gains (losses) on certain loan purchase commitments	$641	$267	$374	140%	$1,644	$564	$1,080	191%
Gains (losses) on mortgage loans	1,061	(173)	1,234	713	2,530	(331)	2,861	864
Mortgage loans gains (losses)	**$1,702**	**$94**	**$1,608**	**1,711%**	**$4,174**	**$233**	**$3,941**	**1,691%**

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Increased due to fair value gains on multifamily held-for-sale mortgage loans and commitments driven by decreasing long-term interest rates, coupled with higher gains on sales of single-family seasoned loans.

Investment Securities Gains (Losses)

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Shifted to gains in the 2019 periods from losses in the 2018 periods primarily due to gains on trading securities driven by decreasing long-term interest rates.

Debt Gains (Losses)

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

Table 5 - Components of Debt Gains (Losses)

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Fair value changes	$51	$12	$39	325 %	$114	$42	$72	171 %
Gains (losses) on extinguishment of debt	(107)	146	(253)	(173)	(106)	403	(509)	(126)
Debt gains (losses)	**($56)**	**$158**	**($214)**	**(135)%**	**$8**	**$445**	**($437)**	**(98)%**

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Decreased primarily due to losses from the extinguishment of fixed-rate debt securities of consolidated trusts, as long-term interest rates declined between the time of issuance and repurchase.

Derivative Gains (Losses)

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

Table 6 - Components of Derivative Gains (Losses)

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Fair value change in interest-rate swaps	($1,809)	$736	($2,545)	(346)%	($4,565)	$2,833	($7,398)	(261)%
Fair value change in option-based derivatives	947	(306)	1,253	409	1,408	(1,020)	2,428	238
Fair value change in other derivatives	(308)	271	(579)	(214)	(1,612)	1,322	(2,934)	(222)
Accrual of periodic cash settlements	(47)	27	(74)	(274)	(143)	(161)	18	11
Derivative gains (losses)	**($1,217)**	**$728**	**($1,945)**	**(267)%**	**($4,912)**	**$2,974**	**($7,886)**	**(265)%**

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Decreased as long-term interest rates declined. The decline in interest rates resulted in fair value losses on pay-fixed interest rate swaps, forward commitments to issue debt securities of consolidated trusts, and futures, which were partially offset by fair value gains on receive-fixed swaps and certain option-based derivatives. Additionally, our derivative volume increased beginning in 2Q 2019 as we updated our interest-rate risk measures to include upfront fees (including buy-downs) related to single-family credit guarantee activity. This update introduced additional volatility which resulted in increased losses, partially offset by the effects of hedge accounting.

Benefit (Provision) for Credit Losses

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Remained relatively flat due to the strong credit performance of both our single-family and multifamily portfolios.

Other Comprehensive Income (Loss)

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Shifted to gains in the 2019 periods from losses in the 2018 periods primarily due to fair value gains on available-for-sale securities as long-term interest rates declined.

CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized consolidated balance sheets.

Table 7 - Summarized Consolidated Balance Sheets

			Change	
(Dollars in millions)	**9/30/2019**	**12/31/2018**	**$**	**%**
Assets:				
Cash and cash equivalents	$8,708	$7,273	$1,435	20%
Securities purchased under agreements to resell	51,187	34,771	16,416	47
Subtotal	**59,895**	**42,044**	**17,851**	**42**
Investments in securities, at fair value	72,982	69,111	3,871	6
Mortgage loans, net	1,997,490	1,926,978	70,512	4
Accrued interest receivable	6,790	6,728	62	1
Derivative assets, net	1,592	335	1,257	375
Deferred tax assets, net	5,784	6,888	(1,104)	(16)
Other assets	25,713	10,976	14,737	134
Total assets	**$2,170,246**	**$2,063,060**	**$107,186**	**5%**
Liabilities and Equity:				
Liabilities:				
Accrued interest payable	$6,688	$6,652	$36	1%
Debt, net	2,149,259	2,044,950	104,309	5
Derivative liabilities, net	355	583	(228)	(39)
Other liabilities	7,270	6,398	872	14
Total liabilities	**2,163,572**	**2,058,583**	**104,989**	**5**
Total equity	**6,674**	**4,477**	**2,197**	**49**
Total liabilities and equity	**$2,170,246**	**$2,063,060**	**$107,186**	**5%**

Key Drivers:

As of September 30, 2019 compared to December 31, 2018:

- **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.
- **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 3Q 2019 and a change in our servicing cycle in 2Q 2019 related to the implementation of Release 2 of the CSP and the Single Security Initiative.
- **Total equity** increased primarily as a result of our ability to retain 3Q 2019 earnings as a result of an increase in the applicable Capital Reserve Amount from $3.0 billion to $20.0 billion pursuant to the September 2019 Letter Agreement.

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 spread 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.

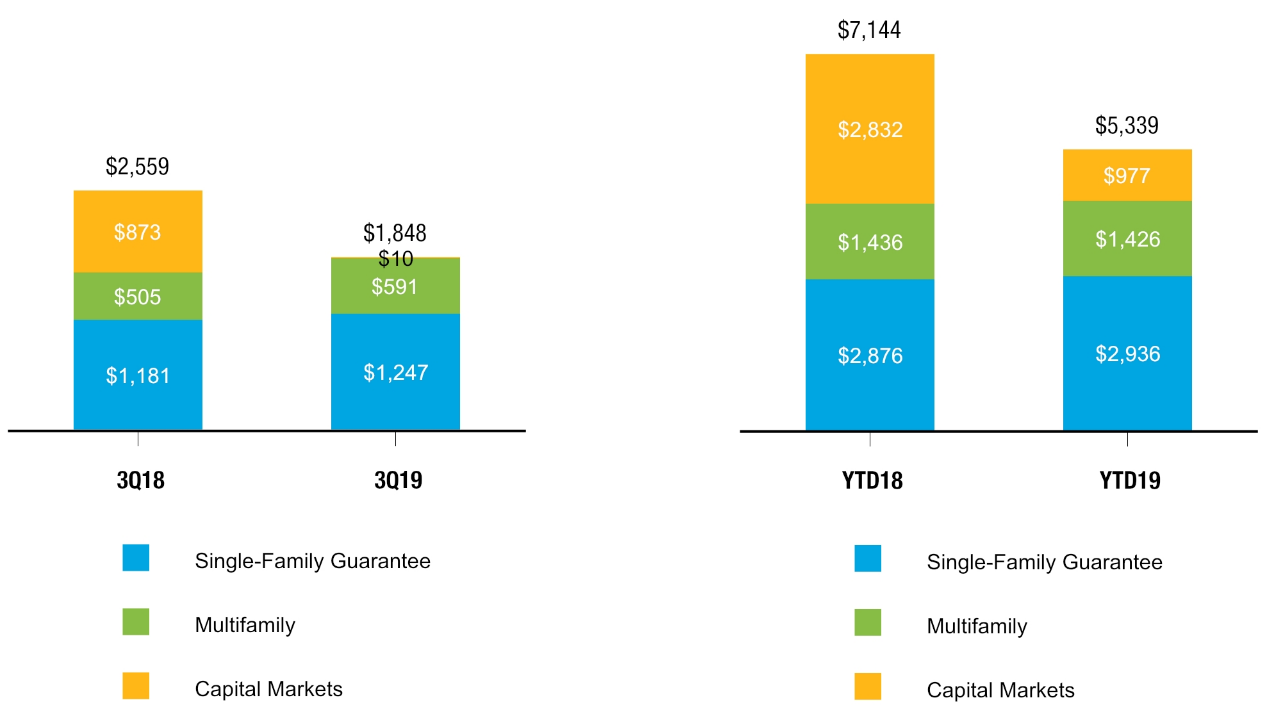
Segment Earnings

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 and allocating certain revenues and expenses to our three reportable segments. For more information on our segment reclassifications, see **Note 13**.

Segment Comprehensive Income

The graph below shows our comprehensive income by segment.

(In millions)



Single-Family Guarantee

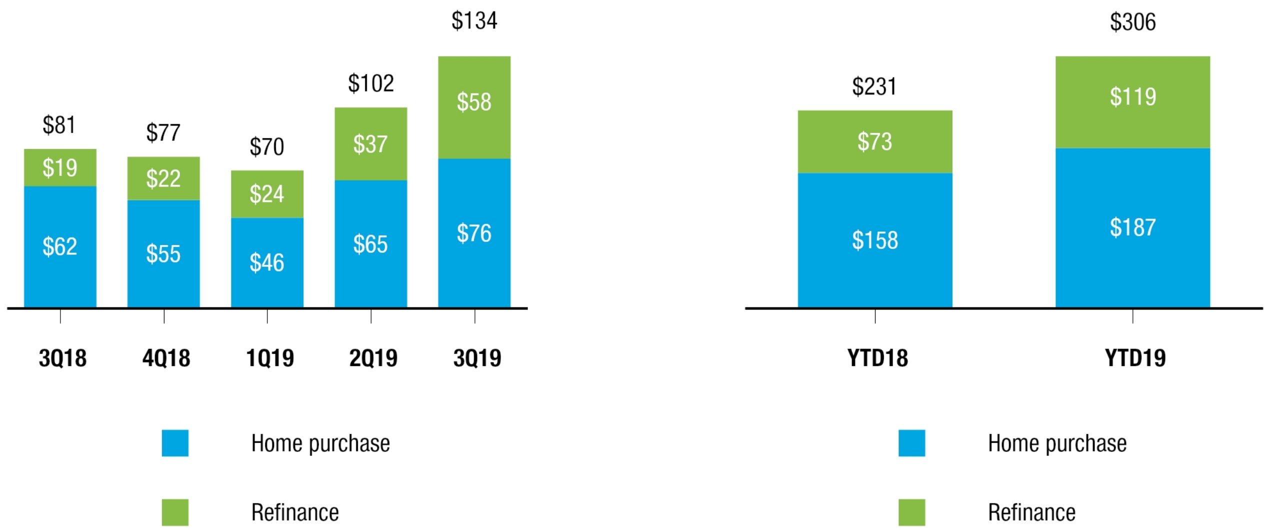
Business Results

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

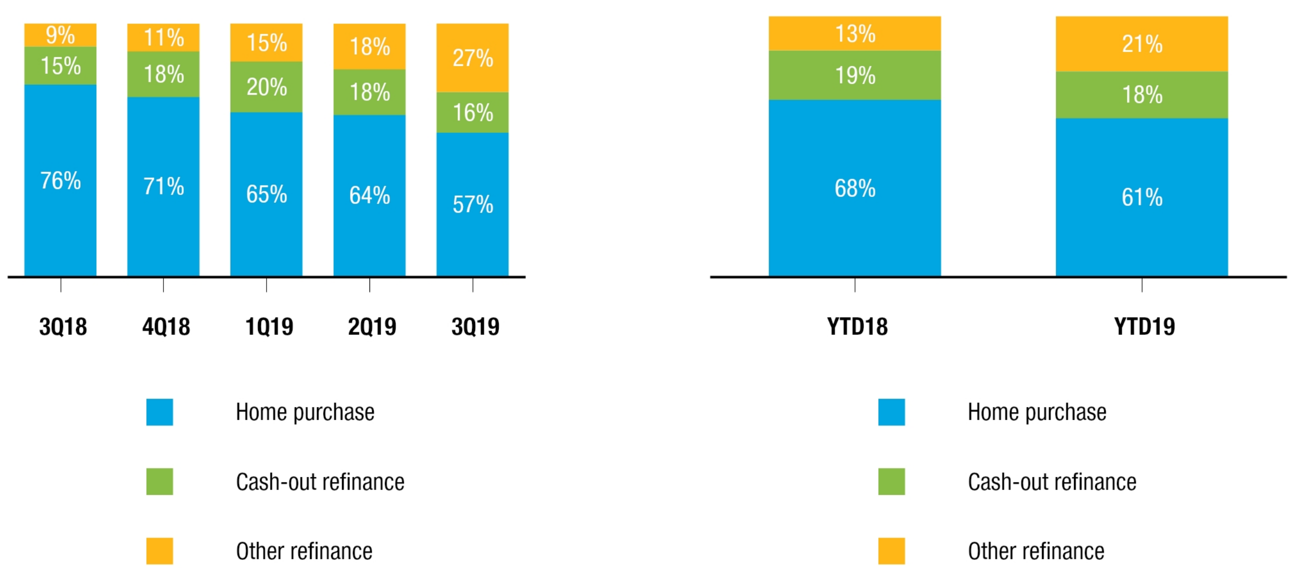
New Business Activity

UPB of Single-Family Loan Purchases and Guarantees by Loan Purpose

(In billions)



Percentage of Single-Family Loan Purchases and Guarantees by Loan Purpose

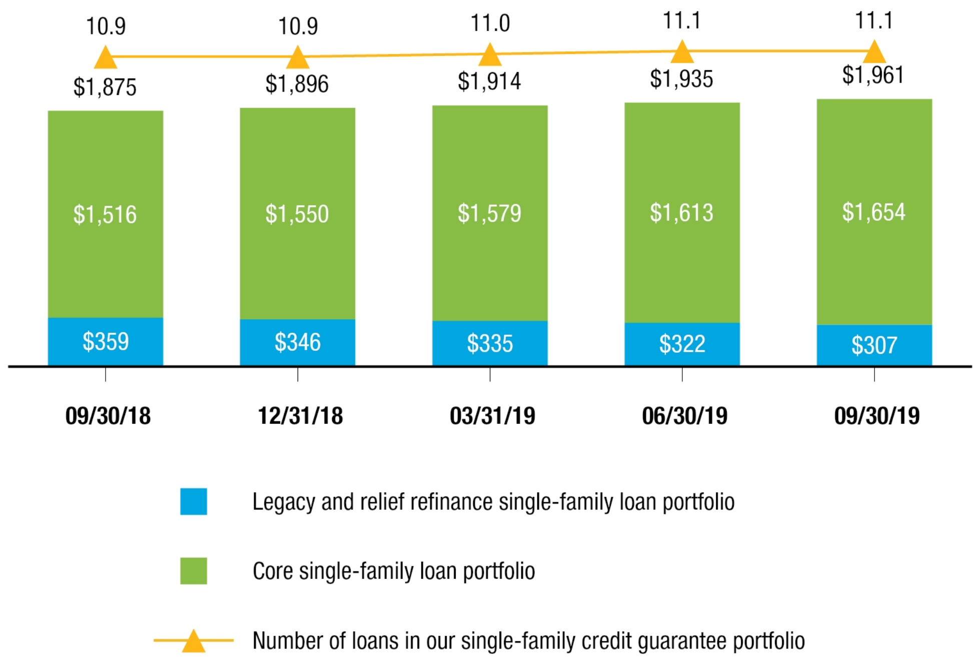


- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Our loan purchase and guarantee activity increased due to higher home purchase volume and increased refinance activity, driven by the declining average mortgage interest rates in recent quarters.

Single-Family Credit Guarantee Portfolio

Single-Family Credit Guarantee Portfolio

(UPB in billions, number of loans in millions)



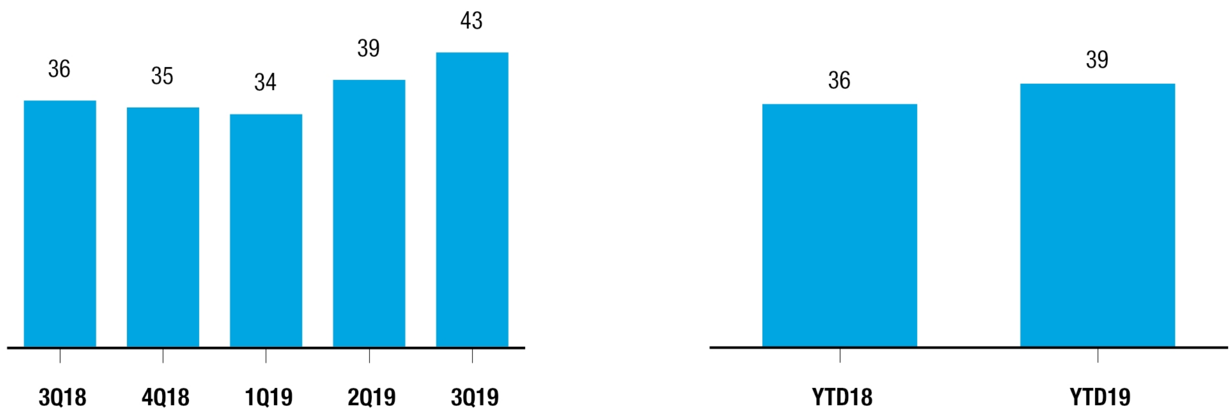
- The single-family credit guarantee portfolio increased at an annualized rate of approximately 5% between December 31, 2018 and September 30, 2019 driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation and our overall share of the single-family mortgage market. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
- The core single-family loan portfolio grew to 84% of the single-family credit guarantee portfolio at September 30, 2019, compared to 82% at December 31, 2018.
- The legacy and relief refinance single-family loan portfolio declined to 16% of the single-family credit guarantee portfolio at September 30, 2019, compared to 18% at December 31, 2018.

Guarantee Fees

We receive fees for guaranteeing the payment of principal and interest to investors in our mortgage-related securities. These fees consist primarily of a combination of base contractual guarantee fees paid on a monthly basis and initial upfront payments. The average portfolio Segment Earnings guarantee fee rate recognizes upfront fee income over the contractual life of the related loans (usually 30 years). If the related loans prepay, the remaining upfront fee income is recognized immediately. In contrast, the average guarantee fee rate charged on new acquisitions recognizes upfront fee income over the estimated life of the related loans using our expectations of prepayments and other liquidations. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Guarantee Fees*** in our 2018 Annual Report for more information on our guarantee fees.

Average Portfolio Segment Earnings Guarantee Fee Rate (1)(2)

(In bps)



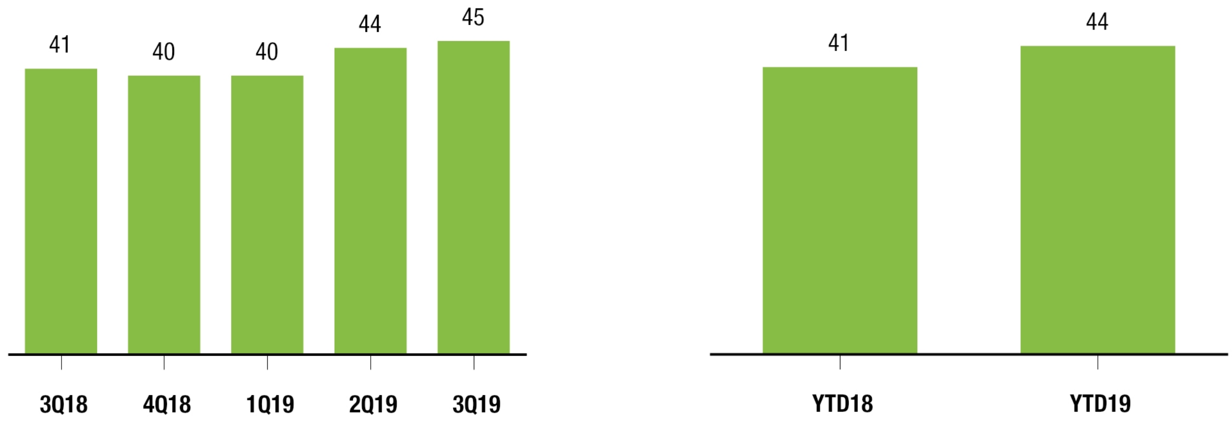
(1) Excludes the legislated 10 basis point increase in guarantee fees.

(2) Reflects an average rate for our total single-family credit guarantee portfolio and is not limited to purchases in the applicable period.

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - The average portfolio Segment Earnings guarantee fee rate increased due to an increase in the recognition of upfront fees primarily driven by a higher prepayment rate and an increase in average contractual guarantee fees caused by the run off of older vintages with lower contractual guarantee fees.

Average Guarantee Fee Rate[1] Charged on New Acquisitions

(In bps)



(1) Excludes the legislated 10 basis point increase in guarantee fees.

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - The average guarantee fee rate charged on new acquisitions increased primarily due to an enhancement in our estimation methodology related to recognition of buy-up fees in 2Q 2019.

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. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Products and Activities - Credit Risk Transfer (CRT) Transactions*** in our 2018 Annual Report for more information on our CRT transactions.

The following table presents the issuance amounts during 3Q 2019 on the protected UPB and maximum coverage by loss position associated with CRT transactions for loans in our single-family credit guarantee portfolio.

Table 8 - Single-Family Credit Guarantee Portfolio CRT Issuance

	Issuance for the Three Months Ended September 30, 2019			
	Protected UPB(1)	Maximum Coverage(2)		
(In millions)	Total	First Loss(3)	Mezzanine	Total
CRT Activities:				
STACR Trust transactions	$56,654	$480	$1,186	$1,666
ACIS® transactions	45,917	108	404	512
Senior subordinate securitization structures	3,002	195	269	464
Other	9,305	243	279	522
Less: UPB with more than one type of CRT activity	(37,045)	—	—	—
Total CRT Activities	**$77,833**	**$1,026**	**$2,138**	**$3,164**

(1) For STACR Trust and ACIS transactions, represents the UPB of the assets included in the reference pool. For senior subordinate securitization structure transactions, 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 Trust transactions, represents the balance held by third parties at issuance. For ACIS transactions, represents the aggregate limit of insurance purchased from third parties at issuance. For senior subordinate securitization structure transactions, 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 transactions and their equivalent in ACIS and Other CRT transactions.

We retained exposure to $74.7 billion of the protected UPB for the CRT issuances during 3Q 2019, including first loss and mezzanine positions.

We are continually evaluating our CRT strategy, and we make changes depending on market conditions and our business strategy. The aggregate cost of our CRT activity, as well as the amount of credit risk transferred, will continue to increase as we execute new transactions.

Credit Enhancements

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

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, measured by UPB, that were covered by one or more forms of credit enhancements as of September 30, 2019 and December 31, 2018, respectively. See **MD&A - Risk Management - Single-Family Mortgage Credit Risk - *Transferring Credit Risk of the Single-Family Credit Guarantee Portfolio to Investors in New and Innovative Ways*** in our 2018 Annual Report and **Note 6** in this Form 10-Q and our 2018 Annual Report for additional information about our single-family credit enhancements.

Table 9 - Details of Credit Enhanced Loans in Our Single-Family Credit Guarantee Portfolio

	Outstanding as of September 30, 2019				
	Protected UPB[1]	Percentage of Single-Family Credit Guarantee Portfolio	Maximum Coverage[2]		
(In millions)	Total	Total	First Loss[3]	Mezzanine	Total
CRT Activities:					
STACR debt notes	$554,572	28%	$2,209	$13,753	$15,962
STACR Trust transactions	280,889	14	3,042	6,112	9,154
ACIS transactions	869,148	44	2,069	8,012	10,081
Senior subordinate securitization structures	43,552	2	2,331	2,587	4,918
Other	28,347	1	5,347	723	6,070
Less: UPB with more than one type of CRT activity	(780,820)	(39)	—	—	—
Total CRT Activities	**$995,688**	**50%**	**$14,998**	**$31,187**	**$46,185**
Other Credit Enhancements:					
Primary Mortgage Insurance	$410,999	21%	$105,171	—	$105,171
Other	2,296	—	1,229	—	1,229
Less: UPB with both CRT and other credit enhancements	(287,231)	(14)	—	—	—
Single-family credit guarantee portfolio with credit enhancement	1,121,752	57	121,398	31,187	152,585
Single-family credit guarantee portfolio without credit enhancement	839,529	43	—	—	—
Total	**$1,961,281**	**100%**	**$121,398**	**$31,187**	**$152,585**

Referenced footnotes are included after the next table.

	Outstanding as of December 31, 2018				
	Protected UPB[(1)]	Percentage of Single-Family Credit Guarantee Portfolio	Maximum Coverage[(2)]		
(In millions)	Total	Total	First Loss[(3)]	Mezzanine	Total
CRT Activities:					
STACR debt notes	$605,263	32%	$2,155	$15,441	$17,596
STACR Trust transactions	161,152	8	1,622	3,404	5,026
ACIS transactions	807,885	43	1,552	7,571	9,123
Senior subordinate securitization structures	39,860	2	1,807	2,046	3,853
Other	18,136	1	5,049	340	5,389
Less: UPB with more than one type of CRT activity	(736,334)	(39)	—	—	—
Total CRT Activities	**$895,962**	**47%**	**$12,185**	**$28,802**	**$40,987**
Other Credit Enhancements:					
Primary Mortgage Insurance	$378,594	20%	$96,996	—	$96,996
Other	2,642	—	1,341	—	1,341
Less: UPB with both CRT and other credit enhancements	(254,774)	(13)	—	—	—
Single-family credit guarantee portfolio with credit enhancement	1,022,424	54	110,522	28,802	139,324
Single-family credit guarantee portfolio without credit enhancement	873,762	46	—	—	—
Total	**$1,896,186**	**100%**	**$110,522**	**$28,802**	**$139,324**

(1) For STACR and ACIS transactions, represents the UPB of the assets included in the reference pool. For senior subordinate securitization structure transactions, 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 ACIS transactions, represents the remaining aggregate limit of insurance purchased from third parties. For senior subordinate securitization structure transactions, 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 coverage remaining of $152.6 billion and $139.3 billion on our single-family credit guarantee portfolio as of September 30, 2019 and December 31, 2018, respectively. CRT transactions provided 30.3% and 29.4% of the coverage remaining at those dates.
- As of September 30, 2019, we had cumulatively transferred a portion of credit risk on nearly $1.4 trillion of our single-family mortgages, based upon the UPB at issuance of the CRT transactions.
  - FHFA's conservatorship capital needed for credit risk was reduced by approximately 75% through CRT transactions on new business activity in the twelve months ended September 30, 2018.
  - The reduction in the amount of conservatorship capital needed for credit risk on new business activity is calculated as conservatorship credit capital released from the CRT transactions (primarily through STACR and ACIS) divided by total conservatorship credit capital on new business activity at the time of purchase. For more information on the CCF and the calculation of conservatorship capital, see **Liquidity and Capital Resources - *Capital Resources - Conservatorship Capital Framework - Return on Conservatorship Capital*.**
- During YTD 2019, we paid $501 million in interest expense, net of reinvestment income, on our outstanding STACR debt notes and $507 million in premium expense for ACIS and STACR Trust contracts, compared to $540 million in interest expense, net of reinvestment income, on our outstanding STACR debt notes and $249 million in premium expense for ACIS and STACR Trust contracts during YTD 2018.
- As of September 30, 2019, we had experienced minimal write-downs on our STACR transactions and filed minimal claims for reimbursement of losses under our ACIS transactions.

Mortgage Loan Credit Risk

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 current LTV (CLTV) ratio attributes of loans in our single-family credit guarantee portfolio.

Table 10 - Single-Family Credit Guarantee Portfolio Attribute Combinations for Higher Risk Loans

	September 30, 2019								
	CLTV ≤ 80		CLTV > 80 to 100		CLTV > 100		All Loans		
(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%	2.31%	—%	NM	—%	NM	0.3%	2.51%	3.6%
620 to 659	2.2	1.15	0.3	1.44	—	NM	2.5	1.18	2.0
≥ 660	69.5	0.18	12.0	0.25	—	NM	81.5	0.19	0.3
Not available	0.1	1.14	—	NM	—	NM	0.1	1.98	3.5
Total	**72.1%**	**0.23%**	**12.3%**	**0.31%**	**—%**	**NM**	**84.4%**	**0.24%**	**0.4%**
Legacy and relief refinance single-family loan portfolio:									
< 620	1.0%	3.88%	0.2%	8.47%	0.1%	14.84%	1.3%	4.56%	19.2%
620 to 659	1.5	2.87	0.2	7.23	0.1	12.14	1.8	3.38	17.4
≥ 660	11.2	1.02	0.9	3.63	0.3	6.10	12.4	1.20	6.3
Not available	0.1	4.38	—	NM	—	NM	0.1	4.66	19.7
Total	**13.8%**	**1.50%**	**1.3%**	**4.90%**	**0.5%**	**8.59%**	**15.6%**	**1.77%**	**8.9%**

(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 $0.8 billion and $0.9 billion of security collateral underlying our other securitization products at September 30, 2019 and December 31, 2018, 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 the 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, as part of our relief refinance initiative, or as 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/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 September 30, 2019, 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.

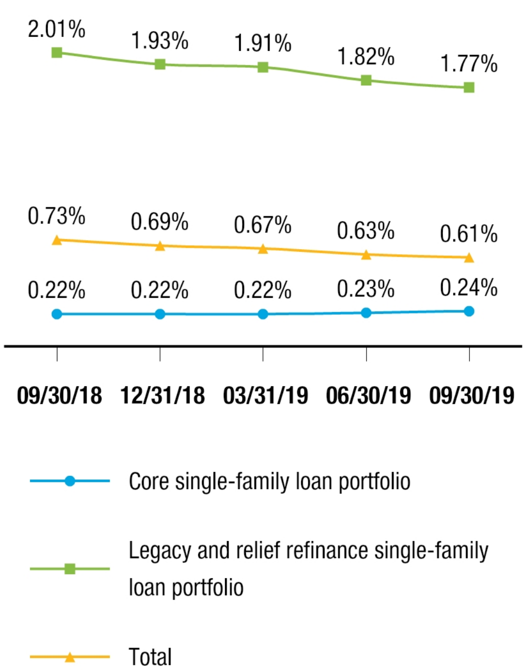
Table 11 - Alt-A Loans in Our Single-Family Credit Guarantee Portfolio

	September 30, 2019				December 31, 2018			
(Dollars in billions)	UPB	CLTV	% Modified	SDQ Rate	UPB	CLTV	% Modified	SDQ Rate
Alt-A	$21.7	62%	20.1%	3.75%	$23.9	63%	23.2%	4.13%

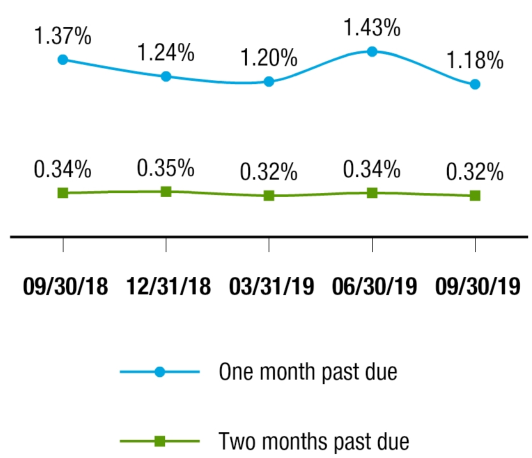
The UPB of Alt-A loans in our single-family credit guarantee portfolio is continuing to decline due to borrowers refinancing into other mortgage products, foreclosure sales, and other liquidation events.

Single-Family Loan Performance

Serious Delinquency Rates



Percentage of Single-Family Loans One Month and Two Months Past Due



- The total serious delinquency rate on our single-family credit guarantee portfolio was 0.61% as of September 30, 2019. However, 37% of the seriously delinquent loans at September 30, 2019 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 September 30, 2019 compared to September 30, 2018 due to our continued loss mitigation efforts, sales of certain seriously delinquent loans, home price appreciation, a low unemployment rate, and the reduced impacts from the hurricanes in the third quarter of 2017. This improvement was also driven by 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.
- The percentage of single-family loans one month past due can be volatile due to servicer reporting methodologies, seasonality, and other factors that may not be predictive of default. As a result, the percentage of loans two months past due tends to be a better early performance indicator than the percentage of loans one month past due. The percentage of loans two months past due was relatively flat from September 30, 2018 to September 30, 2019.

Credit Performance

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

Table 12 - Single-Family Credit Guarantee Portfolio Credit Performance Metrics

(Dollars in millions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Charge-offs, gross	$407	$1,277	$1,256	$2,248
Recoveries	(107)	(119)	(341)	(341)
Charge-offs, net	300	1,158	915	1,907
REO operations expense	58	38	172	87
Total credit losses	**$358**	**$1,196**	**$1,087**	**$1,994**
Total credit losses (in bps)	7.3	25.4	7.4	14.2

The table below summarizes the carrying value for individually impaired single-family loans on our condensed consolidated balance sheets for which we have recorded an allowance determined on an individual basis.

Table 13 - Single-Family Individually Impaired Loans with an Allowance Recorded

	September 30, 2019		September 30, 2018	
(Dollars in millions)	Loan Count	Amount	Loan Count	Amount
TDRs, at January 1	290,255	$42,254	364,704	$54,415
New additions	23,420	3,696	45,348	7,066
Repayments and reclassifications to held-for-sale	(52,970)	(8,897)	(92,662)	(14,875)
Foreclosure sales and foreclosure alternatives	(3,673)	(496)	(5,907)	(796)
TDRs, at September 30	257,032	36,557	311,483	45,810
Loans impaired upon purchase	1,909	122	2,814	188
Total impaired loans with an allowance recorded	**258,941**	**36,679**	**314,297**	**45,998**
Allowance for loan losses		(3,326)		(5,137)
Net investment, at September 30		**$33,353**		**$40,861**

The tables below present information about the UPB of single-family TDRs and non-accrual loans on our condensed consolidated balance sheets.

Table 14 - Single-Family TDR and Non-Accrual Loans

(In millions)	September 30, 2019	December 31, 2018
TDRs on accrual status	$36,845	$41,839
Non-accrual loans	10,131	11,197
Total TDRs and non-accrual loans	**$46,976**	**$53,036**
Allowance for loan losses associated with:		
TDRs on accrual status	$2,847	$3,612
Non-accrual loans	662	1,003
Total	**$3,509**	**$4,615**

(In millions)	YTD 2019	YTD 2018
Foregone interest income on TDRs and non-accrual loans[1]	$680	$965

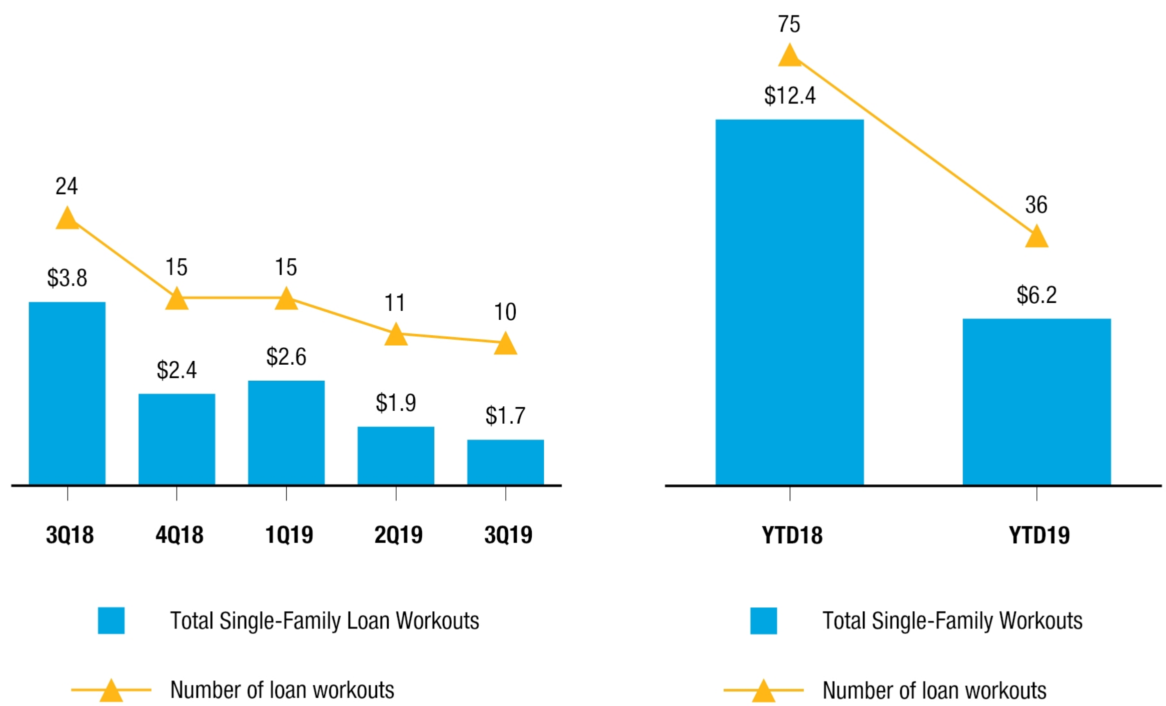
(1) Represents the amount of interest income that we did not recognize but would have recognized during the period for loans outstanding at the end of each period, had the loans performed according to their original contractual terms.

- As of September 30, 2019, 43% of the allowance for loan losses for single-family mortgage 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 September 30, 2019.
- We expect our allowance for loan losses associated with existing single-family TDRs to decline over time as we continue to sell reperforming loans. In addition, the allowance for loan losses will decline as borrowers continue to make monthly payments under the modified terms and interest rate concessions are amortized into earnings.
- See **Note 4** for information on our single-family allowance for loan losses.

Loss Mitigation Activities

Loan Workout Activity

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



- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Our loan workout activity decreased driven by the reduced impact from the hurricanes in the third quarter of 2017.
- We continue our loss mitigation efforts through our relief refinance, modification, and other initiatives.

REO Activity

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

Table 15 - Single-Family REO Activity

	3Q 2019		3Q 2018		YTD 2019		YTD 2018	
(Dollars in millions)	Number of Properties	Amount	Number of Properties	Amount	Number of Properties	Amount	Number of Properties	Amount
Beginning balance — REO	5,869	$666	7,135	$777	7,100	$780	8,299	$900
Additions	2,004	203	2,506	247	6,143	605	7,870	759
Dispositions	(2,470)	(254)	(2,622)	(256)	(7,840)	(770)	(9,150)	(891)
Ending balance — REO	**5,403**	**615**	**7,019**	**768**	**5,403**	**615**	**7,019**	**768**
Beginning balance, valuation allowance		(6)		(6)		(11)		(14)
Change in valuation allowance		(2)		(2)		3		6
Ending balance, valuation allowance		**(8)**		**(8)**		**(8)**		**(8)**
Ending balance — REO, net		**$607**		**$760**		**$607**		**$760**

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - Our REO ending inventory declined 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.

Financial Results

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

Table 16 - Single-Family Guarantee Segment Financial Results

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Guarantee fee income	$2,075	$1,676	$399	24%	$5,597	$4,932	$665	13%
Benefit (provision) for credit losses	134	205	(71)	(35)	221	366	(145)	(40)
Financial instrument gains (losses)[1]	51	(5)	56	1,120	66	43	23	53
Other non-interest income (loss)	318	387	(69)	(18)	836	592	244	41
Administrative expense	(399)	(371)	(28)	(8)	(1,173)	(1,070)	(103)	(10)
REO operations income (expense)	(61)	(42)	(19)	(45)	(185)	(101)	(84)	(83)
Other non-interest expense	(554)	(413)	(141)	(34)	(1,667)	(1,192)	(475)	(40)
Segment Earnings before income tax expense	**1,564**	**1,437**	**127**	**9**	**3,695**	**3,570**	**125**	**4**
Income tax (expense) benefit	(314)	(254)	(60)	(24)	(750)	(686)	(64)	(9)
Segment Earnings, net of taxes	**1,250**	**1,183**	**67**	**6**	**2,945**	**2,884**	**61**	**2**
Total other comprehensive income (loss), net of tax	(3)	(2)	(1)	(50)	(9)	(8)	(1)	(13)
Total comprehensive income (loss)	**$1,247**	**$1,181**	**$66**	**6%**	**$2,936**	**$2,876**	**$60**	**2%**

(1) Consists of fair value gains and losses on debt for which we have elected the fair value option and derivatives.

Key Business Drivers:

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018**
  - Higher guarantee fee income due to increased upfront fee amortization income driven by higher prepayments and continued growth in our single-family credit guarantee portfolio.
  - Higher other non-interest income during YTD 2019 compared to YTD 2018 primarily due to higher gains on sales of single-family held-for-sale loans. Other non-interest income remained relatively flat during 3Q 2019 compared to 3Q 2018.
  - Higher other non-interest expense primarily due to higher outstanding cumulative volumes of CRT transactions that resulted in increased CRT expense (interest expense on STACR debt notes and premium expense for ACIS and STACR Trust contracts).

Multifamily

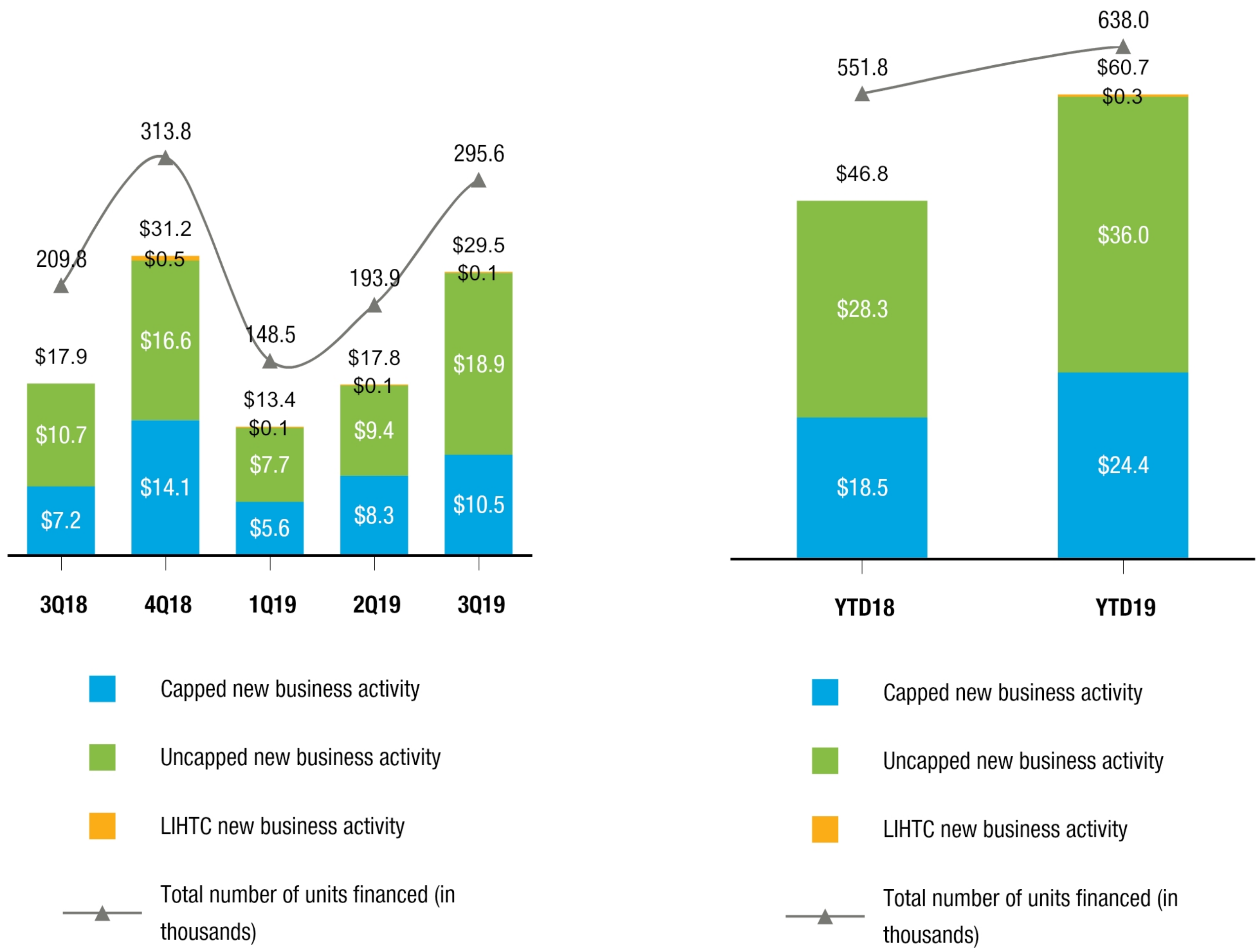
Business Results

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

New Business Activity

Multifamily New Business Activity

(UPB in billions)



- The 2019 Conservatorship Scorecard annual production cap remained at $35.0 billion through the end of 3Q 2019. On September 13, 2019, FHFA announced a revised loan purchase cap structure for the multifamily business. The loan purchase cap will be $100.0 billion for the five-quarter period from the fourth quarter of 2019 through the fourth quarter of 2020. The new cap applies to all multifamily business, with no exclusions. To ensure a strong focus on affordable housing and traditionally underserved markets, FHFA directed that at least 37.5% of the new multifamily business be mission-driven, affordable housing. Loans that finance energy or water efficiency will be considered conventional business (i.e., they will not count towards the 37.5% requirement), unless they meet other mission-driven requirements.
- Outstanding commitments, including index lock commitments and commitments to purchase or guarantee multifamily assets, were $16.3 billion and $24.3 billion as of September 30, 2019 and September 30, 2018, respectively. Both period-end balances include loan purchase commitments for which we have elected the fair value option.
- The combination of our new business activity and outstanding commitments was higher during 3Q 2019 and YTD 2019 compared to 3Q 2018 and YTD 2018 due to continued strong demand for multifamily financing and healthy multifamily market fundamentals resulting in continued growth in overall multifamily mortgage debt outstanding. While our new

business activity was higher during 3Q 2019 and YTD 2019, we expect new business activity for full-year 2019 to be similar to full-year 2018.

- Excluding our LIHTC new business activity, approximately 36% and 40% of our new business activity in 3Q 2019 and YTD 2019, respectively, counted towards the 2019 Conservatorship Scorecard production cap, while the remaining 64% and 60% was considered uncapped.
- The portion of our new loan purchase activity that was classified as held-for-sale and intended for our securitization pipeline decreased from 95% in 3Q 2018 to 84% in 3Q 2019 due to an increase in the issuance of other risk transfer securitizations, specifically our PC executions collateralized by held-for-investment loans. The purchase activity in 3Q 2019, combined with market demand for our securities, will be a driver for securitizations during the fourth quarter of 2019 and the first quarter of 2020.

Multifamily Portfolio and Market Support

Multifamily Market Support

The following table summarizes our support of the multifamily market.

Table 17 - Multifamily Market Support

(In millions)	September 30, 2019	December 31, 2018
Guarantee portfolio	$259,630	$237,323
Mortgage-related investments portfolio:		
Unsecuritized mortgage loans held-for-sale	25,397	23,959
Unsecuritized mortgage loans held-for-investment	11,291	10,828
Mortgage-related securities[(1)]	5,663	7,385
Total mortgage-related investments portfolio	**42,351**	**42,172**
Other investments[(2)]	2,564	708
Total multifamily portfolio	**304,545**	**280,203**
Add: Unguaranteed securities[(3)]	38,980	35,835
Less: Acquired mortgage-related securities[(4)]	(5,478)	(7,160)
Total multifamily market support	**$338,047**	**$308,878**

(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.

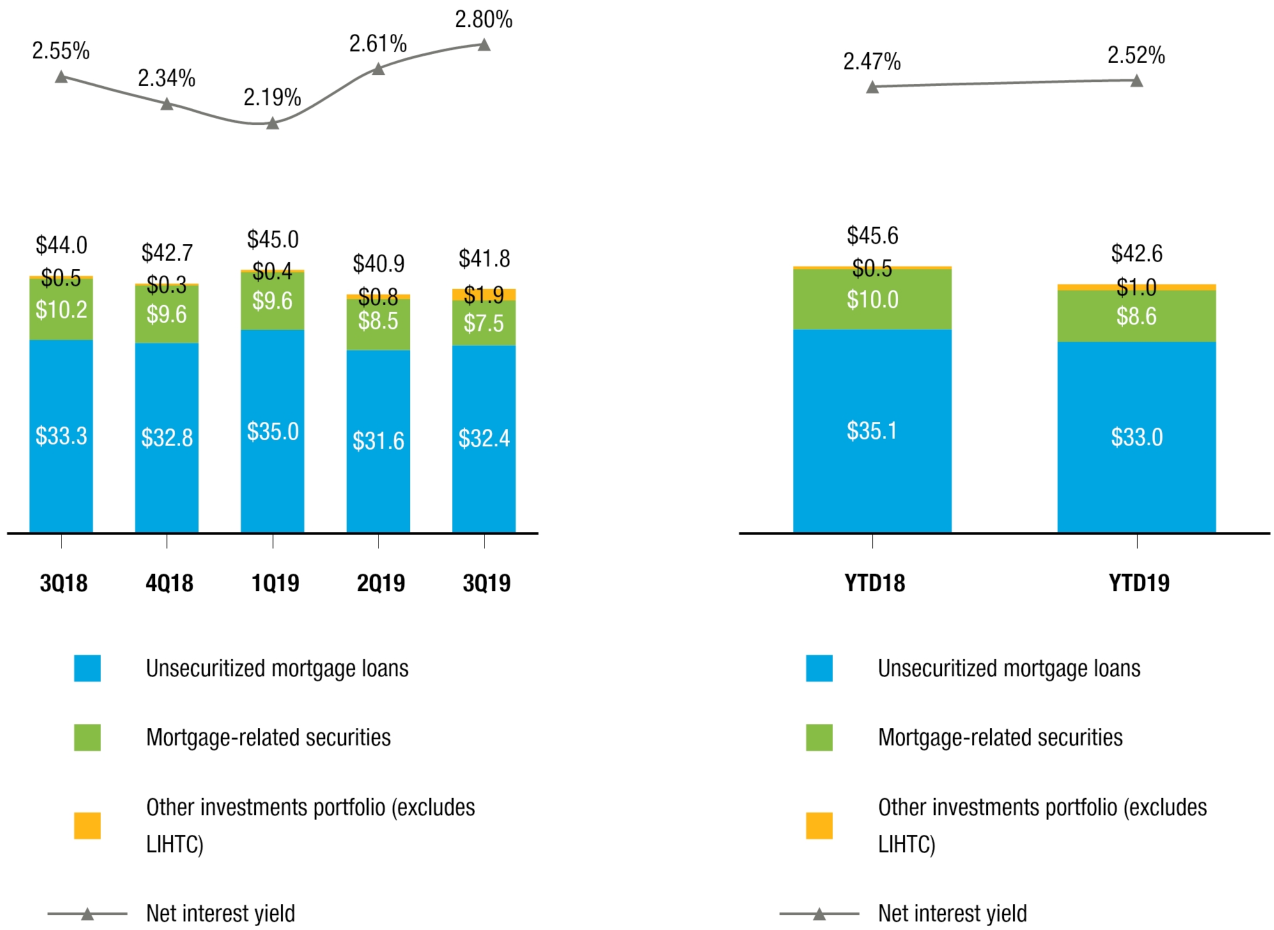
(4) Reflects the UPB of mortgage-related securities that were both issued as part of our securitizations and acquired by us. This UPB must be removed to avoid double-counting the exposure, as it is already reflected within the guarantee portfolio or unguaranteed securities.

- Our total multifamily portfolio increased during YTD 2019, primarily due to our strong loan purchase and securitization activity. We expect continued growth in our total portfolio as purchase and securitization activities should outpace run off.
- At September 30, 2019, approximately 77% of our held-for-sale loans and held-for-sale loan commitments were fixed-rate, while the remaining 23% were floating-rate.

Net Interest Yield

Net Interest Yield Earned & Average Investment Portfolio Balance

(Weighted average balance in billions)

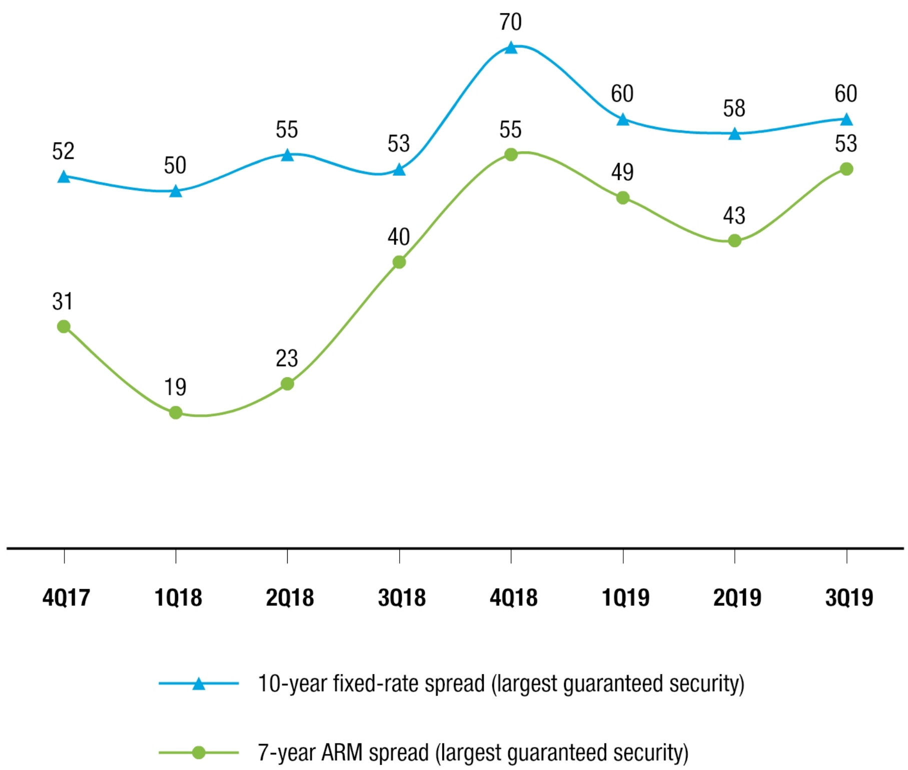


- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018**
  - Net interest yield increased during 3Q 2019 due to lower funding costs on our held-for-sale mortgage loans driven by lower interest rates, coupled with a higher yield on interest-only securities. Net interest yield remained relatively flat during YTD 2019 compared to YTD 2018.
  - The weighted average portfolio balance of interest-earning assets decreased during 3Q 2019 and YTD 2019 due to the run-off of our held-for-investment loans, partially offset by an increase in held-for-sale loans.

K Certificate Benchmark Spreads

K Certificate Benchmark Spreads

(In bps)

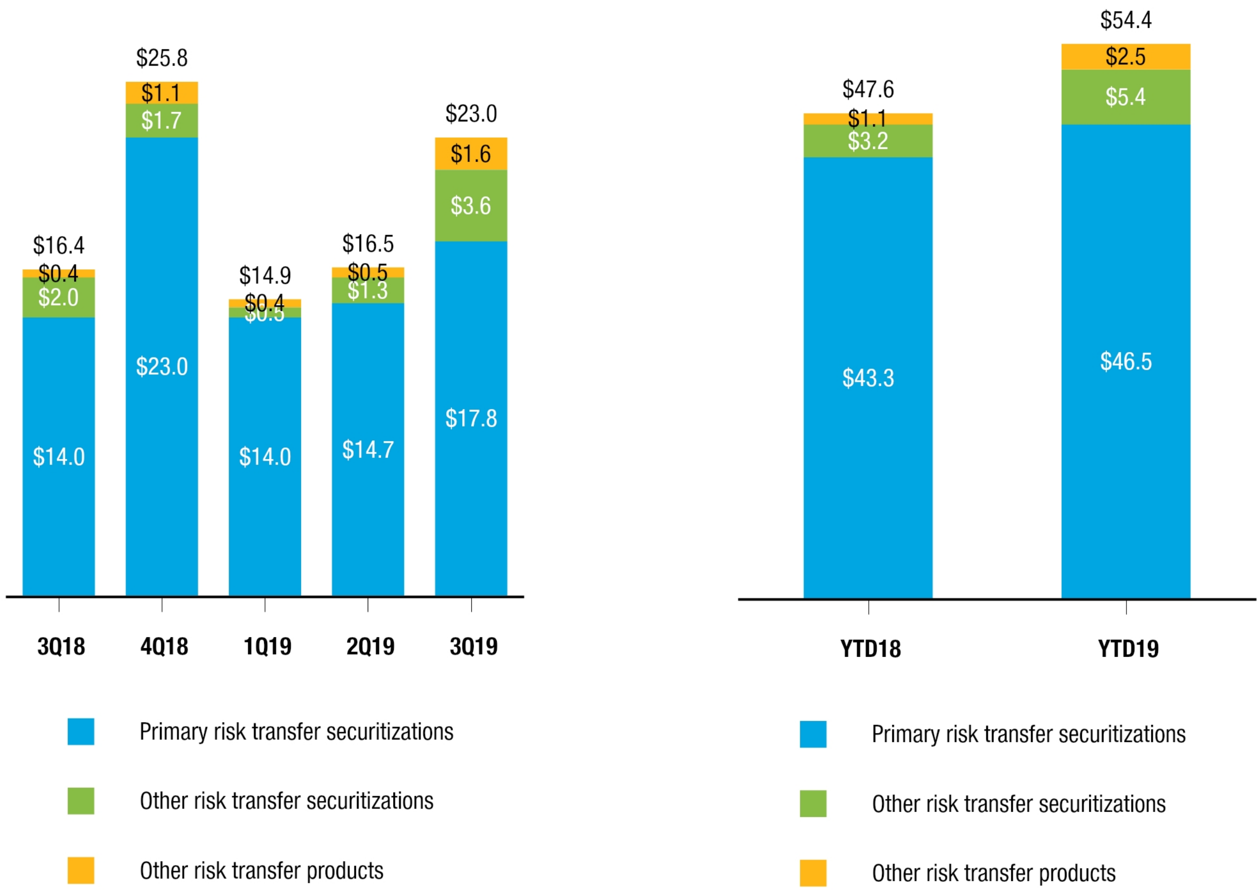


- The valuation of our securitization pipeline and the profitability of our primary risk transfer securitization product, the K Certificate, are affected by both changes in K Certificate benchmark spreads and deal-specific attributes, such as tranche size, risk distribution, and collateral characteristics (loan term, coupon type, prepayment restrictions, and underlying property type). These market spread movements and deal-specific attributes contribute to our earnings volatility, which we manage by controlling the size of our securitization pipeline and by entering into certain spread-related derivatives. Spread tightening generally results in fair value gains, while spread widening generally results in fair value losses.
- K Certificate benchmark spreads generally widened during 3Q 2019 and 3Q 2018, primarily resulting in fair value losses on our held-for-sale mortgage loans and commitments.

Risk Transfer Activity

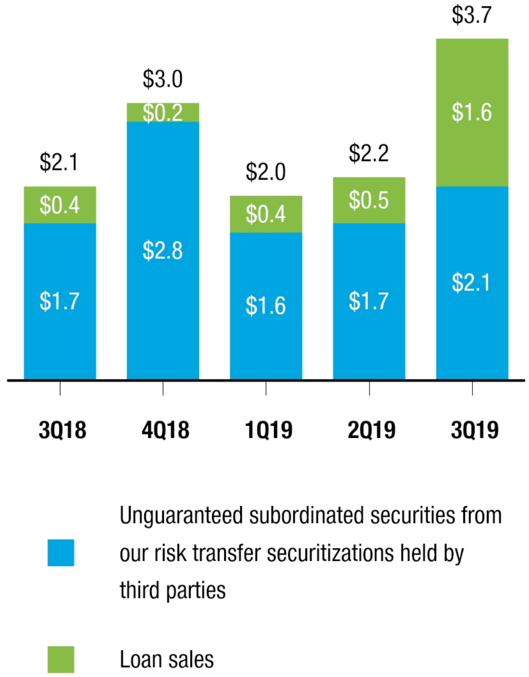
UPB of Assets Subject to Risk Transfer Activity

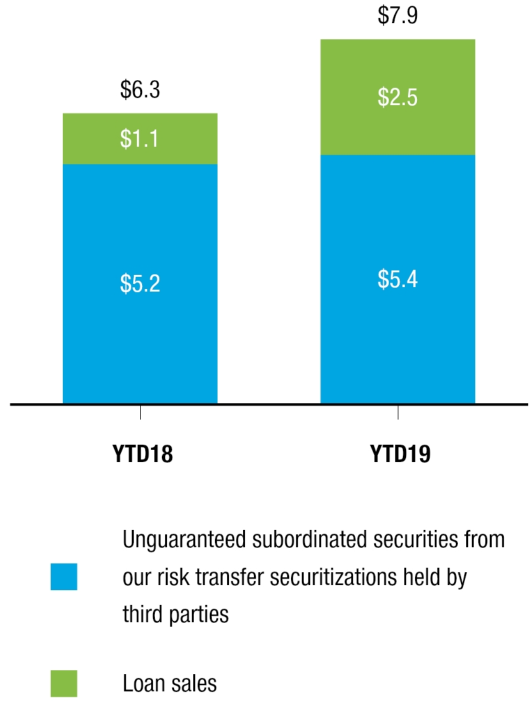
(UPB in billions)



Credit Risk Transfer Activity[1]

(UPB in billions)





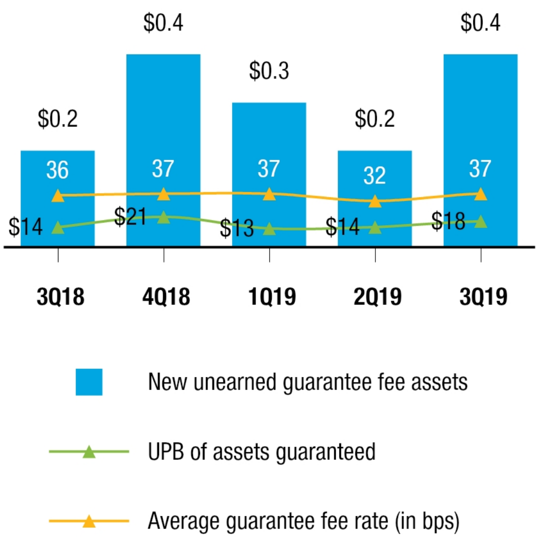
(1) The amounts disclosed in the graph above represent the net credit risk transferred to third parties.

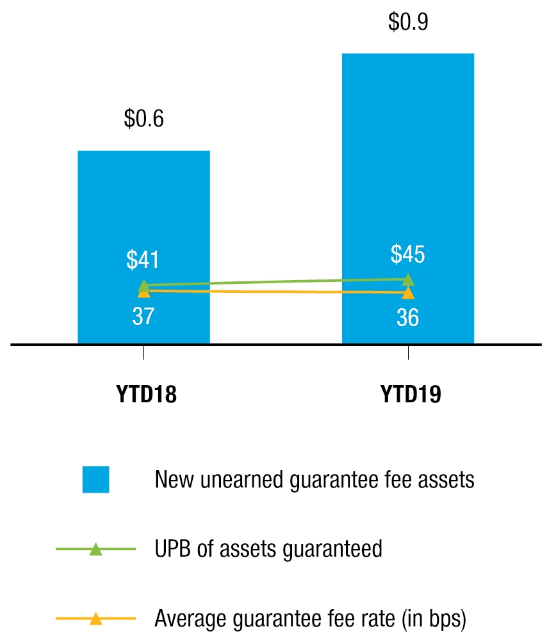
- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - The UPB of our primary risk transfer securitization transactions increased due to a higher average balance in our securitization pipeline, which was driven by strong new loan purchase activity during the first half of 2019.
- As of September 30, 2019, we had cumulatively transferred a large majority of credit risk on the multifamily guarantee portfolio.
  - Conservatorship capital needed for credit risk was reduced by approximately 90% through CRT transactions on new business activity in the twelve months ended September 30, 2018; we plan similar risk reduction transactions for this year's new business activity.
  - The reduction in the amount of conservatorship capital needed for credit risk on new business activity is calculated as conservatorship credit capital released from CRT transactions (primarily through K Certificates and SB Certificates) divided by total conservatorship credit capital on new business activity. For more information on the CCF and the calculation of conservatorship capital, see **Liquidity and Capital Resources - *Capital Resources - Conservatorship Capital Framework - Return on Conservatorship Capital***.
- In addition to transferring a large majority of credit risk, nearly all of our risk transfer securitization activities also shifted substantially all of the interest-rate and liquidity risk associated with the underlying collateral away from Freddie Mac to third-party investors.

Guarantee Activities

New Guarantee Activity

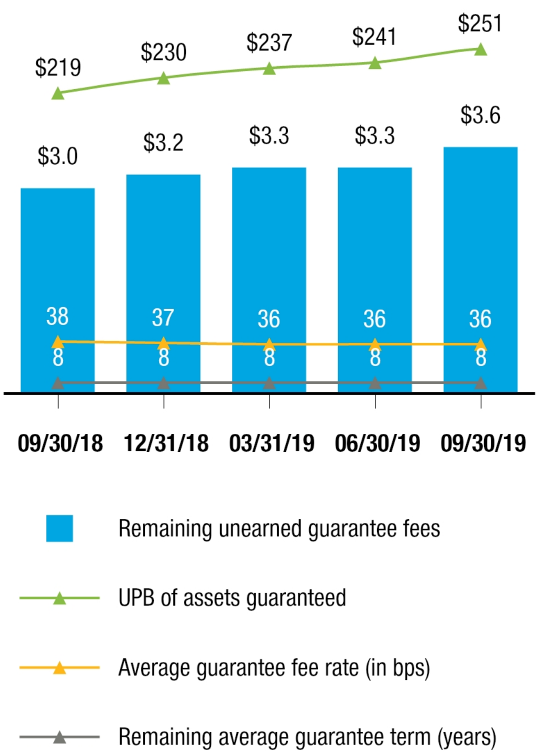
(In billions)





Remaining Unearned Guarantee Fees

(In billions)



- We earn guarantee fees in exchange for providing our guarantee of some or all of the securities we issue as part of our risk transfer securitization activities. Each time we enter into a financial guarantee contract, we initially recognize an unearned guarantee fee asset on our balance sheet, which represents the present value of future guarantee fees we expect to receive in cash. We recognize these fees in Segment Earnings over the remaining average guarantee term, which was eight years as of September 30, 2019. While we expect to collect these future fees based on historical performance, the actual amount collected will depend on the credit and prepayment performance of the underlying collateral subject to our financial guarantee.
- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018** - New unearned guarantee fee assets increased primarily due to an increase in guaranteed UPB issued by our securitizations.
- The balance of unearned guarantee fees increased during YTD 2019 due to the continued growth of our multifamily guarantee business, as our risk transfer securitization volume continued to be strong, outpacing run off.

Financial Results

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

Table 18 - Multifamily Segment Financial Results

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Net interest income	$292	$280	$12	4%	$805	$846	($41)	(5)%
Guarantee fee income	233	210	23	11	671	609	62	10
Benefit (provision) for credit losses	(1)	2	(3)	(150)	(3)	20	(23)	(115)
Financial instrument gains (losses)(1)	256	266	(10)	(4)	254	690	(436)	(63)
Administrative expense	(125)	(109)	(16)	(15)	(357)	(315)	(42)	(13)
Other non-interest income (expense)	72	13	59	454	254	96	158	165
Segment Earnings before income tax expense	**727**	**662**	**65**	**10**	**1,624**	**1,946**	**(322)**	**(17)**
Income tax (expense) benefit	(146)	(113)	(33)	(29)	(330)	(374)	44	12
Segment Earnings, net of taxes	**581**	**549**	**32**	**6**	**1,294**	**1,572**	**(278)**	**(18)**
Total other comprehensive income (loss), net of tax	10	(44)	54	123	132	(136)	268	197
Total comprehensive income (loss)	**$591**	**$505**	**$86**	**17%**	**$1,426**	**$1,436**	**($10)**	**(1)%**

(1) Primarily consists of fair value gains and losses on loan purchase commitments, mortgage loans and debt for which we have elected the fair value option, certain investment securities, and derivatives.

Key Business Drivers:

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018**
  - Net interest income remained relatively flat.
  - Increase in guarantee fee income driven by continued growth in our multifamily guarantee portfolio.
  - Increase in fair value gains during 3Q 2019, primarily driven by fair value gains on held-for-sale commitments due to targeted price increases related to changing market conditions. During YTD 2019, fair value gains decreased primarily driven by spread-related fair value losses due to spread widening on certain available-for-sale securities (which are recorded in other comprehensive income), partially offset by fair value gains on held-for-sale commitments due to targeted price increases related to changing market conditions.
  - Increase in other non-interest income primarily driven by lower losses on the fair value of the recognized unearned guarantee fee assets in the 2019 periods due to declining interest rates.

Capital Markets

Business Results

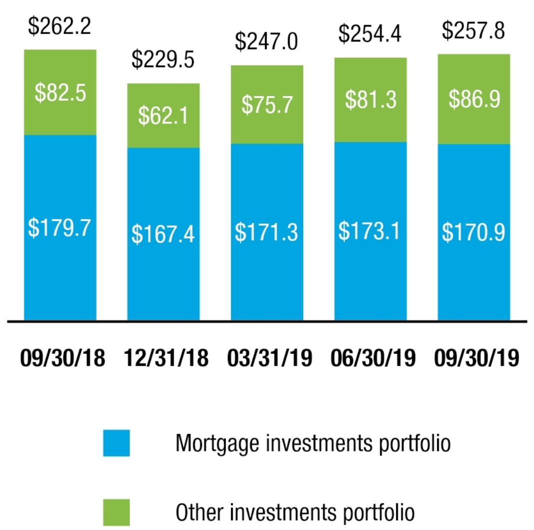
The graphs and related discussion below present the business results of our Capital Markets segment.

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.

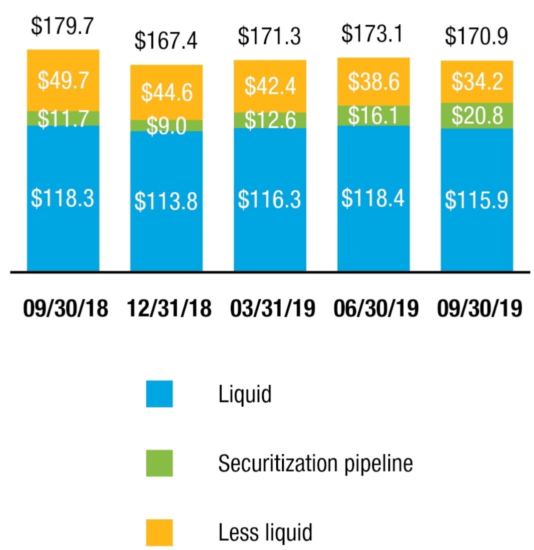
Investments Portfolio

(UPB in billions)



Mortgage Investments Portfolio

(UPB in billions)

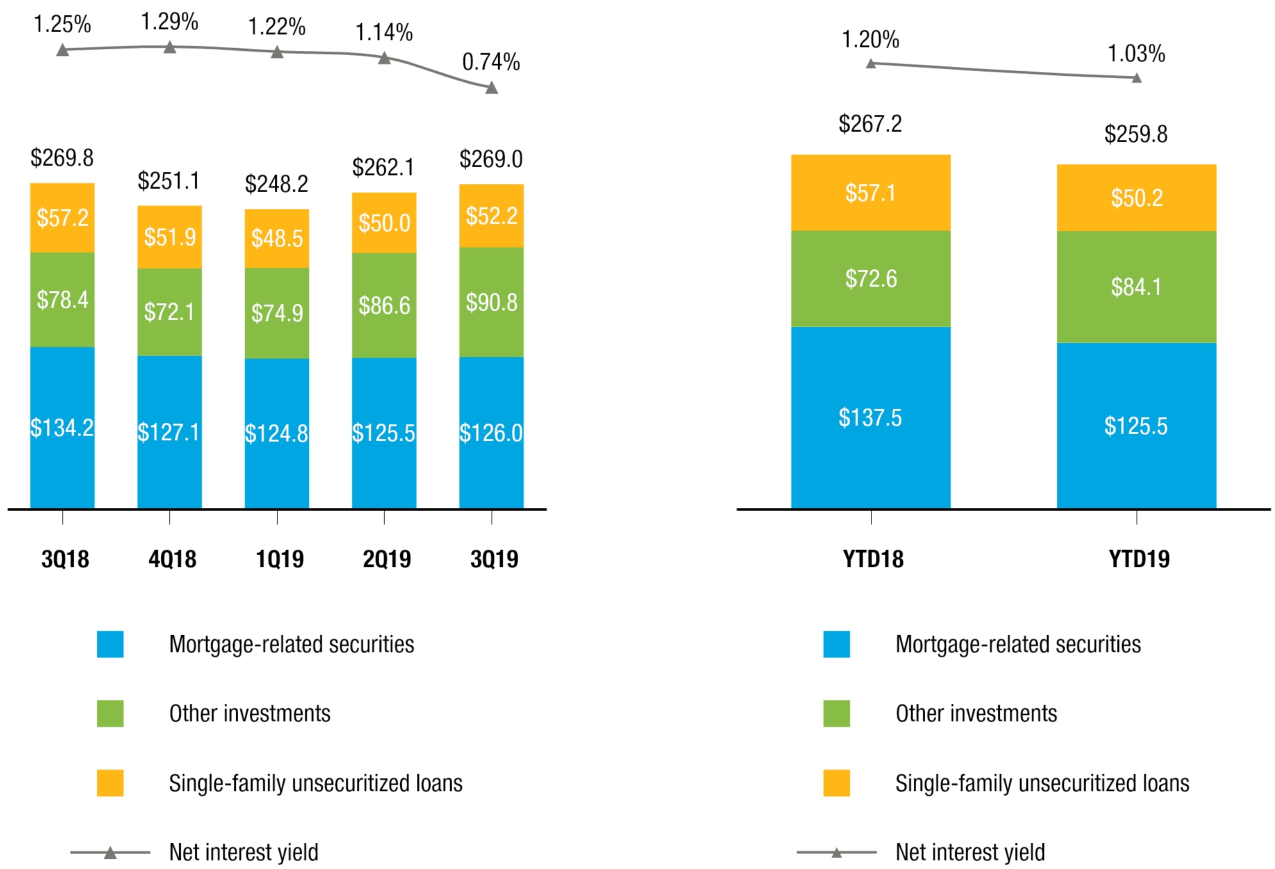


- The balance of our mortgage investments portfolio remained relatively flat from December 31, 2018 to September 30, 2019. See **Conservatorship and Related Matters - *Managing Our Mortgage-Related Investments Portfolio*** for additional details.
- The balance of our other investments portfolio increased by 39.9%, primarily due to higher near-term cash needs as of September 30, 2019 compared to December 31, 2018 for upcoming debt maturities and anticipated calls of other debt.
- The overall liquidity of our mortgage investments portfolio continued to improve as our less liquid assets decreased during 3Q 2019. The percentage of less liquid assets relative to our total mortgage investments portfolio declined from 26.6% at December 31, 2018 to 20.0% at September 30, 2019, primarily due to repayments, sales, and securitizations. We continued to actively reduce our holdings of less liquid assets during 3Q 2019 by selling $3.5 billion of reperforming loans. Our sales of reperforming loans involved securitization of the loans using senior subordinate securitization structures.
- 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.

Net Interest Yield and Average Balances

Net Interest Yield & Average Investments Portfolio Balances

(Weighted average balance in billions)



- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018 -** Net interest yield decreased 51 and 17 basis points during 3Q 2019 compared to 3Q 2018 and YTD 2019 compared to YTD 2018, respectively, primarily due to an increase in amortization expense resulting from higher loan liquidation rates, coupled with an increase in the percentage of our other investments portfolio relative to our total investments portfolio and the flattening of the yield curve.
- 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 2018 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 19 - Capital Markets Segment Financial Results

			Change				Change	
(Dollars in millions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Net interest income	$497	$845	($348)	(41)%	$2,002	$2,410	($408)	(17)%
Investment securities gains (losses)	136	(336)	472	140	698	(524)	1,222	233
Debt gains (losses)	(17)	137	(154)	(112)	(27)	368	(395)	(107)
Derivative gains (losses)	(438)	427	(865)	(203)	(2,095)	2,038	(4,133)	(203)
Other non-interest income (expense)	(237)	179	(416)	(232)	189	535	(346)	(65)
Administrative expense	(96)	(89)	(7)	(8)	(287)	(262)	(25)	(10)
Segment Earnings before income tax expense	**(155)**	**1,163**	**(1,318)**	**(113)**	**480**	**4,565**	**(4,085)**	**(89)**
Income tax (expense) benefit	33	(189)	222	117	(97)	(886)	789	89
Segment Earnings, net of taxes	**(122)**	**974**	**(1,096)**	**(113)**	**383**	**3,679**	**(3,296)**	**(90)**
Total other comprehensive income (loss), net of tax	132	(101)	233	231	594	(847)	1,441	170
Total comprehensive income (loss)	**$10**	**$873**	**($863)**	**(99)%**	**$977**	**$2,832**	**($1,855)**	**(66)%**

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 net interest income, investment securities gains (losses), debt gains (losses), derivative gains (losses), income tax (expense) benefit, and total other comprehensive income (loss), net of tax.

Table 20 - Capital Markets Segment Interest Rate-Related and Market Spread-Related Fair Value Changes, Net of Tax

			Change				Change	
(Dollars in billions)	3Q 2019	3Q 2018	$	%	YTD 2019	YTD 2018	$	%
Interest rate-related	($0.4)	($0.1)	($0.3)	(300)%	($0.4)	($0.1)	($0.3)	(300)%
Market spread-related	0.2	0.1	0.1	100 %	0.3	0.3	—	—

Key Business Drivers:

- **3Q 2019 vs. 3Q 2018 and YTD 2019 vs. YTD 2018**
  - Net interest income decreased primarily due to an increase in amortization expense resulting from higher loan liquidation rates, coupled with a change in our investment mix as the other investments portfolio represents a larger percentage of our total investments portfolio and a flattening of the yield curve.
  - Increase in interest rate-related fair value losses as long-term interest rates decreased during the 2019 periods, resulting in fair value gains on many of our investments in securities (some of which are recorded in other comprehensive income) and fair value losses on derivatives. The net amount of these changes in fair value was mostly offset by the change in the fair value of the hedged items attributable to interest-rate risk in our hedge accounting programs. Additionally, our derivative volume, which economically hedges certain financial instruments not recorded at fair value, increased beginning in 2Q 2019 as we updated our interest-rate risk measures to include upfront fees (including buy-downs) related to single-family credit guarantee activity recorded in the single-family segment. This update introduced additional volatility which resulted in increased losses, partially offset by the effects of hedge accounting.
  - Decrease in debt gains (losses) primarily due to losses from the extinguishment of fixed-rate debt securities of consolidated trusts, as long-term interest rates declined between the time of issuance and repurchase.
  - Decrease in non-interest income primarily due to lower net amortization income driven by the timing differences in amortization related to prepayment between debt of consolidated trusts and the underlying mortgage loans, combined with the effects of an earnings mismatch related to fair value hedge accounting. For further discussion on timing differences in amortization, see **MD&A - Consolidated Results of Operations** in our 2018 Annual Report.

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 **MD&A - Risk Management** in our 2018 Annual Report, **Risk Factors** in our 2018 Annual Report and our Form 10-Q for the quarter ended June 30, 2019, and **Liquidity and Capital Resources** in this Form 10-Q and our 2018 Annual Report. See below for updates since our Form 10-Q for the quarter ended June 30, 2019.

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.

We began to include upfront fees (including buy-downs) in our interest-rate metrics in 2Q 2019. Including upfront fees and related derivative activities significantly increased the Derivatives PVS-L and PVS-YC results for September 30, 2019 in the table below, with an offsetting impact in the Guarantees PVS-L and PVS-YC results.

Table 21 - PVS-YC and PVS-L Results Assuming Shifts of the LIBOR Yield Curve

	September 30, 2019			December 31, 2018		
	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)	$4,523	$9,314	($536)	$5,792	$11,761
Guarantees[2]	(253)	451	943	89	(425)	(773)
Total Assets	**(501)**	**4,974**	**10,257**	**(447)**	**5,367**	**10,988**
Liabilities	23	(1,492)	(3,126)	(109)	(1,889)	(3,948)
Derivatives	491	(3,392)	(6,893)	560	(3,446)	(6,917)
Total	**$13**	**$90**	**$238**	**$4**	**$32**	**$123**
PVS	**$13**	**$90**	**$238**	**$4**	**$32**	**$123**

(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, beginning in 2Q 2019, upfront fees (including buy-downs).

Table 22 - Duration Gap and PVS Results

	3Q 2019			3Q 2018		
(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	0.5	$17	$54	—	$12	$18
Minimum	(0.3)	—	—	(0.2)	—	—
Maximum	1.2	48	130	0.3	21	49
Standard deviation	0.2	12	29	0.1	5	15

	YTD 2019			YTD 2018		
(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	0.9	$43	$116	—	$11	$17
Minimum	(0.8)	—	—	(0.4)	—	—
Maximum	8.6	345	950	0.3	31	77
Standard deviation	1.8	81	213	0.1	6	17

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 23 - PVS-L Results Before Derivatives and After Derivatives

	PVS-L (50 bps)		
(In millions)	Before Derivatives	After Derivatives	Effect of Derivatives
September 30, 2019	$3,482	$90	($3,392)
December 31, 2018	3,478	32	(3,446)

In April 2019, we updated our interest-rate risk measures and began incorporating upfront fees (including buy-downs) related to single-family credit guarantee activity into our asset and liability interest-rate risk management strategy and definition. As a result, the PVS-L before derivatives is significantly higher as of September 30, 2019 than it would have been if we had not updated our interest-rate risk management strategy and definition to include upfront fees.

The inclusion of upfront fees increased the volume of derivatives we used to hedge interest-rate risk, and this higher volume of derivatives, coupled with the volatility of market interest rates during the period, created variability in our PVS-L during 3Q 2019. The table below shows the average, minimum, and maximum PVS-L before derivatives and after derivatives during 3Q 2019.

Table 24 - PVS-L Average, Minimum, and Maximum

	3Q 2019	
	PVS-L (50bps)	
(In millions)	Before Derivatives	After Derivatives
Average	$3,883	$54
Minimum	3,477	—
Maximum	4,343	130

GAAP Earnings Variability

The GAAP 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 GAAP earnings when interest rates and spreads change. This variability of GAAP earnings, which may not reflect the economics of our business, increases the risk of our having a negative net worth and thus being required to draw from Treasury. Although we manage our business on an economic basis, we may execute certain transactions on a non-economic basis in an effort to manage our spread and interest-rate risks.

Interest-Rate Volatility

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, our GAAP financial results are still subject to significant earnings variability from period to period. Based upon the composition of our financial assets and liabilities, including derivatives, at September 30, 2019, we generally recognize fair value losses in GAAP earnings when interest rates decline.

In an effort to reduce our GAAP earnings variability and better align our GAAP results with the economics of our business, we elect hedge accounting for certain single-family mortgage loans and certain debt instruments. Beginning in September 2019, we implemented a new fair value hedge accounting strategy using single-family mortgage loans that applies certain hedge accounting elections allowable under amended hedge accounting guidance we adopted during 4Q 2017. See **Note 9** for additional information on hedge accounting.

GAAP Adverse Scenario

We evaluate the potential benefits of fair value hedge accounting by evaluating a range of interest rate scenarios and identifying which of those scenarios produces the most adverse GAAP earnings outcome. The interest rate scenarios evaluated include parallel shifts in the yield curve of plus and minus 100 basis points, non-parallel yield curve shifts in which long-term interest rates increase or decrease by 100 basis points, and non-parallel yield curve shifts in which short-term and medium-term interest rates increase or decrease by 100 basis points.

- At September 30, 2019, the GAAP adverse scenario before fair value hedge accounting was a parallel shift in which rates decrease by 100 basis points, while the adverse scenario after fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points.
- At September 30, 2018, the GAAP adverse scenario before and after fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points.

The results of this evaluation are shown in the table below.

Table 25 - GAAP Adverse Scenario Before and After Hedge Accounting

	GAAP Adverse Scenario (Before-Tax)		
(Dollars in billions)	Before Hedge Accounting	After Hedge Accounting	% Change
September 30, 2019	($3.5)	($0.1)	97%
September 30, 2018	(3.3)	(0.5)	85

The additional volume of derivatives from updating our interest-rate risk measures to include upfront fees (including buy-downs) related to single-family credit guarantee activity, and the volatility in market interest rates in 3Q 2019 created variability in our GAAP adverse scenarios during 3Q 2019. While the September 30, 2019 GAAP adverse scenario shows a 97% reduction after hedge accounting, this result includes the effect of the new hedge accounting strategy implemented in September 2019, which was not in effect for the entire quarter. As a result, the average GAAP adverse scenario after hedge accounting was higher during 3Q 2019 than it was as of September 30, 2019. With the implementation of the new hedge accounting strategy in September 2019, we expect the GAAP adverse scenario after hedge accounting in future periods to be similar to the result as of September 30, 2019.

The table below shows the average, minimum, and maximum GAAP adverse scenario before hedge accounting and after hedge accounting during 3Q 2019.

Table 26 - GAAP Adverse Scenario Average, Minimum, and Maximum

	3Q 2019	
	GAAP Adverse Scenario (Before-Tax)	
(In billions)	Before Hedge Accounting	After Hedge Accounting
Average	($4.0)	($0.7)
Minimum	(3.2)	(0.1)
Maximum	(5.2)	(1.8)

Hedge accounting is designed to reduce the impact to GAAP earnings in the adverse scenario described above. However, the after hedge accounting impact may not always result in an improvement over the before hedge accounting impact. For example, there are certain interest-rate scenarios in which the after hedge accounting impact would result in a lower gain or a larger loss than the before hedge accounting impact.

Net Interest Rate Effect on Comprehensive Income (Loss)

The table below presents the effect of derivatives used in our interest-rate risk management activities on our comprehensive income (loss), net of tax, after considering any offsetting interest rate effects related to financial instruments measured at fair value and the effects of fair value hedge accounting.

Table 27 - Estimated Net Interest Rate Effect on Comprehensive Income (Loss)

(In billions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Interest-rate effect on derivative fair values	($2.8)	$1.4	($9.3)	$5.5
Estimate of offsetting interest-rate effect related to financial instruments measured at fair value[1]	1.3	(1.0)	4.4	(3.6)
Gains (losses) on mortgage loans and debt in fair value hedge relationships	1.2	(0.6)	4.5	(2.5)
Amortization of deferred hedge accounting gains and losses	(0.2)	0.1	(0.2)	0.2
Income tax (expense) benefit	0.1	—	0.1	0.1
Estimated net interest rate effect on comprehensive income (loss)	**($0.4)**	**($0.1)**	**($0.5)**	**($0.3)**

(1) Includes the interest-rate effect on our trading securities, available-for-sale securities, mortgage loans held-for-sale, and other assets and debt for which we elected the fair value option, which is reflected in non-interest income (loss) and total other comprehensive income (loss) on our condensed consolidated statements of comprehensive income.

The effect from the change in interest rates on derivative fair values is mostly offset by the effect from the change in interest rates related to financial instruments measured at fair value and gains and losses on mortgage loans and debt in fair value hedging relationships. However, the estimated net interest rate effect on comprehensive income (loss) in 3Q 2019 was higher than in prior periods as a result of the additional volume of derivatives and volatility in market interest rates during 3Q 2019. The remaining net interest-rate effect on comprehensive income is largely attributable to the following:

- The reversal of previously recognized derivative gains and losses,
- The implied net cost on instruments such as swaptions, futures, and forward purchase and sale commitments from our hedging and interest-rate risk management activities, which are recognized in GAAP earnings over time as a component of derivative gains and losses as the instruments approach maturity, and
- The amortization of previously deferred hedge accounting gains and losses, which we recognized in interest income over the contractual life of the hedged item.

Spread Volatility

We have limited ability to manage our spread risk exposure in a cost beneficial manner, and therefore the volatility of market spreads may contribute to significant GAAP earnings variability. 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. The table below shows the estimated effect of spreads on our comprehensive income (loss), after tax, by segment.

Table 28 - Estimated Spread Effect on Comprehensive Income (Loss)

(In billions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Capital Markets	$0.2	$0.1	$0.3	$0.3
Multifamily	(0.1)	—	(0.2)	0.1
Single-family Guarantee[1]	—	—	—	—
Spread effect on comprehensive income (loss)	**$0.1**	**$0.1**	**$0.1**	**$0.4**

(1) Represents spread exposure on certain STACR debt securities for which we have elected the fair value option.

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 2018 Annual Report.

Liquidity

Primary Sources of Liquidity

The following table lists the sources of our liquidity, the balances as of September 30, 2019, and a brief description of their importance to Freddie Mac.

Table 29 - Sources of Liquidity

Source	Balance[(1)] (In billions)	Description
Liquidity		
• Other Investments Portfolio - Liquidity and Contingency Operating Portfolio	$52.4	• 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	$120.8	• 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 30 - Other Investments Portfolio

	September 30, 2019				December 31, 2018			
(In billions)	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio
Cash and cash equivalents	$5.1	$3.6	$—	$8.7	$6.7	$0.6	$—	$7.3
Securities purchased under agreements to resell	27.6	21.4	2.2	51.2	20.2	12.1	2.5	34.8
Non-mortgage related securities	19.7	—	4.6	24.3	16.8	—	2.4	19.2
Secured lending and other	—	—	5.4	5.4	—	—	1.8	1.8
Total	**$52.4**	**$25.0**	**$12.2**	**$89.6**	**$43.7**	**$12.7**	**$6.7**	**$63.1**

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 $4.0 billion and $1.5 billion as of September 30, 2019 and December 31, 2018, respectively.

The liquidity and contingency operating portfolio also included collateral posted to us in the form of cash primarily by derivatives counterparties of $3.1 billion and $3.0 billion as of September 30, 2019 and December 31, 2018, 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 September 30, 2019 and a brief description of their importance to Freddie Mac.

Table 31 - Sources of Funding

Source	Balance[1] (In billions)	Description
Funding		
• Other Debt	$281.6	• 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	$1,869.3	• 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 UPB of debt balances.

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.

The table below summarizes the par value and the average rate of other debt securities 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 securities from time to time for a variety of reasons, including managing our funding composition and supporting the liquidity of our debt securities.

Table 32 - Other Debt Activity

	3Q 2019				YTD 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	$35,362	2.41%	$—	—%	$28,787	2.36%	$—	—%
Issuances	82,414	2.05	—	—	267,915	2.24	—	—
Repurchases	—	—	—	—	—	—	—	—
Maturities	(75,057)	2.20	—	—	(253,983)	2.28	—	—
Ending Balance	**42,719**	**2.09**	**—**	**—**	**42,719**	**2.09**	**—**	**—**
Securities sold under agreements to repurchase								
Beginning balance	9,549	2.30	—	—	6,019	2.40	—	—
Additions	111,886	2.19	—	—	213,335	2.30	—	—
Repayments	(112,735)	2.21	—	—	(210,654)	2.32	—	—
Ending Balance	**8,700**	**2.06**	**—**	**—**	**8,700**	**2.06**	**—**	**—**
Callable debt								
Beginning balance	12,590	2.49	113,394	2.16	2,000	2.53	105,206	2.09
Issuances	1,000	2.30	28,627	2.22	13,590	2.48	74,293	2.55
Repurchases	—	—	—	—	—	—	—	—
Calls	(10,590)	2.49	(31,077)	2.59	(12,590)	2.53	(59,885)	2.82
Maturities	—	—	(8,494)	1.38	—	—	(17,164)	1.32
Ending Balance	**3,000**	**2.43**	**102,450**	**2.11**	**3,000**	**2.43**	**102,450**	**2.11**
Non-callable debt								
Beginning balance	13,596	2.50	77,539	2.75	14,440	2.04	80,789	2.56
Issuances	29,256	2.27	5,485	2.27	47,562	2.35	15,775	2.43
Repurchases	(345)	1.87	—	—	(345)	1.87	(774)	1.82
Maturities	(2,409)	2.38	(14,515)	1.33	(21,559)	2.17	(27,281)	1.65
Ending Balance	**40,098**	**2.33**	**68,509**	**3.02**	**40,098**	**2.33**	**68,509**	**3.02**
STACR and SCR Debt[2]								
Beginning balance	—	—	16,971	6.16	—	—	17,729	6.02
Issuances	—	—	—	—	—	—	280	2.48
Repurchases	—	—	—	—	—	—	—	—
Maturities	—	—	(883)	4.24	—	—	(1,921)	4.47
Ending Balance	**—**	**—**	**16,088**	**5.98**	—	—	**16,088**	**5.98**
Total other debt	**$94,517**	**2.20%**	**$187,047**	**2.78%**	**$94,517**	**2.20%**	**$187,047**	**2.78%**

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

(2) Includes STACR and SCR debt notes and certain multifamily other debt. STACR 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.

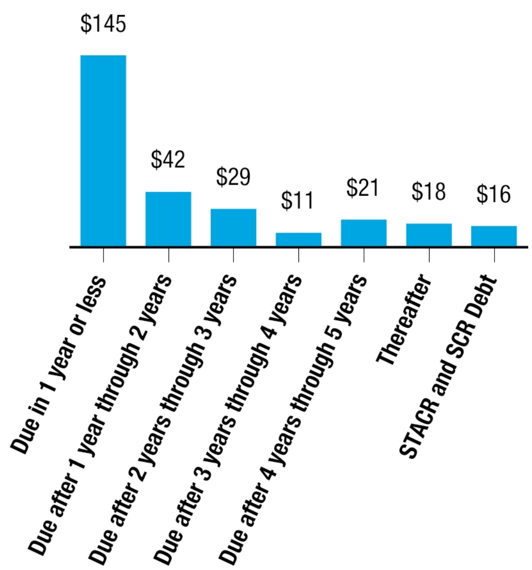
Our outstanding other debt balance increased during the 2019 periods, driven by an increase in the issuance of short-term SOFR debt primarily due to higher near-term cash needs for upcoming debt maturities and anticipated calls.

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.

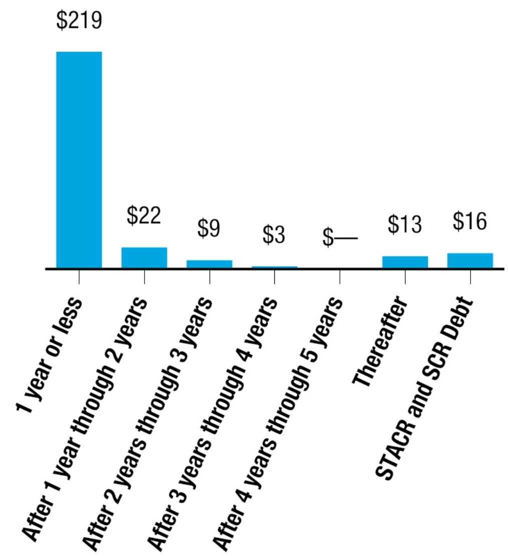
Contractual Maturity Date as of September 30, 2019[1]

(Par value in billions)



Earliest Redemption Date as of September 30, 2019[1]

(Par value in billions)



(1) STACR 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 $1,905.6 billion and $1,842.9 billion of mortgage loans, which represented 87.8% and 89.3% of our total assets, as of September 30, 2019 and December 31, 2018, 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 $1,869.3 billion and $1,792.7 billion of debt securities of consolidated trusts, which represented 87.0% and 87.7% of our total debt, as of September 30, 2019 and December 31, 2018, 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.

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

Table 33 - Activity for Debt Securities of Consolidated Trusts Held by Third Parties

(In millions)	3Q 2019	YTD 2019
Beginning balance	$1,784,229	$1,748,738
Issuances:		
New issuances to third parties	100,666	216,071
Additional issuances of securities	56,495	121,537
Total issuances	**157,161**	**337,608**
Extinguishments:		
Purchases of debt securities from third parties	(12,556)	(25,526)
Debt securities received in settlement of secured lending	(12,816)	(28,066)
Repayments of debt securities	(91,312)	(208,048)
Total extinguishments	**(116,684)**	**(261,640)**
Ending balance	**1,824,706**	**1,824,706**
Unamortized premiums and discounts	44,602	44,602
Debt securities of consolidated trusts held by third parties	**$1,869,308**	**$1,869,308**

Cash Flows

Cash and cash equivalents (including restricted cash and cash equivalents) increased by $1.7 billion from September 30, 2018 to September 30, 2019, primarily driven by an increase in proceeds from the issuance of debt for upcoming maturities and anticipated calls of other debt.

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 September 30, 2019, 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 $6.7 billion and the applicable Capital Reserve Amount of $20.0 billion, we will not have a dividend requirement to Treasury in December 2019. See **Note 2** for details of the support we receive from Treasury.

The table below presents activity related to our net worth during 3Q 2019 and YTD 2019.

Table 34 - Net Worth Activity

(In millions)	3Q 2019	YTD 2019
Beginning balance	$4,826	$4,477
Comprehensive income (loss)	1,848	5,339
Capital draw from Treasury	—	—
Senior preferred stock dividends declared	—	(3,142)
Total equity / net worth	**$6,674**	**$6,674**
Aggregate draws under Purchase Agreement	$71,648	$71,648
Aggregate cash dividends paid to Treasury	119,680	119,680

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, an economic 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 have adopted the CCF for internal capital measurement to evaluate business decisions and ensure the company makes such decisions prudently when pricing transactions and managing its businesses. This framework focuses on the profits earned versus an estimated cost of equity capital needed to support the risk assumed to generate those profits.

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. Each quarter, we consider whether certain "significant items" occurred that should be excluded from comprehensive income for our calculation of ROCC. If we have identified significant items in any of the periods presented, we also include comprehensive income excluding significant items as well as an adjusted ROCC based on comprehensive income excluding significant items, both non-GAAP measures. We believe that these non-GAAP financial measures are useful to investors as they better reflect our on-going financial results.

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 35 - Return on Conservatorship Capital[1]

(Dollars in billions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
GAAP comprehensive income	$1.8	$2.6	$5.3	$7.1
Significant items:				
Non-agency mortgage-related securities judgment[2]	—	—	—	(0.3)
Tax effect related to judgment[2]	—	—	—	0.1
Total significant items[3]	—	—	—	(0.2)
Comprehensive income, excluding significant items[3]	$1.8	$2.6	$5.3	$6.9
Conservatorship capital (average during the period)[4]	$51.3	$56.5	$51.8	$57.5
ROCC, based on GAAP comprehensive income[4]	14.4%	18.1%	13.7%	16.6%
Adjusted ROCC, based on comprehensive income excluding significant items[3][4]	14.4%	18.1%	13.7%	16.0%

(1) Average conservatorship capital and ROCC for 3Q 2019 and YTD 2019 are preliminary and subject to change until official submission to FHFA.

(2) YTD 2018 GAAP comprehensive income included a benefit of $334 million (pre-tax) from a final judgment against Nomura Holding America, Inc. in litigation involving certain of our non-agency mortgage-related securities. The tax effect related to this judgment was ($70) million.

(3) No significant items were identified for the 2019 periods. Numbers for the 2019 periods are included for comparison purposes only.

(4) Average conservatorship capital for each period is based on the CCF in effect during that period, except that the 2018 figures have been revised to include capital for deferred tax assets. The CCF in effect as of September 30, 2019 was largely unchanged from the CCF as of June 30, 2019.

Our ROCC and Adjusted ROCC for 3Q 2019 and YTD 2019 decreased compared to the returns for the 2018 periods, primarily driven by the decrease in comprehensive income, partially offset by the lower level of conservatorship capital needed, resulting from an increase in CRT activity in both our Single-family Guarantee and Multifamily segments, home price appreciation, the efficient disposition of legacy assets, and a decrease in our deferred tax assets.

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 2018 Annual Report. See **Note 3** and **Note 5** for more information on our off-balance sheet securitization and guarantee activities.

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 $283.5 billion and $254.9 billion at September 30, 2019 and December 31, 2018, respectively. The amount as of September 30, 2019 excludes Fannie Mae securities backing Freddie Mac resecuritization products discussed below.

With the implementation of the Single Security Initiative, we now have the ability to 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.

As of September 30, 2019, the total amount of our off-balance sheet exposure related to Fannie Mae securities backing Freddie Mac resecuritization products was approximately $17 billion. We expect this exposure to increase over time.

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.

Table 36 - Mortgage-Related Investments Portfolio Details

	September 30, 2019				December 31, 2018			
(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	$—	$20,823	$—	$20,823	$—	$8,955	$—	$8,955
Reperforming loans	—	—	29,982	29,982	—	—	39,402	39,402
Total single-family unsecuritized loans	**—**	**20,823**	**29,982**	**50,805**	**—**	**8,955**	**39,402**	**48,357**
Freddie Mac mortgage-related securities	108,282	—	2,665	110,947	109,880	—	3,108	112,988
Non-agency mortgage-related securities	—	—	1,585	1,585	—	—	2,122	2,122
Other Non-Freddie Mac agency mortgage-related securities	7,583	—	—	7,583	3,968	—	—	3,968
Total Capital Markets segment - Mortgage investments portfolio	**115,865**	**20,823**	**34,232**	**170,920**	**113,848**	**8,955**	**44,632**	**167,435**
Single-family Guarantee segment - Single-family unsecuritized seriously delinquent loans	—	—	8,330	8,330	—	—	8,473	8,473
Multifamily segment:								
Unsecuritized loans	—	24,998	11,690	36,688	—	23,203	11,584	34,787
Mortgage-related securities	4,964	—	699	5,663	6,570	—	815	7,385
Total Multifamily segment	**4,964**	**24,998**	**12,389**	**42,351**	**6,570**	**23,203**	**12,399**	**42,172**
Total mortgage-related investments portfolio	**$120,829**	**$45,821**	**$54,951**	**$221,601**	**$120,418**	**$32,158**	**$65,504**	**$218,080**
Percentage of total mortgage-related investments portfolio	54%	21%	25%	100%	55%	15%	30%	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 YTD 2019 included the following:

- Sales of $3.5 billion in UPB of single-family reperforming loans, $0.2 billion in UPB of seriously delinquent unsecuritized single-family loans, and $0.2 billion in UPB of single-family non-agency mortgage-related securities;
- Securitizations of $1.5 billion in UPB of less liquid multifamily loans; and
- Transfers of $0.4 billion in UPB of less liquid multifamily loans to the securitization pipeline.

FHFA's Strategic Plan and Scorecards for Freddie Mac and Fannie Mae Conservatorships

In October 2019, FHFA released a new Strategic Plan for the Conservatorships of Freddie Mac and Fannie Mae. The 2019 Strategic Plan provides a framework for how FHFA will guide Freddie Mac and Fannie Mae (the Enterprises) to fulfill their statutory missions, focus on safety and soundness, and prepare for a responsible end to the conservatorships.

The three objectives of this new Strategic Plan are to ensure that the Enterprises:

- Focus on their core mission responsibilities to foster competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets that support sustainable homeownership and affordable rental housing;
- Operate in a safe and sound manner appropriate for entities in conservatorship; and
- Prepare for the Enterprises' eventual exists from conservatorships.

FHFA also released a new annual Conservatorship Scorecard for Freddie Mac, Fannie Mae, and Common Securitization Solutions. This new 2020 Conservatorship Scorecard aligns tactical priorities and execution at the Enterprises to the 2019 Strategic Plan and serves as a tool in holding the Enterprises accountable for its effective implementation

FHFA issued the 2019 and 2020 Conservatorship Scorecards in December 2018 and October 2019, respectively. We continue to align our resources and internal business plans to meet the goals and objectives provided by FHFA.

For information about how the Conservatorship Scorecard affects executive compensation, see the **Compensation Discussion and Analysis** section in our 2018 Annual Report. For information about the 2019 Conservatorship Scorecard, see our Current Report on Form 8-K filed on December 20, 2018. For information on the 2020 Conservatorship Scorecard, see our Current Report on Form 8-K filed on October 29, 2019.

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 3Q 2019 and YTD 2019, we completed $163.2 billion and $365.4 billion, respectively, of new business purchases subject to this requirement and accrued $68 million and $153 million, respectively, of related expense. We are prohibited from passing through these costs to the originators of the loans that we purchase.

Legislative and Regulatory Developments

Treasury Housing Reform Plan

On September 5, 2019, Treasury released its plan to reform the housing finance system pursuant to the goals specified in the presidential memorandum issued on March 27, 2019. The Treasury Housing Reform Plan (the Plan) includes 49 recommended legislative and administrative reforms that would advance the reform goals outlined in the presidential memorandum: ending the conservatorships of the GSEs, facilitating competition in the housing finance system, establishing regulation of the GSEs that safeguards their safety and soundness and minimizes the risks they pose to the financial stability of the United States, and providing that the federal government is properly compensated for any explicit or implicit support it provides to the GSEs or the secondary housing finance market.

Among other things, Treasury states that its preference and recommendation is for Congress to enact comprehensive housing finance reform legislation. Specifically, the Plan indicates that legislative reforms should replace the existing GSE Purchase Agreements with an explicit, paid-for guarantee backed by the full faith and credit of the federal government that is limited to the timely payment of principal and interest on qualifying MBS. The explicit government guarantee should be available to re-chartered GSEs and to any other FHFA-approved guarantors of MBS collateralized by eligible conventional mortgage loans or eligible multifamily mortgage loans. Further, the government's guarantee would stand behind significant first-loss private capital and would be triggered only in exigent circumstances.

To ensure stability in the housing finance system pending comprehensive housing finance reform legislation, the Plan indicates that it will be necessary to maintain limited and tailored government support for the GSEs by leaving the Purchase Agreement commitments in place after the GSE conservatorships. The Plan notes that the government should be compensated for its continued support through a periodic commitment fee.

The Plan also indicates that FHFA should begin the process of ending the GSE conservatorships. It recommends that the Purchase Agreements be amended to enhance Treasury's ability to mitigate the risk of a draw on the commitments after the conservatorships have ended. It also indicates that other Purchase Agreement amendments should ensure that each GSE continues to be subject to appropriate mission and safety and soundness regulation after conservatorship and that future GSE activities are limited to those that have a close nexus to the underlying rationale for government support.

Treasury has indicated that it will continue to support FHFA's administrative actions to enhance regulation of the GSEs, promote private sector competition, and satisfy preconditions for ending the GSEs' conservatorships. We cannot predict whether Congress will enact legislation or FHFA will take administrative action that is consistent with these recommendations.

Affordable Housing Goal Results for 2018

In September 2019, FHFA informed us that it had reviewed our performance with respect to affordable housing goals for 2018 and preliminarily determined that we achieved all five of our single-family affordable housing goals and all three of our multifamily goals. We may achieve a single-family or multifamily housing goal by meeting or exceeding the FHFA benchmark for that goal (Goal). We also may achieve a single-family housing goal by meeting or exceeding the actual share of the market that meets the criteria for that goal (Market Level). Our performance on the goals, as preliminarily determined by FHFA, is set forth in the table below.

Table 37 - 2018 Affordable Housing Goal Results

	Goals for 2018	Market Levels for 2018	Preliminary Results for 2018
Single-family purchase money goals (benchmark levels)			
Low-income goal	24%	25.5%	25.8%
Very low-income goal	6%	6.5%	6.3%
Low-income areas goal	18%	22.6%	22.6%
Low-income areas subgoal	14%	18.0%	17.3%
Single-family refinance (benchmark level)			
Low-income goal	21%	30.7%	27.3%
Multifamily (benchmark levels in units)			
Low-income goal	315,000	N/A	474,062
Very low-income subgoal	60,000	N/A	105,612
Small property low-income subgoal	10,000	N/A	39,353

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, 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 **Risk Factors** section of the Form 10-Q for the quarter ended June 30, 2019 and our 2018 Annual Report, and:

- The actions the U.S. government (including FHFA, Treasury, and Congress) may take, or require us to take, including to support the housing markets 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, including our dividend requirement on the senior preferred stock;
- 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 the balance sheet normalization program to reduce the Federal Reserve's holdings of mortgage-related securities;
- Changes in tax laws;
- Changes in accounting policies, practices, or guidance (e.g., FASB's accounting standards update related to the measurement of credit losses of financial instruments);
- Changes in economic and market conditions, 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, 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;
- 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, as well as market acceptance of the UMBS;
- Changes in the practices of loan originators, servicers, investors, and other participants in the secondary mortgage market;
- The occurrence of a major natural or other disaster 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 2018 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)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Interest income				
Mortgage loans	$16,428	$16,787	$51,732	$49,082
Investments in securities	686	755	2,059	2,295
Other	426	261	1,197	703
Total interest income	**17,540**	**17,803**	**54,988**	**52,080**
Interest expense	(15,130)	(14,546)	(46,498)	(42,802)
Net interest income	2,410	3,257	8,490	9,278
Benefit (provision) for credit losses	179	380	474	377
Net interest income after benefit (provision) for credit losses	2,589	3,637	8,964	9,655
Non-interest income (loss)				
Guarantee fee income	231	209	670	603
Mortgage loans gains (losses)	1,702	94	4,174	233
Investment securities gains (losses)	164	(443)	728	(1,024)
Debt gains (losses)	(56)	158	8	445
Derivative gains (losses)	(1,217)	728	(4,912)	2,974
Other income (loss)	146	79	389	648
Non-interest income (loss)	970	825	1,057	3,879
Non-interest expense				
Salaries and employee benefits	(333)	(301)	(983)	(890)
Professional services	(115)	(120)	(342)	(335)
Other administrative expense	(172)	(148)	(492)	(422)
Total administrative expense	**(620)**	**(569)**	**(1,817)**	**(1,647)**
Real estate owned operations expense	(58)	(38)	(172)	(87)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(408)	(375)	(1,197)	(1,100)
Other expense	(337)	(218)	(1,036)	(619)
Non-interest expense	(1,423)	(1,200)	(4,222)	(3,453)
Income (loss) before income tax (expense) benefit	2,136	3,262	5,799	10,081
Income tax (expense) benefit	(427)	(556)	(1,177)	(1,946)
Net income (loss)	1,709	2,706	4,622	8,135
Other comprehensive income (loss), net of taxes and reclassification adjustments:				
Changes in unrealized gains (losses) related to available-for-sale securities	124	(169)	674	(1,065)
Changes in unrealized gains (losses) related to cash flow hedge relationships	19	25	57	87
Changes in defined benefit plans	(4)	(3)	(14)	(13)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	**139**	**(147)**	**717**	**(991)**
Comprehensive income (loss)	**$1,848**	**$2,559**	**$5,339**	**$7,144**
Net income (loss)	$1,709	$2,706	$4,622	$8,135
Undistributed net worth sweep, senior preferred stock dividends, or future increase in senior preferred stock liquidation preference	(1,848)	(2,559)	(5,339)	(4,144)
Net income (loss) attributable to common stockholders	**($139)**	**$147**	**($717)**	**$3,991**
Net income (loss) per common share — basic and diluted	($0.04)	$0.05	($0.22)	$1.23
Weighted average common shares outstanding (in millions) — basic and diluted	3,234	3,234	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)	September 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents (Notes 1, 3, 14) (includes $3,560 and $596 of restricted cash and cash equivalents)	$8,708	$7,273
Securities purchased under agreements to resell (Notes 3, 10)	51,187	34,771
Investments in securities, at fair value (Note 7)	72,982	69,111
Mortgage loans held-for-sale (Notes 3, 4) (includes $21,538 and $23,106 at fair value)	41,118	41,622
Mortgage loans held-for-investment (Notes 3, 4) (net of allowance for loan losses of $4,854 and $6,139)	1,956,372	1,885,356
Accrued interest receivable (Note 3)	6,790	6,728
Derivative assets, net (Notes 9, 10)	1,592	335
Deferred tax assets, net (Note 12)	5,784	6,888
Other assets (Notes 3, 18) (includes $4,590 and $3,929 at fair value)	25,713	10,976
Total assets	**$2,170,246**	**$2,063,060**
Liabilities and equity		
Liabilities		
Accrued interest payable (Note 3)	$6,688	$6,652
Debt, net (Notes 3, 8) (includes $4,600 and $5,112 at fair value)	2,149,259	2,044,950
Derivative liabilities, net (Notes 9, 10)	355	583
Other liabilities (Notes 3, 18)	7,270	6,398
Total liabilities	**2,163,572**	**2,058,583**
Commitments and contingencies (Notes 5, 9, 16)		
Equity (Note 11)		
Senior preferred stock (redemption value of $77,474 and $75,648)	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 and 650,058,775 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(76,780)	(78,260)
AOCI, net of taxes, related to:		
Available-for-sale securities (includes $243 and $221, related to net unrealized gains on securities for which other-than-temporary impairment has been recognized in earnings)	757	83
Cash flow hedge relationships	(258)	(315)
Defined benefit plans	83	97
Total AOCI, net of taxes	582	(135)
Treasury stock, at cost, 75,804,853 shares and 75,805,111 shares	(3,885)	(3,885)
Total equity *(See Note 11 for information on our dividend requirement to Treasury)*	**6,674**	**4,477**
Total liabilities and equity	**$2,170,246**	**$2,063,060**

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)	September 30, 2019	December 31, 2018
Consolidated Balance Sheet Line Item		
Assets: (Note 3)		
Mortgage loans held-for-investment	$1,905,633	$1,842,850
All other assets	43,863	20,237
Total assets of consolidated VIEs	**$1,949,496**	**$1,863,087**
Liabilities: (Note 3)		
Debt, net	$1,869,308	$1,792,677
All other liabilities	5,519	5,335
Total liabilities of consolidated VIEs	**$1,874,827**	**$1,798,012**

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 June 30, 2019	1	464	650	$72,648	$14,109	$—	$—	($78,489)	$443	($3,885)	$4,826
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	1,709	—	—	1,709
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	139	—	139
Comprehensive income (loss)	—	—	—	—	—	—	—	1,709	139	—	1,848
Ending balance at September 30, 2019	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($76,780)**	**$582**	**($3,885)**	**$6,674**
Balance at June 30, 2018	1	464	650	$72,648	$14,109	$—	$—	($77,921)	($366)	($3,885)	$4,585
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	2,706	—	—	2,706
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	(147)	—	(147)
Comprehensive income (loss)	—	—	—	—	—	—	—	2,706	(147)	—	2,559
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(1,585)	—	—	(1,585)
Ending balance at September 30, 2018	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($76,800)**	**($513)**	**($3,885)**	**$5,559**

	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, 2018	1	464	650	$72,648	$14,109	$—	$—	($78,260)	($135)	($3,885)	$4,477
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	4,622	—	—	4,622
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	717	—	717
Comprehensive income (loss)	—	—	—	—	—	—	—	4,622	717	—	5,339
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(3,142)	—	—	(3,142)
Ending balance at September 30, 2019	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($76,780)**	**$582**	**($3,885)**	**$6,674**
Balance at December 31, 2017	1	464	650	$72,336	$14,109	$—	$—	($83,261)	$389	($3,885)	($312)
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	8,135	—	—	8,135
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	(991)	—	(991)
Comprehensive income (loss)	—	—	—	—	—	—	—	8,135	(991)	—	7,144
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	(89)	89	—	—
Increase in liquidation preference	—	—	—	312	—	—	—	—	—	—	312
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(1,585)	—	—	(1,585)
Ending balance at September 30, 2018	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($76,800)**	**($513)**	**($3,885)**	**$5,559**

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

FREDDIE MAC

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)	YTD 2019	YTD 2018
Net cash provided by (used in) operating activities	**$3,404**	**$2,895**
Cash flows from investing activities		
Purchases of trading securities	(76,091)	(101,700)
Proceeds from sales of trading securities	61,398	94,934
Proceeds from maturities and repayments of trading securities	10,733	5,276
Purchases of available-for-sale securities	(6,440)	(14,308)
Proceeds from sales of available-for-sale securities	9,407	16,976
Proceeds from maturities and repayments of available-for-sale securities	3,201	4,740
Purchases of held-for-investment mortgage loans	(154,441)	(113,083)
Proceeds from sales of mortgage loans held-for-investment	11,063	7,121
Repayments of mortgage loans held-for-investment	232,374	190,264
Advances under secured lending arrangements	(34,627)	(19,407)
Repayments of secured lending arrangements	1,022	—
Net proceeds from dispositions of real estate owned and other recoveries	891	1,054
Net (increase) decrease in securities purchased under agreements to resell	(16,416)	7,363
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	(10,536)	5,418
Other, net	(424)	(321)
Net cash provided by (used in) investing activities	**31,114**	**84,327**
Cash flows from financing activities		
Proceeds from issuance of debt securities of consolidated trusts held by third parties	178,248	158,825
Repayments and redemptions of debt securities of consolidated trusts held by third parties	(234,410)	(211,729)
Proceeds from issuance of other debt	631,628	444,809
Repayments of other debt	(605,323)	(480,625)
Increase in liquidation preference of senior preferred stock	—	312
Payment of cash dividends on senior preferred stock	(3,142)	(1,585)
Other, net	(84)	(2)
Net cash provided by (used in) financing activities	**(33,083)**	**(89,995)**
Net increase (decrease) in cash and cash equivalents (includes restricted cash and cash equivalents)	1,435	(2,773)
Cash and cash equivalents (includes restricted cash and cash equivalents) at beginning of year	7,273	9,811
Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period	**$8,708**	**$7,038**
Supplemental cash flow information		
Cash paid for:		
Debt interest	$52,720	$48,915
Income taxes	306	2,125
Non-cash investing and financing activities (Note 4)		

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, 2018, or 2018 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 2018 Annual Report. Throughout this Form 10-Q, we refer to the three months ended September 30, 2019, the three months ended June 30, 2019, the three months ended March 31, 2019, the three months ended December 31, 2018, the three months ended September 30, 2018, the three months ended June 30, 2018, the three months ended March 31, 2018, and the three months ended December 31, 2017 as "3Q 2019," "2Q 2019," "1Q 2019," "4Q 2018," "3Q 2018," "2Q 2018," "1Q 2018," and "4Q 2017," respectively. We refer to the nine months ended September 30, 2019 and the nine months ended September 30, 2018 as "YTD 2019" and "YTD 2018," respectively.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2018 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. 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.

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. Net income includes 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.

Recently Issued Accounting Guidance

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Condensed Consolidated Financial Statements
ASU 2016-02, Leases (Topic 842)	The amendment in this Update addresses the accounting for lease arrangements.	January 1, 2019	The adoption of the amendment did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	The amendments in this Update permit the OIS rate based on SOFR, as an eligible U.S. benchmark interest rate for purposes of applying hedge accounting under Topic 815.	January 1, 2019	The adoption of the amendment did not have a material effect on our condensed consolidated financial statements or on our disclosures.
ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors	The amendments in this Update address certain ASU 2016-02 implementation issues including the recognition of taxes collected from lessees, lessor costs paid directly by a lessee, and recognition of variable payments for contracts with lease and non-lease components.	January 1, 2019	The adoption of the amendments did not have a material effect on our condensed consolidated financial statements or on our disclosures.

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 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The amendments in this Update replace the incurred loss impairment methodology in current GAAP 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	We have developed our models to estimate lifetime expected credit losses on our financial instruments measured at amortized cost primarily using a discounted cash flow methodology. We are using these models to execute our process for estimating the allowance for credit losses under the new standard in parallel with our existing process for estimating the allowance for credit losses under current GAAP and are developing an appropriate governance process for our estimate of expected credit losses under the new standard. The amendments will be applied through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. While we continue to evaluate the effect that ASU 2016-13, Financial Instruments - Credit Losses, and related amendments will have on our consolidated financial statements, we expect the transition impact to result in an immaterial change in retained earnings. The increase in the allowance for credit losses from incorporating lifetime losses is generally offset by recoveries and a positive impact from including forecasts of economic conditions. The actual impact at adoption will depend upon the nature and characteristics of the portfolio at the adoption date, as well as macroeconomic conditions and forecasts at that time.
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	On October 1, 2018, we early adopted the amendments to remove or modify certain disclosures, which did not have a material effect on our consolidated financial statements. We are delaying adoption of the amendments to add certain disclosures until their effective date. We do not expect that the adoption of the additional disclosures will have a material effect on our consolidated financial statements.
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	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.
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	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.

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 2019-01, Leases (Topic 842): Narrow-Scope Improvements for Lessors	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	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.
ASU 2019-04, Codification Improvements to Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825)	The amendments in this Update clarify certain aspects of Topic 326 guidance issued in ASU 2016-13 including the scope of the credit losses standard and issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. The other amendments in this update clarify certain aspects of Topic 815 and Topic 825.	January 1, 2020	We are assessing the impact of adopting the Topic 326 amendments as part of our assessment of the adoption impact of ASU 2016-13, Financial Instruments-Credit Losses. We do not expect that the adoption of the Topic 815 and Topic 825 amendments will have a material effect on our consolidated financial statements.
ASU 2019-05, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The amendments in this Update provides entities with transition relief upon the adoption of ASU 2016-13 by providing an option to elect fair value option on certain financial instruments measured at amortized cost.	January 1, 2020	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. 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 $75.6 billion to $77.5 billion on September 30, 2019 based on the $1.8 billion increase in our Net Worth Amount during 2Q 2019, and will increase to $79.3 billion on December 31, 2019 based on the $1.8 billion increase in our Net Worth Amount during 3Q 2019.

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. The UPB of this portfolio was $221.6 billion at September 30, 2019. 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 June 30, 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 3Q 2019. 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. During YTD 2019, we contributed $84 million of capital to CSS, and we have contributed $548 million since the fourth quarter of 2014.

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 September 30, 2019	As of December 31, 2018
Condensed Consolidated Balance Sheet Line Item		
Assets:		
Cash and cash equivalents (includes $3,494 and $566 of restricted cash and cash equivalents)	$3,495	$567
Securities purchased under agreements to resell	21,400	12,125
Investments in securities, at fair value	766	—
Mortgage loans held-for-investment	1,905,633	1,842,850
Accrued interest receivable	6,109	5,914
Other assets	12,093	1,631
Total assets of consolidated VIEs	**$1,949,496**	**$1,863,087**
Liabilities:		
Accrued interest payable	$5,519	$5,335
Debt, net	1,869,308	1,792,677
Total liabilities of consolidated VIEs	**$1,874,827**	**$1,798,012**

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 assets held by the non-consolidated VIEs, the UPB of unguaranteed securities that we acquired from these securitization transactions, and the UPB of guarantor advances made to the holders of the guaranteed securities. Our maximum exposure to loss and total assets of non-consolidated VIEs excludes our investments in and obligations to non-consolidated Freddie Mac resecuritization trusts because we already consolidate the underlying Freddie Mac collateral of these trusts on our condensed consolidated balance sheets and for commingled resecuritization trusts, we view the likelihood of being required to perform on our guarantee of the underlying Fannie Mae collateral as remote. 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.

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 enhancement arrangements. See **Note 6** for additional information on credit enhancement arrangements.

Table 3.2 - Non-Consolidated VIEs

(In millions)	As of September 30, 2019	As of December 31, 2018
Assets and Liabilities Recorded on our Condensed Consolidated Balance Sheets[(1)]		
Assets:		
Investments in securities, at fair value	$39,091	$44,020
Accrued interest receivable	214	235
Derivative assets, net	12	1
Other assets	3,737	3,119
Liabilities:		
Derivative liabilities, net	89	88
Other liabilities	3,511	3,049
Maximum Exposure to Loss	**268,269**	**241,055**
Total Assets of Non-Consolidated VIEs	**320,221**	**284,724**

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

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

The table below provides details of the loans on our condensed consolidated balance sheets as of September 30, 2019 and December 31, 2018.

Table 4.1 - Mortgage Loans

	September 30, 2019			December 31, 2018		
(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	$17,249	$—	$17,249	$20,946	$—	$20,946
Multifamily	25,397	—	25,397	23,959	—	23,959
Total UPB	**42,646**	**—**	**42,646**	**44,905**	**—**	**44,905**
Cost basis and fair value adjustments, net	(1,528)	—	(1,528)	(3,283)	—	(3,283)
Total held-for-sale loans, net	**41,118**	**—**	**41,118**	**41,622**	**—**	**41,622**
Held-for-investment:						
Single-family	41,886	1,867,906	1,909,792	35,885	1,814,008	1,849,893
Multifamily	11,291	5,591	16,882	10,828	4,220	15,048
Total UPB	**53,177**	**1,873,497**	**1,926,674**	**46,713**	**1,818,228**	**1,864,941**
Cost basis adjustments	(421)	34,973	34,552	(1,198)	27,752	26,554
Allowance for loan losses	(2,017)	(2,837)	(4,854)	(3,009)	(3,130)	(6,139)
Total held-for-investment loans, net	**50,739**	**1,905,633**	**1,956,372**	**42,506**	**1,842,850**	**1,885,356**
Total mortgage loans, net	**$91,857**	**$1,905,633**	**$1,997,490**	**$84,128**	**$1,842,850**	**$1,926,978**

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

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

(In billions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Single-family:				
Purchases				
Held-for-investment loans	$133.8	$81.6	$305.0	$231.5
Reclassified from held-for-investment to held-for-sale (1)	3.0	13.3	8.1	17.6
Sale of held-for-sale loans(2)	3.7	2.3	9.4	6.5
Multifamily:				
Purchases				
Held-for-investment loans	4.4	0.9	6.8	2.6
Held-for-sale loans	23.1	16.3	50.6	42.5
Reclassified from held-for-investment to held-for-sale (1)	0.4	0.2	1.2	0.7
Sale of held-for-sale loans (3)	19.7	14.4	49.5	44.8

(1) We reclassify loans from held-for-investment to held-for-sale when we no longer have the intent or ability to hold 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. The sale of seasoned single-family mortgage loans is part of our strategy to mitigate and reduce our holdings of less liquid assets.

(3) Our sales of multifamily loans occur primarily through the issuance of multifamily K Certificates and SB Certificates.

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 table below presents the recorded investment 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.

Table 4.3 - Recorded Investment of Single-Family Held-for-Investment Loans by Current LTV Ratios

	September 30, 2019				December 31, 2018			
	Current LTV Ratio			Total	Current LTV Ratio			Total
(In millions)	≤ 80	> 80 to 100	> 100[(1)]		≤ 80	> 80 to 100	> 100[(1)]	
20- and 30-year or more, amortizing fixed-rate	$1,388,311	$255,880	$4,689	$1,648,880	$1,336,310	$214,703	$6,654	$1,557,667
15-year amortizing fixed-rate	235,185	5,604	103	240,892	251,152	4,522	157	255,831
Adjustable-rate	37,659	1,660	6	39,325	42,117	1,883	7	44,007
Alt-A, interest-only, and option ARM	13,743	1,198	289	15,230	16,498	1,903	559	18,960
Total single-family loans	**$1,674,898**	**$264,342**	**$5,087**	**$1,944,327**	**$1,646,077**	**$223,011**	**$7,377**	**$1,876,465**

(1) The serious delinquency rate for the total of single-family held-for-investment mortgage loans with current LTV ratios in excess of 100% was 5.18% and 7.24% as of September 30, 2019 and December 31, 2018, respectively.

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.

Multifamily

The table below presents the recorded investment in 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.

Table 4.4 - Recorded Investment of Multifamily Held-for-Investment Loans by Credit Quality Indicator

(In millions)	September 30, 2019	December 31, 2018
Credit risk profile by internally assigned grade:[(1)]		
Pass	$16,684	$14,648
Special mention	66	201
Substandard	149	181
Doubtful	—	—
Total	**$16,899**	**$15,030**

(1) A loan categorized as: "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.

Mortgage Loan Performance

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

Table 4.5 - Recorded Investment of Held-for-Investment Loans by Payment Status

	September 30, 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	$1,624,964	$14,846	$3,495	$5,575	$1,648,880	$5,573
15-year amortizing fixed-rate	239,460	1,025	170	237	240,892	237
Adjustable-rate	38,928	249	53	95	39,325	95
Alt-A, interest-only, and option ARM	13,855	608	228	539	15,230	538
Total single-family	**1,917,207**	**16,728**	**3,946**	**6,446**	**1,944,327**	**6,443**
Total multifamily	**16,896**	**3**	**—**	**—**	**16,899**	**13**
Total single-family and multifamily	**$1,934,103**	**$16,731**	**$3,946**	**$6,446**	**$1,961,226**	**$6,456**

	December 31, 2018					
(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	$1,532,499	$14,683	$3,602	$6,883	$1,557,667	$6,881
15-year amortizing fixed-rate	254,376	1,021	171	263	255,831	263
Adjustable-rate	43,549	287	58	113	44,007	113
Alt-A, interest-only, and option ARM	16,975	793	327	865	18,960	864
Total single-family	**1,847,399**	**16,784**	**4,158**	**8,124**	**1,876,465**	**8,121**
Total multifamily	**15,030**	**—**	**—**	**—**	**15,030**	**17**
Total single-family and multifamily	**$1,862,429**	**$16,784**	**$4,158**	**$8,124**	**$1,891,495**	**$8,138**

(1) Includes $1.9 billion and $2.9 billion of single-family loans that were in the process of foreclosure as of September 30, 2019 and December 31, 2018, respectively.

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

Table 4.6 - Delinquency Rates

(Dollars in millions)	September 30, 2019	December 31, 2018
Single-family:		
Non-credit-enhanced portfolio		
Serious delinquency rate	0.72%	0.83%
Total number of seriously delinquent loans	42,758	51,197
Credit-enhanced portfolio:(1)		
Primary mortgage insurance:		
Serious delinquency rate	0.76%	0.86%
Total number of seriously delinquent loans	14,358	15,287
Other credit protection:(2)		
Serious delinquency rate	0.34%	0.31%
Total number of seriously delinquent loans	15,736	12,920
Total single-family:		
Serious delinquency rate	**0.61%**	**0.69%**
Total number of seriously delinquent loans	**67,991**	**75,649**
Multifamily: (3)		
Non-credit-enhanced portfolio:		
Delinquency rate	0.01%	—%
UPB of delinquent loans	$3	$2
Credit-enhanced portfolio:		
Delinquency rate	0.04%	0.01%
UPB of delinquent loans	$103	$28
Total multifamily:		
Delinquency rate	**0.04%**	**0.01%**
UPB of delinquent loans	**$106**	**$30**

(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.

Allowance for Credit Losses

The allowance for credit losses represents estimates of probable incurred credit losses which we recognize by recording a charge to the provision for credit losses on our condensed consolidated statements of comprehensive income. The allowance for credit losses includes:

- Our allowance for loan losses, which pertains to all single-family and multifamily loans classified as held-for-investment on our condensed consolidated balance sheets and
- Our reserve for guarantee losses, which pertains to single-family and multifamily loans underlying our senior subordinate securitization structures (non-consolidated), other securitization products, and other mortgage-related guarantees.

Table 4.7 - Details of Allowance for Credit Losses

The table below summarizes changes in our allowance for credit losses.

	3Q 2019				3Q 2018			
	Allowance for Loan Losses		Reserve for Guarantee Losses	Total	Allowance for Loan Losses		Reserve for Guarantee Losses	Total
(In millions)	Held by Freddie Mac	Held By Consolidated Trusts			Held by Freddie Mac	Held By Consolidated Trusts		
Single-family:								
Beginning balance	$2,238	$3,042	$46	$5,326	$4,887	$3,497	$49	$8,433
Provision (benefit) for credit losses	(84)	(97)	1	(180)	(522)	143	1	(378)
Charge-offs	(394)	(12)	(1)	(407)	(1,262)	(13)	(2)	(1,277)
Recoveries	104	3	—	107	117	2	—	119
Transfers, net [1]	103	(103)	—	—	306	(306)	—	—
Other [2]	41	—	—	41	76	11	—	87
Single-family ending balance	**2,008**	**2,833**	**46**	**4,887**	**3,602**	**3,334**	**48**	**6,984**
Multifamily ending balance	**9**	**4**	**5**	**18**	**8**	**2**	**8**	**18**
Total ending balance	**$2,017**	**$2,837**	**$51**	**$4,905**	**$3,610**	**$3,336**	**$56**	**$7,002**

	YTD 2019				YTD 2018			
	Allowance for Loan Losses		Reserve for Guarantee Losses	Total	Allowance for Loan Losses		Reserve for Guarantee Losses	Total
(In millions)	Held by Freddie Mac	Held By Consolidated Trusts			Held by Freddie Mac	Held By Consolidated Trusts		
Single-family:								
Beginning balance	$3,003	$3,127	$46	$6,176	$5,251	$3,680	$48	$8,979
Provision (benefit) for credit losses	(509)	29	3	(477)	(629)	266	6	(357)
Charge-offs	(1,208)	(45)	(3)	(1,256)	(2,198)	(44)	(6)	(2,248)
Recoveries	331	10	—	341	336	5	—	341
Transfers, net [1]	291	(291)	—	—	597	(597)	—	—
Other [2]	100	3	—	103	245	24	—	269
Single-family ending balance	**2,008**	**2,833**	**46**	**4,887**	**3,602**	**3,334**	**48**	**6,984**
Multifamily ending balance	**9**	**4**	**5**	**18**	**8**	**2**	**8**	**18**
Total ending balance	**$2,017**	**$2,837**	**$51**	**$4,905**	**$3,610**	**$3,336**	**$56**	**$7,002**

(1) Relates to removal of delinquent loans from consolidated trusts and resecuritization after such removal.

(2) Primarily includes capitalization of past due interest on modified loans.

A significant number of unsecuritized single-family loans on our condensed consolidated balance sheets are individually evaluated for impairment while substantially all single-family loans held by our consolidated trusts are collectively evaluated for impairment. The allowance for loan losses associated with our held-for-investment unsecuritized loans represented approximately 3.8% and 6.6% of the recorded investment in such loans at September 30, 2019 and December 31, 2018, respectively, and a substantial portion of the allowance associated with these loans represented interest rate concessions provided to borrowers as part of loan modifications. The allowance for loan losses associated with loans held by our consolidated trusts represented approximately 0.1% and 0.2% of the recorded investment in such loans as of September 30, 2019 and December 31, 2018, respectively.

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

Table 4.8 - Net Investment in Loans

	September 30, 2019			December 31, 2018		
(In millions)	Single-family	Multifamily	Total	Single-family	Multifamily	Total
Recorded investment:						
Collectively evaluated	$1,904,203	$16,818	$1,921,021	$1,830,044	$14,945	$1,844,989
Individually evaluated	40,124	81	40,205	46,421	85	46,506
Total recorded investment	**1,944,327**	**16,899**	**1,961,226**	**1,876,465**	**15,030**	**1,891,495**
Ending balance of the allowance for loan losses:						
Collectively evaluated	(1,515)	(13)	(1,528)	(1,761)	(9)	(1,770)
Individually evaluated	(3,326)	—	(3,326)	(4,369)	—	(4,369)
Total ending balance of the allowance	**(4,841)**	**(13)**	**(4,854)**	**(6,130)**	**(9)**	**(6,139)**
Net investment in loans	**$1,939,486**	**$16,886**	**$1,956,372**	**$1,870,335**	**$15,021**	**$1,885,356**

Allowance for Loan Losses Determined on an Individual Basis

Impaired Loans

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

Table 4.9 - Individually Impaired Loans

	September 30, 2019			December 31, 2018		
(In millions)	UPB	Recorded Investment	Associated Allowance	UPB	Recorded Investment	Associated Allowance
Single-family:						
With no allowance recorded: [1]						
20- and 30-year or more, amortizing fixed-rate	$3,008	$2,390	N/A	$3,335	$2,666	N/A
15-year amortizing fixed-rate	20	20	N/A	23	22	N/A
Adjustable-rate	183	182	N/A	227	226	N/A
Alt-A, interest-only, and option ARM	1,004	853	N/A	1,286	1,083	N/A
Total with no allowance recorded	**4,215**	**3,445**	**N/A**	**4,871**	**3,997**	**N/A**
With an allowance recorded: [2]						
20- and 30-year or more, amortizing fixed-rate	32,441	32,118	($2,784)	37,579	36,959	($3,660)
15-year amortizing fixed-rate	641	650	(14)	703	713	(19)
Adjustable-rate	133	132	(7)	164	162	(8)
Alt-A, interest-only, and option ARM	3,962	3,779	(521)	4,867	4,590	(682)
Total with an allowance recorded	**37,177**	**36,679**	**(3,326)**	**43,313**	**42,424**	**(4,369)**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	35,449	34,508	(2,784)	40,914	39,625	(3,660)
15-year amortizing fixed-rate	661	670	(14)	726	735	(19)
Adjustable-rate	316	314	(7)	391	388	(8)
Alt-A, interest-only, and option ARM	4,966	4,632	(521)	6,153	5,673	(682)
Total single-family	**41,392**	**40,124**	**(3,326)**	**48,184**	**46,421**	**(4,369)**
Multifamily:						
With no allowance recorded [1]	87	81	N/A	89	82	N/A
With an allowance recorded	—	—	—	3	3	—
Total multifamily	**87**	**81**	**—**	**92**	**85**	**—**
Total single-family and multifamily	**$41,479**	**$40,205**	**($3,326)**	**$48,276**	**$46,506**	**($4,369)**

Referenced footnotes are included after the last table in the Impaired Loans section.

(In millions)	3Q 2019 Average Recorded Investment	3Q 2019 Interest Income Recognized	3Q 2019 Interest Income Recognized On Cash Basis[3]	3Q 2018 Average Recorded Investment	3Q 2018 Interest Income Recognized	3Q 2018 Interest Income Recognized On Cash Basis[3]
Single-family:						
With no allowance recorded: [1]						
20- and 30-year or more, amortizing fixed-rate	$2,450	$59	$1	$3,142	$83	$3
15-year amortizing fixed-rate	19	1	—	20	—	—
Adjustable rate	191	3	—	238	3	—
Alt-A, interest-only, and option ARM	880	16	—	1,159	21	1
Total with no allowance recorded	**3,540**	**79**	**1**	**4,559**	**107**	**4**
With an allowance recorded: [2]						
20- and 30-year or more, amortizing fixed-rate	32,618	412	47	42,393	520	52
15-year amortizing fixed-rate	641	5	1	740	7	2
Adjustable rate	129	2	—	183	2	—
Alt-A, interest-only, and option ARM	3,866	55	9	5,622	72	7
Total with an allowance recorded	**37,254**	**474**	**57**	**48,938**	**601**	**61**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	35,068	471	48	45,535	603	55
15-year amortizing fixed-rate	660	6	1	760	7	2
Adjustable rate	320	5	—	421	5	—
Alt-A, interest-only, and option ARM	4,746	71	9	6,781	93	8
Total single-family	**40,794**	**553**	**58**	**53,497**	**708**	**65**
Multifamily:						
With no allowance recorded [1]	81	1	1	112	2	1
With an allowance recorded	—	—	—	3	—	—
Total multifamily	**81**	**1**	**1**	**115**	**2**	**1**
Total single-family and multifamily	**$40,875**	**$554**	**$59**	**$53,612**	**$710**	**$66**

Referenced footnotes are included after the last table in the Impaired Loans section

(In millions)	YTD 2019 Average Recorded Investment	YTD 2019 Interest Income Recognized	YTD 2019 Interest Income Recognized On Cash Basis[3]	YTD 2018 Average Recorded Investment	YTD 2018 Interest Income Recognized	YTD 2018 Interest Income Recognized On Cash Basis[3]
Single-family —						
With no allowance recorded: [1]						
20- and 30-year or more, amortizing fixed-rate	$2,573	$207	$6	$3,399	$268	$13
15-year amortizing fixed-rate	20	1	—	21	3	—
Adjustable rate	209	9	—	255	9	—
Alt-A, interest-only, and option ARM	932	52	1	1,319	68	3
Total with no allowance recorded	**3,734**	**269**	**7**	**4,994**	**348**	**16**
With an allowance recorded: [2]						
20- and 30-year or more, amortizing fixed-rate	34,051	1,394	138	46,140	1,621	217
15-year amortizing fixed-rate	665	17	3	830	21	8
Adjustable rate	139	5	1	210	4	2
Alt-A, interest-only, and option ARM	4,097	180	18	6,357	205	24
Total with an allowance recorded	**38,952**	**1,596**	**160**	**53,537**	**1,851**	**251**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	36,624	1,601	144	49,539	1,889	230
15-year amortizing fixed-rate	685	18	3	851	24	8
Adjustable rate	348	14	1	465	13	2
Alt-A, interest-only, and option ARM	5,029	232	19	7,676	273	27
Total single-family	**42,686**	**1,865**	**167**	**58,531**	**2,199**	**267**
Multifamily:						
With no allowance recorded [1]	83	3	1	132	5	2
With an allowance recorded	—	—	—	3	—	—
Total multifamily	**83**	**3**	**1**	**135**	**5**	**2**
Total single-family and multifamily	**$42,769**	**$1,868**	**$168**	**$58,666**	**$2,204**	**$269**

(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.

Troubled Debt Restructurings (TDRs)

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

	3Q 2019		3Q 2018		YTD 2019		YTD 2018	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family: (1)								
20- and 30-year or more, amortizing fixed-rate	5,908	$998	7,157	$1,091	19,668	$3,262	37,847	$6,159
15-year amortizing fixed-rate	693	69	909	83	2,364	230	5,194	514
Adjustable-rate	128	22	197	27	403	64	773	122
Alt-A, interest-only, and option ARM	285	45	414	65	1,331	190	2,294	379
Total single-family	**7,014**	**1,134**	**8,677**	**1,266**	**23,766**	**3,746**	**46,108**	**7,174**
Multifamily	**—**	**$—**	**—**	**$—**	**—**	**$—**	**1**	**$15**

(1) The pre-TDR recorded investment for single-family loans initially classified as TDR during 3Q 2019 and YTD 2019 was $1.1 billion and $3.7 billion, respectively, compared to $1.3 billion and $7.2 billion during 3Q 2018 and YTD 2018, respectively.

Of the single-family loan modifications that were classified as TDRs during 3Q 2019, 3Q 2018, YTD 2019 and YTD 2018, respectively:

- 9%, 9%, 8%, and 12% involved interest rate reductions and, in certain cases, term extensions;
- 23%, 21%, 24%, and 24% involved principal forbearance in addition to interest rate reductions and, in certain cases, term extensions;
- The average term extension was 188, 110, 177, and 126 months; and
- The average interest rate reduction was 0.2%, 0.2%, 0.1%, and 0.3%.

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.

Table 4.11 - Payment Defaults of Completed TDR Modifications

	3Q 2019		3Q 2018		YTD 2019		YTD 2018	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family:								
20- and 30-year or more, amortizing fixed-rate	3,256	$407	3,584	$512	10,533	$1,237	9,671	$1,435
15-year amortizing fixed-rate	96	9	116	10	329	24	435	36
Adjustable-rate	33	3	53	9	95	10	139	21
Alt-A, interest-only, and option ARM	178	24	302	55	687	96	827	154
Total single-family	**3,563**	**443**	**4,055**	**586**	**11,644**	**1,367**	**11,072**	**1,646**
Multifamily	**—**	**$—**	**—**	**$—**	**—**	**$—**	**—**	**$—**

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 trial period modifications). During YTD 2019 and YTD 2018, 3,983 and 6,487, respectively, of such loans (with a post-TDR recorded investment of $0.4 billion and $0.8 billion, respectively) experienced a payment default within a year after the loss mitigation activity occurred.

Non-Cash Investing and Financing Activities

During YTD 2019 and YTD 2018, we acquired $162.7 billion and $122.6 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 $28.6 billion and $18.8 billion of loans from sellers in guarantor swap transactions and $1.6 billion and $0.1 billion of loans from sellers in cash execution transactions during YTD 2019 and YTD 2018, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets.

NOTE 5

Guarantee Activities

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 recognized guarantees to non-consolidated VIEs and other third parties. This table does not include 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 enhancement arrangements. See **Note 6** for additional information on our credit enhancement arrangements.

As part of the Single Security Initiative, we have the ability to commingle TBA-eligible Fannie Mae collateral in certain of our resecuritization products. We extend our guarantee of these products to cover principal and interest that are payable from the underlying Fannie Mae collateral. Because both Freddie Mac and Fannie Mae are under the common control of FHFA, and due to Fannie Mae's status as a GSE and the funding commitment available to it through its senior preferred stock purchase agreement with Treasury, we view the likelihood of being required to perform on our guarantee of Fannie Mae collateral as remote and do not charge an incremental guarantee fee to include Fannie Mae securities in our resecuritization products. Thus, we do not record a guarantee obligation with respect to Fannie Mae securities backing Freddie Mac resecuritization products, and we exclude from the following table approximately $17 billion of Fannie Mae securities backing Freddie Mac resecuritization products as of September 30, 2019.

Table 5.1 - Financial Guarantees

	September 30, 2019			December 31, 2018		
(**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	$24,387	$317	40	$17,783	$220	40
Other mortgage-related guarantees	7,139	180	30	6,139	167	30
Total single-family	**$31,526**	**$497**		**$23,922**	**$387**	
Multifamily:						
Securitization activity guarantees	$241,853	$3,128	40	$221,245	$2,746	40
Other mortgage-related guarantees	10,122	430	35	9,779	428	35
Total multifamily	**$251,975**	**$3,558**		**$231,024**	**$3,174**	
Other guarantees measured at fair value	$24,976	$183	30	$16,251	$242	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 enhancement arrangements, such as recourse provisions, third-party insurance contracts, or from collateral held or pledged. 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. 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. This amount excludes our reserve for guarantee losses, which totaled $51 million and $52 million as of September 30, 2019 and December 31, 2018, respectively, and is included within other liabilities on our condensed consolidated balance sheets. For other guarantees measured at fair value, this amount represents the fair value of the contract.

NOTE 6

Credit Enhancements

In connection with many of our mortgage loans, securitization activity guarantees, other mortgage-related guarantees, and other credit risk transfer transactions, 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 instruments recognized on our condensed consolidated balance sheets.

Mortgage Loan Credit Enhancements

The table below presents the total current and protected UPB and maximum amounts of potential loss recovery related to our mortgage loan credit enhancements. For information about counterparty credit risk associated with credit enhancement providers, see **Note 14**.

Table 6.1 - Mortgage Loan Credit Enhancements

	September 30, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB[1]	Maximum Coverage	Total Current and Protected UPB[1]	Maximum Coverage
Single-family:				
Primary mortgage insurance	$410,999	$105,171	$378,594	$96,996
ACIS transactions[2]	869,148	10,081	807,885	9,123
STACR Trust transactions	280,889	9,154	161,152	5,026
Other	28,347	6,070	18,136	5,389
Total mortgage loan credit enhancements		**$130,476**		**$116,534**

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

(2) As of September 30, 2019 and December 31, 2018, our counterparties posted collateral on our ACIS transactions of$2.0 billion and $1.5 billion, respectively.

Guarantee Credit Enhancements

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

Table 6.2 - Guarantee Credit Enhancements

	September 30, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB[1]	Maximum Coverage[2]	Total Current and Protected UPB[1]	Maximum Coverage[2]
Single-family:				
Subordination (non-consolidated VIEs)	$22,876	$4,076	$16,271	$2,933
Other	1,129	1,129	1,226	1,226
Total single-family		**5,205**		**4,159**
Multifamily:				
Subordination (non-consolidated VIEs)	240,485	38,645	220,733	35,661
Other	3,204	919	2,349	815
Total multifamily		**39,564**		**36,476**
Total guarantee credit enhancements		**$44,769**		**$40,635**

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

(2) For subordination, maximum coverage represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties. For all other credit enhancements, maximum coverage represents the remaining amount of loss recovery that is available subject to the terms of counterparty agreements.

Debt with Embedded Credit Enhancements

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

Table 6.3 - Debt with Embedded Credit Enhancements

	September 30, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Single-family:				
STACR debt notes	$554,572	$15,962	$605,263	$17,596
Subordination (consolidated VIEs)	21,843	943	25,006	1,036
Total single-family		**16,905**		**18,632**
Multifamily:				
SCR notes	2,523	126	2,667	133
Subordination (consolidated VIEs)	2,700	280	2,700	280
Total multifamily		**406**		**413**
Total debt with embedded credit enhancements		**$17,311**		**$19,045**

(1) Underlying loans may be covered by more than one form of credit enhancement. For STACR debt notes and SCR notes, total current and protected UPB represents the UPB of the assets included in the reference pool. For subordination, 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.

(2) For STACR debt notes and SCR notes, maximum coverage amount represents the outstanding balance of the STACR debt notes and SCR notes held by third parties. For subordination, maximum coverage amount represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

Other Credit Enhancements

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 tables above.

NOTE 7

Investments in Securities

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

Table 7.1 - Investments in Securities

(In millions)	September 30, 2019	December 31, 2018
Trading securities	$44,449	$35,548
Available-for-sale securities	28,533	33,563
Total fair value of investments in securities	**$72,982**	**$69,111**

As of September 30, 2019 and December 31, 2018, we did not classify any securities as held-to-maturity, although we may elect to do so in the future.

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)	September 30, 2019	December 31, 2018
Mortgage-related securities:		
Freddie Mac	$12,972	$13,821
Other agency	7,194	2,551
Non-agency	1	1
Total mortgage-related securities	**20,167**	**16,373**
Non-mortgage-related securities	24,282	19,175
Total fair value of trading securities	**$44,449**	**$35,548**

For trading securities held at September 30, 2019, we recorded net unrealized gains (losses) of $27 million and $310 million during 3Q 2019 and YTD 2019, respectively. For trading securities held at September 30, 2018, we recorded net unrealized gains (losses) of ($305) million and ($951) million during 3Q 2018 and YTD 2018, respectively.

Available-for-Sale Securities

At September 30, 2019 and December 31, 2018, all available-for-sale securities were mortgage-related securities.

The tables below present the amortized cost, gross unrealized gains and losses, and fair value by major security type for our securities classified as available-for-sale.

Table 7.3 - Available-for-Sale Securities

	September 30, 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:					
Freddie Mac	$25,492	$707	$—	($80)	$26,119
Other agency	1,005	26	—	(5)	1,026
Non-agency and other	1,078	310	—	—	1,388
Total available-for-sale securities	**$27,575**	**$1,043**	**$—**	**($85)**	**$28,533**

(In millions)	December 31, 2018				
			Gross Unrealized Losses		
	Amortized Cost	Gross Unrealized Gains	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Fair Value
Available-for-sale securities:					
Freddie Mac	$30,407	$320	$—	($528)	$30,199
Other agency	1,675	38	—	(7)	1,706
Non-agency and other	1,378	282	—	(2)	1,658
Total available-for-sale securities	**$33,460**	**$640**	**$—**	**($537)**	**$33,563**

(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 September 30, 2019 scheduled to contractually mature after ten years was $24.0 billion, with an additional $4.1 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

(In millions)	September 30, 2019			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$5,312	($41)	$2,951	($39)
Other agency	56	—	531	(5)
Non-agency and other	—	—	—	—
Total available-for-sale securities in a gross unrealized loss position	**$5,368**	**($41)**	**$3,482**	**($44)**

(In millions)	December 31, 2018			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$4,259	($38)	$14,751	($490)
Other agency	351	(1)	638	(6)
Non-agency and other	43	(1)	6	(1)
Total available-for-sale securities in a gross unrealized loss position	**$4,653**	**($40)**	**$15,395**	**($497)**

At September 30, 2019, the gross unrealized losses relate to 150 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)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Gross realized gains	$68	$69	$169	$544
Gross realized losses	(6)	(131)	(40)	(232)
Net realized gains (losses)	**$62**	**($62)**	**$129**	**$312**

NOTE 8

Debt Securities and Subordinated Borrowings

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

Table 8.1 - Total Debt, Net

	Balance, Net		Interest Expense			
(In millions)	September 30, 2019	December 31, 2018	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Debt securities of consolidated trusts held by third parties	$1,869,308	$1,792,677	$13,324	$12,827	$41,001	$37,996
Other debt:						
Short-term debt	94,344	51,080	499	361	1,419	832
Long-term debt	185,607	201,193	1,307	1,358	4,078	3,974
Total other debt	**279,951**	**252,273**	**1,806**	**1,719**	**5,497**	**4,806**
Total debt, net	**$2,149,259**	**$2,044,950**	**$15,130**	**$14,546**	**$46,498**	**$42,802**

As of September 30, 2019, our aggregate indebtedness was $282.3 billion, which was below the $300.0 billion debt cap limit imposed by the Purchase Agreement for 2019. 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

	September 30, 2019				December 31, 2018			
(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	2019 - 2057	$1,487,105	$1,525,505	3.69%	2019 - 2057	$1,389,113	$1,426,060	3.72%
20-year fixed-rate	2019 - 2039	69,068	70,764	3.42	2019 - 2039	70,547	72,354	3.43
15-year fixed-rate	2019 - 2034	224,190	227,915	2.89	2019 - 2034	240,310	244,587	2.89
Adjustable-rate	2019 - 2049	32,837	33,474	3.28	2019 - 2049	38,361	39,153	3.12
Interest-only	2026 - 2041	4,608	4,677	4.72	2026 - 2048	5,322	5,386	4.41
FHA/VA	2020 - 2049	665	680	4.69	2019 - 2046	720	736	4.78
Total single-family		**1,818,473**	**1,863,015**			**1,744,373**	**1,788,276**	
Multifamily	2020-2049	6,233	6,293	3.14	2019 - 2047	4,365	4,401	4.02
Total debt securities of consolidated trusts held by third parties		**$1,824,706**	**$1,869,308**			**$1,748,738**	**$1,792,677**	

(1) Includes $737 million and $755 million at September 30, 2019 and December 31, 2018, respectively, of debt of consolidated trusts that represents the fair value of debt securities with the fair value option elected.

(2) The effective interest rate for debt securities of consolidated trusts held by third parties was 2.81% and 3.07% as of September 30, 2019 and December 31, 2018, respectively.

Other Debt

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

Table 8.3 - Total Other Debt

	September 30, 2019			December 31, 2018		
(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	$42,719	$42,550	2.09%	$28,787	$28,621	2.36%
Medium-term notes	43,098	43,094	2.34	16,440	16,440	2.10
Securities sold under agreements to repurchase	8,700	8,700	2.06	6,019	6,019	2.40
Total other short-term debt	**94,517**	**94,344**	**2.20**	**51,246**	**51,080**	**2.28**
Other long-term debt:						
Original maturities on or before December 31,						
2019	12,442	12,435	1.63	58,002	57,968	1.54
2020	48,348	48,337	2.00	42,296	42,275	1.78
2021	36,669	36,669	2.05	30,898	30,901	2.06
2022	26,044	26,022	2.34	20,802	20,775	2.46
2023	10,064	10,045	2.65	15,929	15,906	3.09
Thereafter	37,392	34,994	3.68	18,068	15,579	5.91
STACR and SCR debt(3)	16,088	16,257	6.03	17,729	18,004	6.04
Hedging-related basis adjustments	N/A	848		N/A	(215)	
Total other long-term debt	187,047	185,607	2.74	203,724	201,193	2.58
Total other debt(4)	**$281,564**	**$279,951**		**$254,970**	**$252,273**	

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes $3.9 billion and $4.4 billion at September 30, 2019 and December 31, 2018, respectively, of other long-term debt that represents the fair value of debt securities with the fair value option elected.

(2) Based on carrying amount.

(3) Contractual maturities of these debt securities 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.

(4) Carrying amount for other debt includes callable debt of $105.5 billion and $107.2 billion at September 30, 2019 and December 31, 2018, 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, commitments, and credit derivatives.

Hedge Accounting

Fair Value Hedges

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. Beginning in September 2019, we implemented a new fair value hedge accounting strategy for single-family mortgage loans that applies certain hedge accounting elections, including the last-of-layer method, allowable under amended hedge accounting guidance we adopted during 4Q 2017. Under the last-of-layer method, we hedge the changes in fair value of a portion of a closed pool of single-family mortgage loans that is not expected to be affected by prepayments, defaults, and other events affecting the timing and amount of cash flows. As part of this new strategy, we have also elected to measure the change in fair value of the hedged item on the basis of the benchmark rate component of the contractual coupon cash flows determined at the hedge inception and by assuming the hedged item has a term that reflects only the designated cash flows being hedged.

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 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.

Cash Flow Hedges

There are amounts recorded in AOCI related to discontinued cash flow hedges which are recognized in earnings when the originally forecasted transactions affect earnings. Amounts reclassified from AOCI are recorded in interest expense. During YTD 2019 and YTD 2018, we reclassified from AOCI into earnings, pre-tax losses of $72 million and $106 million, respectively, related to closed cash flow hedges. See **Note 11** for information about future reclassifications of deferred net losses related to closed cash flow hedges to net income.

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

	September 30, 2019			December 31, 2018		
	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	$217,377	$2,346	($10)	$145,386	$1,380	($181)
Pay-fixed	246,557	6	(4,381)	170,899	476	(2,287)
Basis (floating to floating)	5,924	—	—	5,404	1	—
Total interest-rate swaps	**469,858**	**2,352**	**(4,391)**	**321,689**	**1,857**	**(2,468)**
Option-based:						
Call swaptions						
Purchased	61,275	3,963	—	43,625	2,007	—
Written	2,500	—	(37)	4,400	—	(133)
Put swaptions						
Purchased[1]	63,600	512	—	88,075	1,565	—
Written	8,700	—	(41)	1,750	—	(4)
Other option-based derivatives[2]	10,368	721	—	10,481	628	—
Total option-based	**146,443**	**5,196**	**(78)**	**148,331**	**4,200**	**(137)**
Futures	181,479	—	—	161,185	—	—
Commitments	152,300	195	(171)	36,044	90	(179)
Credit derivatives	1,822	1	(23)	2,030	—	(35)
Other	16,991	12	(103)	12,212	1	(103)
Total derivatives not designated as hedges	**968,893**	**7,756**	**(4,766)**	**681,491**	**6,148**	**(2,922)**
Designated as fair value hedges						
Interest-rate swaps:						
Receive-fixed	113,425	145	(91)	117,038	23	(935)
Pay-fixed	78,966	7	(1,620)	77,513	247	(571)
Total derivatives designated as fair value hedges	**192,391**	**152**	**(1,711)**	**194,551**	**270**	**(1,506)**
Derivative interest and other receivable (payable)		912	(872)		889	(1,096)
Netting adjustments[3]		(7,228)	6,994		(6,972)	4,941
Total derivative portfolio, net	**$1,161,284**	**$1,592**	**($355)**	**$876,042**	**$335**	**($583)**

(1) Includes swaptions on credit indices with a notional or contractual amount of $17.3 billion and $45.9 billion at September 30, 2019 and December 31, 2018, respectively, and a fair value of $6.0 million and $113.0 million at September 30, 2019 and December 31, 2018, respectively.

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

(3) 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 as derivative gains (losses).

Table 9.2 - Gains and Losses on Derivatives

(In millions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Not designated as hedges				
Interest-rate swaps:				
Receive-fixed	$2,060	($1,004)	$7,580	($5,080)
Pay-fixed	(3,866)	1,721	(12,152)	7,922
Basis (floating to floating)	(3)	19	7	(9)
Total interest-rate swaps	**(1,809)**	**736**	**(4,565)**	**2,833**
Option-based:				
Call swaptions				
Purchased	1,398	(402)	2,981	(1,392)
Written	(109)	35	(343)	76
Put swaptions				
Purchased	(355)	136	(1,406)	524
Written	19	(2)	83	(23)
Other option-based derivatives[(1)]	(6)	(73)	93	(205)
Total option-based	**947**	**(306)**	**1,408**	**(1,020)**
Other:				
Futures	(262)	277	(1,283)	728
Commitments	(54)	69	(366)	672
Credit derivatives	6	(4)	1	(14)
Other	2	(71)	36	(64)
Total other	**(308)**	**271**	**(1,612)**	**1,322**
Accrual of periodic cash settlements:				
Receive-fixed interest-rate swaps	39	39	(32)	335
Pay-fixed interest-rate swaps	(126)	(50)	(220)	(536)
Other	40	38	109	40
Total accrual of periodic cash settlements	**(47)**	**27**	**(143)**	**(161)**
Total	**($1,217)**	**$728**	**($4,912)**	**$2,974**

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

Fair Value Hedges

The tables below present the effects of fair value hedge accounting by condensed consolidated statements of comprehensive income 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

	3Q 2019		3Q 2018	
(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:	$16,428	($15,130)	$16,787	($14,546)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	1,298	—	(755)	—
Derivatives designated as hedging instruments	(1,588)	—	776	—
Interest accruals on hedging instruments	(48)	—	(96)	—
Discontinued hedge-related basis adjustments amortization	(210)	—	38	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	(36)	—	121
Derivatives designated as hedging instruments	—	91	—	(50)
Interest accruals on hedging instruments	—	(18)	—	(96)
Discontinued hedge-related basis adjustments amortization	—	18	—	(1)

	YTD 2019		YTD 2018	
(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:	$51,732	($46,498)	$49,082	($42,802)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	5,691	—	(3,441)	—
Derivatives designated as hedging instruments	(5,609)	—	3,087	—
Interest accruals on hedging instruments	(4)	—	(373)	—
Discontinued hedge-related basis adjustments amortization	(229)	—	86	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	(1,141)	—	931
Derivatives designated as hedging instruments	—	1,288	—	(728)
Interest accruals on hedging instruments	—	(230)	—	(219)
Discontinued hedge-related basis adjustments amortization	—	43	—	(2)

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

	September 30, 2019					
	Carrying Amount Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Basis Adjustment 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	$470,584	$4,225	($379)	$4,604	$266,975	$20,472
Debt	(130,653)	(848)	—	(114)	—	—

	December 31, 2018					
	Carrying Amount Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount			Closed Portfolio Under the Last-of-Later 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	$193,547	($1,237)	$—	($1,237)	$—	$—
Debt	(127,215)	216	—	(8)	—	—

NOTE 10

Collateralized Agreements and Offsetting Arrangements

Derivative Portfolio

Derivative Counterparties

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 September 30, 2019, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately $44 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 $195 million and $90 million at September 30, 2019 and December 31, 2018, 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.

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 obligation to repurchase these securities at a later date. 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 September 30, 2019 and December 31, 2018, 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.

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. Securities sold under agreements to repurchase are included in debt, net on our condensed consolidated balance sheets.

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

	September 30, 2019					
		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	$8,583	($5,373)	($1,975)	$1,235	($1,191)	$44
Cleared and exchange-traded derivatives	29	(1)	121	149	—	149
Other	208	—	—	208	—	208
Total derivatives	**8,820**	**(5,374)**	**(1,854)**	**1,592**	**(1,191)**	**401**
Securities purchased under agreements to resell[3]	51,187	—	—	51,187	(51,187)	—
Total	**$60,007**	**($5,374)**	**($1,854)**	**$52,779**	**($52,378)**	**$401**
Liabilities:						
Derivatives:						
OTC derivatives	($7,029)	$5,373	$1,601	($55)	$—	($55)
Cleared and exchange-traded derivatives	(23)	1	19	(3)	—	(3)
Other	(297)	—	—	(297)	—	(297)
Total derivatives	**(7,349)**	**5,374**	**1,620**	**(355)**	**—**	**(355)**
Securities sold under agreements to repurchase[3]	(8,700)	—	—	(8,700)	8,700	—
Total	**($16,049)**	**$5,374**	**$1,620**	**($9,055)**	**$8,700**	**($355)**

Referenced footnotes are included after the next table.

	December 31, 2018					
		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	$7,213	($4,544)	($2,448)	$221	($173)	$48
Cleared and exchange-traded derivatives	3	—	20	23	—	23
Other	91	—	—	91	—	91
Total derivatives	**7,307**	**(4,544)**	**(2,428)**	**335**	**(173)**	**162**
Securities purchased under agreements to resell[3]	34,771	—	—	34,771	(34,771)	—
Total	**$42,078**	**($4,544)**	**($2,428)**	**$35,106**	**($34,944)**	**$162**
Liabilities:						
Derivatives:						
OTC derivatives	($4,963)	$4,544	$296	($123)	$—	($123)
Cleared and exchange-traded derivatives	(244)	—	101	(143)	—	(143)
Other	(317)	—	—	(317)	—	(317)
Total derivatives	**(5,524)**	**4,544**	**397**	**(583)**	**—**	**(583)**
Securities sold under agreements to repurchase[3]	(6,019)	—	—	(6,019)	6,019	—
Total	**($11,543)**	**$4,544**	**$397**	**($6,602)**	**$6,019**	**($583)**

(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 $4.0 billion and $2.5 billion as of September 30, 2019 and December 31, 2018, respectively.

(3) Does not include the impacts of netting by central clearing organizations.

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 September 30, 2019, and December 31, 2018, we had $27.6 billion and $20.1 billion, respectively, of securities pledged to us in these transactions. In addition, at September 30, 2019 and December 31, 2018, we had $2.2 billion and $2.5 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. At September 30, 2019, we had $3.1 billion pledged to us as collateral that was invested as part of our liquidity and contingency operating portfolio.

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

	September 30, 2019			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[3]	Total
Cash equivalents[1]	$—	$284	$—	$284
Debt securities of consolidated trusts[2]	747	—	169	916
Available-for-sale securities	—	—	3	3
Trading securities	3,228	8,429	57	11,714
Total securities pledged	**$3,975**	**$8,713**	**$229**	**$12,917**

	December 31, 2018			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[3]	Total
Cash equivalents[1]	$—	$2,595	$—	$2,595
Debt securities of consolidated trusts[2]	362	—	179	541
Available-for-sale securities	—	—	1	1
Trading securities	2,160	3,432	73	5,665
Total securities pledged	**$2,522**	**$6,027**	**$253**	**$8,802**

(1) Represents U.S. Treasury securities accounted for as cash equivalents.

(2) 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.

(3) 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

	September 30, 2019				
(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	$2,684	$5,112	$917	$—	$8,713

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 YTD 2019 and YTD 2018, related to available-for-sale securities, closed cash flow hedges, and our defined benefit plans.

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

	YTD 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	776	—	(2)	774
Amounts reclassified from accumulated other comprehensive income	(102)	57	(12)	(57)
Changes in AOCI by component	**674**	**57**	**(14)**	**717**
Ending balance	**$757**	**($258)**	**$83**	**$582**

	YTD 2018			
(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	$662	($356)	$83	$389
Other comprehensive income before reclassifications	(821)	—	(1)	(822)
Amounts reclassified from accumulated other comprehensive income	(244)	87	(12)	(169)
Changes in AOCI by component	**(1,065)**	**87**	**(13)**	**(991)**
Cumulative effect of change in accounting principle[(1)]	**143**	**(73)**	**19**	**89**
Ending balance	**($260)**	**($342)**	**$89**	**($513)**

(1) Includes the effect of adopting the accounting guidance on reclassification of stranded tax effects of the Tax Cuts and Jobs Act in 1Q 2018.

Reclassifications from AOCI to Net Income

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

Table 11.2 - Reclassifications from AOCI to Net Income

(In millions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
AOCI related to available-for-sale securities				
Affected line items in the consolidated statements of comprehensive income:				
Investment securities gains (losses)	$62	($64)	$129	$309
Income tax (expense) or benefit	(13)	13	(27)	(65)
Net of tax	**49**	**(51)**	**102**	**244**
AOCI related to cash flow hedge relationships				
Affected line items in the consolidated statements of comprehensive income:				
Interest expense	(24)	(31)	(72)	(106)
Income tax (expense) or benefit	5	6	15	19
Net of tax	**(19)**	**(25)**	**(57)**	**(87)**
AOCI related to defined benefit plans				
Affected line items in the consolidated statements of comprehensive income:				
Salaries and employee benefits	5	5	15	15
Income tax (expense) or benefit	(1)	(1)	(3)	(3)
Net of tax	**4**	**4**	**12**	**12**
Total reclassifications in the period net of tax	**$34**	**($72)**	**$57**	**$169**

Future Reclassifications from AOCI to Net Income Related to Closed Cash Flow Hedges

The total AOCI related to derivatives designated as cash flow hedges was a loss of $0.3 billion at both September 30, 2019 and September 30, 2018, composed of deferred net losses on closed cash flow hedges. Closed cash flow hedges involve derivatives that have been terminated or are no longer designated as cash flow hedges. Fluctuations in prevailing market interest rates have no effect on the deferred portion of AOCI relating to losses on closed cash flow hedges.

The previously deferred amount related to closed cash flow hedges remains in our AOCI balance and will be recognized into earnings over the expected time period for which the forecasted transactions affect earnings, unless it is deemed probable that the forecasted transactions will not occur. Over the next 12 months, we estimate that approximately $49 million, net of taxes, of the $0.3 billion of cash flow hedge losses in AOCI at September 30, 2019 will be reclassified into earnings. The maximum remaining length of time over which we have hedged the exposure related to the variability in future cash flows on forecasted transactions, primarily forecasted debt issuances, is 14 years.

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 September 2019, as our Net Worth Amount of $4.8 billion as of June 30, 2019 was lower than the $20.0 billion applicable Capital Reserve Amount.

As of September 30, 2019, 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 $6.7 billion as of September 30, 2019 and the applicable Capital Reserve Amount of $20.0 billion, we will not have a dividend requirement to Treasury in December 2019. See **Note 2** for additional information. Our cumulative senior preferred stock dividend payments remain at $119.7 billion as of September 30, 2019.

The aggregate liquidation preference of the senior preferred stock owned by Treasury was $75.6 billion as of June 30, 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 2Q 2019, our Net Worth Amount increased by $1.8 billion. As a result, the liquidation preference of the senior preferred stock increased to

$77.5 billion on September 30, 2019, and will increase to $79.3 billion on December 31, 2019 based on the $1.8 billion increase in our Net Worth Amount during 3Q 2019.

The table below provides a summary of our senior preferred stock outstanding at September 30, 2019.

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
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 senior preferred stock	**1.00**	**1.00**	**$1.00**		**$77,474**

Stock Issuances and Repurchases

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during 3Q 2019.

Earnings Per Share

We have participating securities related to restricted stock units 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.

There were no stock options outstanding at both September 30, 2019 and September 30, 2018.

Dividends and Dividend Restrictions

No common dividends were declared during YTD 2019. At the direction of our Conservator, we paid dividends of $1.5 billion and $1.7 billion on the senior preferred stock during 1Q 2019 and 2Q 2019, respectively. 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 3Q 2019. We also did not declare or pay dividends on any other series of Freddie Mac preferred stock outstanding during YTD 2019.

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 2018 Annual Report.

NOTE 12

Income Taxes

Income Tax Expense

For 3Q 2019 and 3Q 2018, we reported income tax expense of $0.4 billion and $0.6 billion, respectively, resulting in effective tax rates of 20.0% and 17.0%, respectively. For YTD 2019 and YTD 2018, we reported income tax expense of $1.2 billion and $1.9 billion, respectively, resulting in effective tax rates of 20.3% and 19.3%, 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 $5.8 billion and $6.9 billion as of September 30, 2019 and December 31, 2018, respectively. At September 30, 2019, 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 September 30, 2019, 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 September 30, 2019, 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 September 30, 2019.

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 2018 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 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)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Segment Earnings (loss), net of taxes:				
Single-family Guarantee	$1,250	$1,183	$2,945	$2,884
Multifamily	581	549	1,294	1,572
Capital Markets	(122)	974	383	3,679
All Other	—	—	—	—
Total Segment Earnings, net of taxes	**1,709**	**2,706**	**4,622**	**8,135**
Net income (loss)	**$1,709**	**$2,706**	**$4,622**	**$8,135**
Comprehensive income (loss) of segments:				
Single-family Guarantee	$1,247	$1,181	$2,936	$2,876
Multifamily	591	505	1,426	1,436
Capital Markets	10	873	977	2,832
All Other	—	—	—	—
Comprehensive income (loss) of segments	**1,848**	**2,559**	**5,339**	**7,144**
Comprehensive income (loss)	**$1,848**	**$2,559**	**$5,339**	**$7,144**

The tables below present detailed reconciliations between our GAAP condensed consolidated statements of comprehensive income 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

	3Q 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	$—	$292	$497	$—	$789	$1,621	$2,410
Guarantee fee income	2,075	233	—	—	2,308	(2,077)	231
Benefit (provision) for credit losses	134	(1)	—	—	133	46	179
Mortgage loans gains (losses)	—	1,087	—	—	1,087	615	1,702
Investment securities gains (losses)	—	31	136	—	167	(3)	164
Debt gains (losses)	51	(69)	(17)	—	(35)	(21)	(56)
Derivative gains (losses)	—	(793)	(438)	—	(1,231)	14	(1,217)
Other income (loss)	318	89	(234)	—	173	(27)	146
Administrative expense	(399)	(125)	(96)	—	(620)	—	(620)
REO operations (expense) income	(61)	—	—	—	(61)	3	(58)
Other non-interest (expense) income	(554)	(17)	(3)	—	(574)	(171)	(745)
Income tax (expense) benefit	(314)	(146)	33	—	(427)	—	(427)
Net income (loss)	**1,250**	**581**	**(122)**	**—**	**1,709**	**—**	**1,709**
Changes in unrealized gains (losses) related to available-for-sale securities	—	10	114	—	124	—	124
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	19	—	19	—	19
Changes in defined benefit plans	(3)	—	(1)	—	(4)	—	(4)
Total other comprehensive income (loss), net of taxes	**(3)**	**10**	**132**	**—**	**139**	**—**	**139**
Comprehensive income (loss)	**$1,247**	**$591**	**$10**	**$—**	**$1,848**	**$—**	**$1,848**

	YTD 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	$—	$805	$2,002	$—	$2,807	$5,683	$8,490
Guarantee fee income	5,597	671	—	—	6,268	(5,598)	670
Benefit (provision) for credit losses	221	(3)	—	—	218	256	474
Mortgage loans gains (losses)	—	2,909	—	—	2,909	1,265	4,174
Investment securities gains (losses)	—	41	698	—	739	(11)	728
Debt gains (losses)	113	(46)	(27)	—	40	(32)	8
Derivative gains (losses)	(47)	(2,650)	(2,095)	—	(4,792)	(120)	(4,912)
Other income (loss)	836	292	198	—	1,326	(937)	389
Administrative expense	(1,173)	(357)	(287)	—	(1,817)	—	(1,817)
REO operations (expense) income	(185)	—	—	—	(185)	13	(172)
Other non-interest (expense) income	(1,667)	(38)	(9)	—	(1,714)	(519)	(2,233)
Income tax (expense) benefit	(750)	(330)	(97)	—	(1,177)	—	(1,177)
Net income (loss)	**2,945**	**1,294**	**383**	**—**	**4,622**	**—**	**4,622**
Changes in unrealized gains (losses) related to available-for-sale securities	—	134	540	—	674	—	674
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	57	—	57	—	57
Changes in defined benefit plans	(9)	(2)	(3)	—	(14)	—	(14)
Total other comprehensive income (loss), net of taxes	**(9)**	**132**	**594**	**—**	**717**	**—**	**717**
Comprehensive income (loss)	**$2,936**	**$1,426**	**$977**	**$—**	**$5,339**	**$—**	**$5,339**

	3Q 2018						
(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	$—	$280	$845	$—	$1,125	$2,132	$3,257
Guarantee fee income	1,676	210	—	—	1,886	(1,677)	209
Benefit (provision) for credit losses	205	2	—	—	207	173	380
Mortgage loans gains (losses)	—	(17)	—	—	(17)	111	94
Investment securities gains (losses)	—	(97)	(336)	—	(433)	(10)	(443)
Debt gains (losses)	20	5	137	—	162	(4)	158
Derivative gains (losses)	(25)	375	427	—	777	(49)	728
Other income (loss)	387	27	179	—	593	(514)	79
Administrative expense	(371)	(109)	(89)	—	(569)	—	(569)
REO operations (expense) income	(42)	—	—	—	(42)	4	(38)
Other non-interest (expense) income	(413)	(14)	—	—	(427)	(166)	(593)
Income tax (expense) benefit	(254)	(113)	(189)	—	(556)	—	(556)
Net income (loss)	**1,183**	**549**	**974**	**—**	**2,706**	**—**	**2,706**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(44)	(125)	—	(169)	—	(169)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	25	—	25	—	25
Changes in defined benefit plans	(2)	—	(1)	—	(3)	—	(3)
Total other comprehensive income (loss), net of taxes	**(2)**	**(44)**	**(101)**	**—**	**(147)**	**—**	**(147)**
Comprehensive income (loss)	**$1,181**	**$505**	**$873**	**$—**	**$2,559**	**$—**	**$2,559**

	YTD 2018						
(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	$—	$846	$2,410	$—	$3,256	$6,022	$9,278
Guarantee fee income	4,932	609	—	—	5,541	(4,938)	603
Benefit (provision) for credit losses	366	20	—	—	386	(9)	377
Mortgage loans gains (losses)	—	(233)	—	—	(233)	466	233
Investment securities gains (losses)	—	(353)	(524)	—	(877)	(147)	(1,024)
Debt gains (losses)	80	22	368	—	470	(25)	445
Derivative gains (losses)	(37)	1,254	2,038	—	3,255	(281)	2,974
Other income (loss)	592	128	541	—	1,261	(613)	648
Administrative expense	(1,070)	(315)	(262)	—	(1,647)	—	(1,647)
REO operations (expense) income	(101)	1	—	—	(100)	13	(87)
Other non-interest (expense) income	(1,192)	(33)	(6)	—	(1,231)	(488)	(1,719)
Income tax (expense) benefit	(686)	(374)	(886)	—	(1,946)	—	(1,946)
Net income (loss)	**2,884**	**1,572**	**3,679**	**—**	**8,135**	**—**	**8,135**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(134)	(931)	—	(1,065)	—	(1,065)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	87	—	87	—	87
Changes in defined benefit plans	(8)	(2)	(3)	—	(13)	—	(13)
Total other comprehensive income (loss), net of taxes	**(8)**	**(136)**	**(847)**	**—**	**(991)**	**—**	**(991)**
Comprehensive income (loss)	**$2,876**	**$1,436**	**$2,832**	**$—**	**$7,144**	**$—**	**$7,144**

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 and $1.9 trillion UPB of our single-family credit guarantee portfolio as of September 30, 2019 and December 31, 2018, respectively. 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

	September 30, 2019		December 31, 2018		Percent of Credit Losses	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate	YTD 2019	YTD 2018
Core single-family loan portfolio	84%	0.24%	82%	0.22%	16%	12%
Legacy and relief refinance single-family loan portfolio	16	1.77	18	1.93	84	88
Total	**100%**	**0.61**	**100%**	**0.69**	**100%**	**100%**
Region(1)						
West	30%	0.35	30%	0.38	12%	17%
Northeast	24	0.86	24	0.96	40	40
North Central	16	0.60	16	0.63	19	18
Southeast	16	0.72	16	0.90	22	18
Southwest	14	0.51	14	0.57	7	7
Total	**100%**	**0.61**	**100%**	**0.69**	**100%**	**100%**
State(2)						
Florida	6%	0.75	6%	1.01	14%	10%
New York	5	1.20	5	1.37	12	12
New Jersey	3	1.07	3	1.24	10	10
Illinois	4	0.82	5	0.86	10	9
California	18	0.33	18	0.35	7	10
All other	64	0.57	63	0.64	47	49
Total	**100%**	**0.61%**	**100%**	**0.69%**	**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 YTD 2019.

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)	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Interest-only	1%	1%	2.72%	3.43%
Alt-A	1	1	3.75	4.13
Original LTV ratio greater than 90%(2)	18	18	0.92	1.04
Lower credit scores at origination (less than 620)	2	2	4.24	4.59

(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

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 YTD 2019 or YTD 2018.

Table 14.3 - Seller Concentration

Single-family Sellers(1)	YTD 2019	YTD 2018
JPMorgan Chase Bank, N.A.	16%	5%
Wells Fargo Bank, N.A.	7	12
Other top 10 sellers	33	32
Top 10 single-family sellers	**56%**	**49%**

Multifamily Sellers(1)	YTD 2019	YTD 2018
CBRE Capital Markets, Inc.	16%	19%
Berkadia Commercial Mortgage LLC	15	12
Other top 10 sellers	48	47
Top 10 multifamily sellers	**79%**	**78%**

(1) Sellers presented based on those with the highest percentage of purchase volume during YTD 2019.

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 26% and 22% of our single-family purchase volume during YTD 2019 and YTD 2018, 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 our multifamily mortgage portfolio as of September 30, 2019 or December 31, 2018. For purposes of determining the concentration of servicers in the tables below, our multifamily mortgage portfolio excludes loans underlying multifamily securitizations where we are not in first loss position, primarily K Certificates and SB Certificates.

Table 14.4 - Servicer Concentration

Single-family Servicers[2]	September 30, 2019[1]	December 31, 2018[1]
Wells Fargo Bank, N.A.	15%	17%
JPMorgan Chase Bank, N.A.	10	8
Other top 10 servicers	31	31
Top 10 single-family servicers	**56%**	**56%**

Multifamily Servicers[2]	September 30, 2019	December 31, 2018
Wells Fargo Bank, N.A.	15%	14%
Berkadia Commercial Mortgage LLC	11	11
CBRE Capital Markets, Inc.	11	14
Other top 10 servicers	40	36
Top 10 multifamily servicers	**77%**	**75%**

(1) 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.

(2) Servicers presented based on those with the highest percentage of servicing volume as of September 30, 2019.

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 September 30, 2019 and December 31, 2018, approximately 18% and 16%, respectively, of our single-family credit guarantee portfolio was serviced by our top five non-depository servicers. We actively manage the performance of our largest non-depository servicers. Additionally, as part of our efforts on home ownership retention and loss mitigation, we have been consolidating a portion of our default servicing with Freddie Mac selected specialty servicers.

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 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 are expected to become effective during 2020.

We evaluate the 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 September 30, 2019, mortgage insurers provided coverage with maximum loss limits of $105.2 billion, for $411.0 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 both primary and pool insurance.

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 has evaluated the planned acquisition and approved China Oceanwide Holdings Group's control of Genworth Mortgage Insurance Corporation. 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]	September 30, 2019	December 31, 2018
Arch Mortgage Insurance Company	A-	22%	24%
Radian Guaranty Inc.	BBB	20	20
Mortgage Guaranty Insurance Corporation	BBB	18	19
Genworth Mortgage Insurance Corporation	BB+	15	14
Essent Guaranty, Inc.	BBB+	15	14
Total		**90%**	**91%**

(1) Ratings are for the corporate entity to which we have the greatest exposure. Latest rating available as of September 30, 2019. Represents the lower of S&P and Moody's credit ratings stated in terms of the S&P equivalent.

(2) Includes primary mortgage insurance and pool insurance. Coverage amounts may include coverage provided by affiliates and subsidiaries of the counterparty.

We received proceeds of $0.1 billion and $0.2 billion during YTD 2019 and YTD 2018, respectively, from our primary and pool 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 September 30, 2019 and December 31, 2018. The balance of these receivables, net of associated reserves, was approximately $0.1 billion at both September 30, 2019 and December 31, 2018.

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 both September 30, 2019 and December 31, 2018, we had cumulative unpaid deferred payment obligations of $0.5 billion 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 ACIS and other 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 September 30, 2019 and December 31, 2018, including amounts related to our consolidated VIEs, the balance in our other investments was $89.6 billion and $63.1 billion, respectively. The balances consist primarily of cash and 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 September 30, 2019, all of our securities purchased under agreements to resell were fully collateralized. As of September 30, 2019 and December 31, 2018, $2.2 billion and $2.5 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.

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

	September 30, 2019				
(In millions)	Level 1	Level 2	Level 3	Netting Adjustment(1)	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$—	$23,969	$2,150	$—	$26,119
Other agency	—	992	34	—	1,026
Non-agency and other	—	21	1,367	—	1,388
Total available-for-sale securities, at fair value	**—**	**24,982**	**3,551**	**—**	**28,533**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	10,042	2,930	—	12,972
Other agency	—	7,189	5	—	7,194
All other	—	—	1	—	1
Total mortgage-related securities	**—**	**17,231**	**2,936**	**—**	**20,167**
Non-mortgage-related securities	21,952	2,330	—	—	24,282
Total trading securities, at fair value	**21,952**	**19,561**	**2,936**	**—**	**44,449**
Total investments in securities	**21,952**	**44,543**	**6,487**	**—**	**72,982**
Mortgage loans:					
Held-for-sale, at fair value	—	21,538	—	—	21,538
Derivative assets, net:					
Interest-rate swaps	—	2,504	—	—	2,504
Option-based derivatives	—	5,196	—	—	5,196
Other	—	192	16	—	208
Subtotal, before netting adjustments	**—**	**7,892**	**16**	**—**	**7,908**
Netting adjustments(1)	—	—	—	(6,316)	(6,316)
Total derivative assets, net	**—**	**7,892**	**16**	**(6,316)**	**1,592**
Other assets:					
Guarantee asset, at fair value	—	—	4,225	—	4,225
Non-derivative held-for-sale purchase commitments, at fair value	—	223	—	—	223
All other, at fair value	—	—	142	—	142
Total other assets	**—**	**223**	**4,367**	**—**	**4,590**
Total assets carried at fair value on a recurring basis	**$21,952**	**$74,196**	**$10,870**	**($6,316)**	**$100,702**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$4	$733	$—	$737
Other debt, at fair value	—	3,733	130	—	3,863
Derivative liabilities, net:					
Interest-rate swaps	—	6,102	—	—	6,102
Option-based derivatives	—	78	—	—	78
Other	—	257	40	—	297
Subtotal, before netting adjustments	**—**	**6,437**	**40**	**—**	**6,477**
Netting adjustments(1)	—	—	—	(6,122)	(6,122)
Total derivative liabilities, net	**—**	**6,437**	**40**	**(6,122)**	**355**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	1	—	—	1
All other, at fair value	—	—	2	—	2
Total liabilities carried at fair value on a recurring basis	**$—**	**$10,175**	**$905**	**($6,122)**	**$4,958**

Referenced footnote is included after the next table.

	December 31, 2018				
(In millions)	Level 1	Level 2	Level 3	Netting Adjustment[1]	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$—	$26,102	$4,097	$—	$30,199
Other agency	—	1,668	38	—	1,706
Non-agency and other	—	18	1,640	—	1,658
Total available-for-sale securities, at fair value	**—**	**27,788**	**5,775**	**—**	**33,563**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	10,535	3,286	—	13,821
Other agency	—	2,544	7	—	2,551
All other	—	—	1	—	1
Total mortgage-related securities	**—**	**13,079**	**3,294**	**—**	**16,373**
Non-mortgage-related securities	15,885	3,290	—	—	19,175
Total trading securities, at fair value	**15,885**	**16,369**	**3,294**	**—**	**35,548**
Total investments in securities	**15,885**	**44,157**	**9,069**	**—**	**69,111**
Mortgage loans:					
Held-for-sale, at fair value	—	23,106	—	—	23,106
Derivative assets, net:					
Interest-rate swaps	—	2,127	—	—	2,127
Option-based derivatives	—	4,200	—	—	4,200
Other	—	90	1	—	91
Subtotal, before netting adjustments	**—**	**6,417**	**1**	**—**	**6,418**
Netting adjustments[1]	—	—	—	(6,083)	(6,083)
Total derivative assets, net	**—**	**6,417**	**1**	**(6,083)**	**335**
Other assets:					
Guarantee asset, at fair value	—	—	3,633	—	3,633
Non-derivative held-for-sale purchase commitments, at fair value	—	159	—	—	159
All other, at fair value	—	—	137	—	137
Total other assets	**—**	**159**	**3,770**	**—**	**3,929**
Total assets carried at fair value on a recurring basis	**$15,885**	**$73,839**	**$12,840**	**($6,083)**	**$96,481**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$27	$728	$—	$755
Other debt, at fair value	—	4,223	134	—	4,357
Derivative liabilities, net:					
Interest-rate swaps	—	3,974	—	—	3,974
Option-based derivatives	—	137	—	—	137
Other	—	225	92	—	317
Subtotal, before netting adjustments	**—**	**4,336**	**92**	**—**	**4,428**
Netting adjustments[1]	—	—	—	(3,845)	(3,845)
Total derivative liabilities, net	**—**	**4,336**	**92**	**(3,845)**	**583**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	17	—	—	17
Total liabilities carried at fair value on a recurring basis	**$—**	**$8,603**	**$954**	**($3,845)**	**$5,712**

(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 for Level 3 assets and liabilities.

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

	3Q 2019											
		Realized and unrealized gains (losses)										
(In millions)	Balance, July 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2019	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$2,744	$23	$16	$39	$—	$—	($531)	($102)	$—	$—	$2,150	$1
Other agency	36	—	—	—	—	—	—	(2)	—	—	34	—
Non-agency and other	1,494	26	(10)	16	—	—	(87)	(56)	—	—	1,367	3
Total available-for-sale mortgage-related securities	**4,274**	**49**	**6**	**55**	**—**	**—**	**(618)**	**(160)**	**—**	**—**	**3,551**	**4**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	3,028	(30)	—	(30)	287	—	(21)	(35)	—	(299)	2,930	(31)
Other agency	5	—	—	—	—	—	—	—	—	—	5	—
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**3,034**	**(30)**	**—**	**(30)**	**287**	**—**	**(21)**	**(35)**	**—**	**(299)**	**2,936**	**(31)**
Other assets:												
Guarantee asset	3,941	15	—	15	—	439	—	(170)	—	—	4,225	15
All other, at fair value	126	12	—	12	24	12	(27)	(5)	—	—	142	(3)
Total other assets	**$4,067**	**$27**	**$—**	**$27**	**$24**	**$451**	**($27)**	**($175)**	**$—**	**$—**	**$4,367**	**$12**

		Realized and unrealized (gains) losses										
	Balance, July 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2019	Unrealized (gains) losses still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$733	$—	$—	$—	$—	$—	$—	$—	$—	$—	$733	$—
Other debt, at fair value	129	—	—	—	2	—	—	(1)	—	—	130	—
Net derivatives[2]	40	(8)	—	(8)	—	—	—	(8)	—	—	24	(13)
All other, at fair value	—	2	—	2	2	—	(2)	—	—	—	2	—

Referenced footnotes are included after the prior period tables.

(In millions)	YTD 2019											
		Realized and unrealized gains (losses)										
	Balance, January 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2019	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$4,097	$13	$115	$128	$202	$—	($1,724)	($290)	$—	($263)	$2,150	$2
Other agency	38	—	1	1	—	—	—	(5)	—	—	34	—
Non-agency and other	1,640	52	25	77	—	—	(174)	(176)	—	—	1,367	12
Total available-for-sale mortgage-related securities	**5,775**	**65**	**141**	**206**	**202**	**—**	**(1,898)**	**(471)**	**—**	**(263)**	**3,551**	**14**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	3,286	(113)	—	(113)	1,242	—	(730)	95	8	(858)	2,930	(68)
Other agency	7	—	—	—	—	—	(2)	—	—	—	5	(1)
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**3,294**	**(113)**	**—**	**(113)**	**1,242**	**—**	**(732)**	**95**	**8**	**(858)**	**2,936**	**(69)**
Other assets:												
Guarantee asset	3,633	75	—	75	—	1,005	—	(488)	—	—	4,225	75
All other, at fair value	137	(31)	—	(31)	75	29	(59)	(9)	—	—	142	(51)
Total other assets	**$3,770**	**$44**	**$—**	**$44**	**$75**	**$1,034**	**($59)**	**($497)**	**$—**	**$—**	**$4,367**	**$24**

		Realized and unrealized (gains) losses										
	Balance, January 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2019	Unrealized (gains) losses still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$728	$5	$—	$5	$—	$—	$—	$—	$—	$—	$733	$5
Other debt, at fair value	134	—	—	—	—	2	—	(6)	—	—	130	—
Net derivatives[2]	91	(54)	—	(54)	—	—	—	(13)	—	—	24	(66)
All other, at fair value	—	—	—	—	4	—	(2)	—	—	—	2	(2)

Referenced footnotes are included after the prior period tables.

(In millions)	3Q 2018											
	Balance, July 1, 2018	Realized and unrealized gains (losses)			Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2018	Unrealized gains (losses) still held[3]
		Included in earnings	Included in other comprehensive income	Total								
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$6,004	($3)	($68)	($71)	$684	$—	($237)	($199)	$—	($91)	$6,090	($4)
Other agency	270	—	—	—	—	—	—	(2)	—	(228)	40	—
Non-agency and other	2,535	383	(66)	317	—	—	(660)	(134)	—	—	2,058	10
Total available-for-sale mortgage-related securities	**8,809**	**380**	**(134)**	**246**	**684**	**—**	**(897)**	**(335)**	**—**	**(319)**	**8,188**	**6**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	3,711	(140)	—	(140)	623	—	(875)	(31)	—	(108)	3,180	(136)
Other agency	17	(1)	—	(1)	—	—	—	1	—	—	17	(1)
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**3,729**	**(141)**	**—**	**(141)**	**623**	**—**	**(875)**	**(30)**	**—**	**(108)**	**3,198**	**(137)**
Other assets:												
Guarantee asset	3,363	(28)	—	(28)	—	255	—	(147)	—	—	3,443	(28)
All other, at fair value	103	1	—	1	(3)	(11)	—	—	—	—	90	(4)
Total other assets	**$3,466**	**($27)**	**$—**	**($27)**	**($3)**	**$244**	**$—**	**($147)**	**$—**	**$—**	**$3,533**	**($32)**

	Balance, July 1, 2018	Realized and unrealized gains (losses)			Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2018	Unrealized gains (losses) still held[3]
		Included in earnings	Included in other comprehensive income	Total								
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$629	($1)	$—	($1)	$—	$100	$—	$—	$—	$—	$728	($1)
Other debt, at fair value	135	—	—	—	—	—	—	(1)	—	—	134	—
Net derivatives[2]	42	8	—	8	—	41	—	(4)	—	—	87	3

Referenced footnotes are included after the following table.

	YTD 2018											
		Realized and unrealized gains (losses)										
(In millions)	Balance, January 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2018	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$6,751	($13)	($267)	($280)	$684	$—	($293)	($772)	$—	$—	$6,090	($13)
Other agency	46	—	(1)	(1)	—	—	—	(5)	—	—	40	—
Non-agency and other	4,291	876	(538)	338	—	—	(2,160)	(411)	—	—	2,058	31
Total available-for-sale mortgage-related securities	**11,088**	**863**	**(806)**	**57**	**684**	**—**	**(2,453)**	**(1,188)**	**—**	**—**	**8,188**	**18**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	2,907	(383)	—	(383)	1,027	—	(863)	(55)	579	(32)	3,180	(362)
Other agency	9	(2)	—	(2)	30	—	(21)	1	—	—	17	(2)
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**2,917**	**(385)**	**—**	**(385)**	**1,057**	**—**	**(884)**	**(54)**	**579**	**(32)**	**3,198**	**(364)**
Other assets:												
Guarantee asset	3,171	(48)	—	(48)	—	745	—	(425)	—	—	3,443	(48)
All other, at fair value	45	31	—	31	38	(24)	—	—	—	—	90	11
Total other assets	**$3,216**	**($17)**	**$—**	**($17)**	**$38**	**$721**	**$—**	**($425)**	**$—**	**$—**	**$3,533**	**($37)**

		Realized and unrealized gains (losses)										
	Balance, January 1, 2018	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, September 30, 2018	Unrealized gains (losses) still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$630	($2)	$—	($2)	$—	$100	$—	$—	$—	$—	$728	($2)
Other debt, at fair value	137	—	—	—	—	—	—	(3)	—	—	134	—
Net derivatives[2]	57	28	—	28	—	15	—	(13)	—	—	87	15

(1) Transfers out of Level 3 during 3Q 2019 and YTD 2019 and 3Q 2018 and YTD 2018 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 3Q 2019 and YTD 2019 and 3Q 2018 and YTD 2018 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 September 30, 2019 and September 30, 2018, respectively. Included in these amounts are other-than temporary impairments recorded on available-for-sale securities.

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

	September 30, 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
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$2,150	Discounted cash flows	OAS	30 - 261 bps	81 bps
Non-agency and other	979	Median of external sources	External pricing sources	$70.3 - $76.7	$73.5
	388	Other			
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	2,047	Single external source	External pricing sources	$0.0 - $102.4	$36.1
	883	Discounted cash flows	OAS	(831) - 8,095 bps	555 bps
Guarantee asset, at fair value	3,970	Discounted cash flows	OAS	17-186 bps	43 bps
	255	Other			
Insignificant Level 3 assets[1]	182				
Total level 3 assets	**$10,854**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	$733	Single External Source	External Pricing Sources	$99.5 - $103.9	$100.4
Insignificant Level 3 liabilities[1]	156				

Referenced footnote is included after the next table.

			December 31, 2018		
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$2,838	Discounted cash flows	OAS	30 - 325 bps	81 bps
	1,259	Single external source	External pricing sources	$96.1 - $104.1	$102.3
Non-agency and other	1,403	Median of external sources	External pricing sources	$64.3 - $71.1	$67.3
	237	Single external source	External pricing sources	$93.1 - $110.7	$100.7
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	1,587	Single external source	External pricing sources	$0.0 - $99.2	$56.6
	1,178	Discounted cash flows	OAS	(21,945) - 6,639 bps	90 bps
	521	Other			
Guarantee asset, at fair value	3,391	Discounted cash flows	OAS	17-198 bps	49 bps
	242	Other			
Insignificant Level 3 assets(1)	184				
Total level 3 assets	**$12,840**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	$728	Single External Source	External Pricing Sources	$97.4 - $101.1	$99.6
Insignificant Level 3 liabilities(1)	226				

(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.

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

	September 30, 2019				December 31, 2018			
(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]	$—	$429	$3,301	$3,730	$—	$24	$7,519	$7,543

(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

	September 30, 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	$3,301				
		Internal model	Historical sales proceeds	$3,110 - $671,825	$185,551
		Internal model	Housing sales index	45 - 352 bps	113 bps
		Median of external sources	External pricing sources	$30.4 - $95.0	$85.1

	December 31, 2018				
			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	$7,519				
		Internal model	Historical sales proceeds	$3,000 - $750,500	$177,725
		Internal model	Housing sales index	44 - 480 bps	108 bps
		Median of external sources	External pricing sources	$36.2 - $94.6	$82.5

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

	September 30, 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	$8,708	$8,693	$15	$—	$—	$8,708
Securities purchased under agreements to resell	Amortized cost	51,187	—	51,187	—	—	51,187
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	28,533	—	24,982	3,551	—	28,533
Trading, at fair value	FV - NI	44,449	21,952	19,561	2,936	—	44,449
Total investments in securities		**72,982**	**21,952**	**44,543**	**6,487**	**—**	**72,982**
Mortgage loans:							
Loans held by consolidated trusts		1,905,633	—	1,714,292	223,324	—	1,937,616
Loans held by Freddie Mac		91,857	—	46,636	48,517	—	95,153
Total mortgage loans	**Various[(3)]**	**1,997,490**	**—**	**1,760,928**	**271,841**	**—**	**2,032,769**
Derivative assets, net	FV - NI	1,592	—	7,892	16	(6,316)	1,592
Guarantee asset	FV - NI	4,225	—	—	4,233	—	4,233
Non-derivative purchase commitments, at fair value	FV - NI	223	—	229	1	—	230
Secured lending and other	Amortized cost	5,439	—	1,728	2,745	—	4,473
Total financial assets		**$2,141,846**	**$30,645**	**$1,866,522**	**$285,323**	**($6,316)**	**$2,176,174**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,869,308	$—	$1,898,887	$2,068	$—	$1,900,955
Other debt		279,951	—	281,229	3,757	—	284,986
Total debt, net	**Various[(4)]**	**2,149,259**	**—**	**2,180,116**	**5,825**	**—**	**2,185,941**
Derivative liabilities, net	FV - NI	355	—	6,437	40	(6,122)	355
Guarantee obligation	Amortized cost	4,055	—	—	4,416	—	4,416
Non-derivative purchase commitments, at fair value	FV - NI	1	—	1	12	—	13
Total financial liabilities		**$2,153,670**	**$—**	**$2,186,554**	**$10,293**	**($6,122)**	**$2,190,725**

(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 September 30, 2019, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were $2.0 trillion, $19.6 billion, and $21.5 billion, respectively.

(4) As of September 30, 2019, the GAAP carrying amounts measured at amortized cost and FV - NI were $2.1 trillion and $4.6 billion, respectively.

	December 31, 2018						
			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	$7,273	$7,273	$—	$—	$—	$7,273
Securities purchased under agreements to resell	Amortized cost	34,771	—	34,771	—	—	34,771
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	33,563	—	27,788	5,775	—	33,563
Trading, at fair value	FV - NI	35,548	15,885	16,369	3,294	—	35,548
Total investments in securities		**69,111**	**15,885**	**44,157**	**9,069**	**—**	**69,111**
Mortgage loans:							
Loans held by consolidated trusts		1,842,850	—	1,605,874	209,542	—	1,815,416
Loans held by Freddie Mac		84,128	—	33,946	52,212	—	86,158
Total mortgage loans	**Various(3)**	**1,926,978**	**—**	**1,639,820**	**261,754**	**—**	**1,901,574**
Derivative assets, net	FV - NI	335	—	6,417	1	(6,083)	335
Guarantee asset	FV - NI	3,633	—	—	3,642	—	3,642
Non-derivative purchase commitments, at fair value	FV - NI	159	—	159	2	—	161
Secured lending and other	Amortized cost	1,805	—	195	873	—	1,068
Total financial assets		**$2,044,065**	**$23,158**	**$1,725,519**	**$275,341**	**($6,083)**	**$2,017,935**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,792,677	$—	$1,759,911	$2,698	$—	$1,762,609
Other debt		252,273	—	251,543	3,629	—	255,172
Total debt, net	**Various(4)**	**2,044,950**	**—**	**2,011,454**	**6,327**	**—**	**2,017,781**
Derivative liabilities, net	FV - NI	583	—	4,336	92	(3,845)	583
Guarantee obligation	Amortized cost	3,561	—	—	4,146	—	4,146
Non-derivative purchase commitments, at fair value	FV - NI	17	—	17	11	—	28
Total financial liabilities		**$2,049,111**	**$—**	**$2,015,807**	**$10,576**	**($3,845)**	**$2,022,538**

(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, 2018, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were $1.9 trillion, $18.5 billion, and $23.1 billion, respectively.

(4) As of December 31, 2018, the GAAP carrying amounts measured at amortized cost and FV - NI were $2.0 trillion and $5.1 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 $61 million and $26 million and multifamily held-for-sale loan purchase commitments with a fair value of $222 million and $142 million, as of September 30, 2019 and December 31, 2018, respectively.

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

	September 30, 2019			December 31, 2018		
(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	$21,538	$3,806	$733	$23,106	$4,357	$728
UPB	20,152	3,538	730	22,693	3,998	730
Difference	$1,386	$268	$3	$413	$359	($2)

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, 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

	3Q 2019	3Q 2018	YTD 2019	YTD 2018
(In millions)	Gains (Losses)		Gains (Losses)	
Multifamily held-for-sale loans	$398	($285)	$1,216	($797)
Multifamily held-for-sale loan purchase commitments	641	267	1,644	564
Other debt - long term	49	10	116	38
Debt securities of consolidated trusts held by third parties	(1)	2	(6)	4

Changes in fair value attributable to instrument-specific credit risk were not material for 3Q 2019 and YTD 2019 and for 3Q 2018 and YTD 2018 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 allege, 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 complaint alleged, 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.

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. Defendants 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. Defendants filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018.

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 plaintiffs ask that plaintiffs, Freddie Mac, and Fannie Mae be awarded just compensation for the government's alleged taking of their 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 a ruling on defendants' motion to dismiss in the Fairholme Funds, Inc. litigation.

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)	September 30, 2019	December 31, 2018
GAAP net worth (deficit)	$6,674	$4,477
Core capital (deficit)[(1)(2)]	(66,556)	(68,036)
Less: Minimum capital requirement[(1)]	18,817	17,553
Minimum capital surplus (deficit)[(1)]	**($85,373)**	**($85,589)**

(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, an economic 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 other income (loss) on our condensed consolidated statements of comprehensive income (loss).

Table 18.1 - Significant Components of Other Income (Loss)

(In millions)	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Other income (loss):				
Income on guarantee obligation	$206	$176	$593	$524
All other	(60)	(97)	(204)	124
Total other income (loss)	**$146**	**$79**	**$389**	**$648**

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)	September 30, 2019	December 31, 2018
Other assets:		
Real estate owned, net	$607	$769
Accounts and other receivables[1]	12,816	2,447
Guarantee asset	4,225	3,633
Secured lending and other	5,439	1,805
All other	2,626	2,322
Total other assets	**$25,713**	**$10,976**
Other liabilities:		
Guarantee obligation	$4,055	$3,561
All other	3,215	2,837
Total other liabilities	**$7,270**	**$6,398**

(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 2018 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 2018 Annual Report. One such case, filed in the U.S. District Court for the Southern District of Texas, was appealed to the U.S. Court of Appeals for the Fifth Circuit. On September 6, 2019, the Fifth Circuit, en banc, held that the plaintiffs plausibly alleged that FHFA exceeded its conservator powers by transferring Freddie Mac's future value (i.e., profits via the net worth sweep) to a single shareholder, Treasury, and remanded that cause of action to the District Court. The Fifth Circuit also held that the "for cause" removal provision for the director of FHFA was unconstitutional, and that the provision should be struck from the statute. On September 25, 2019, the plaintiffs filed a petition for writ of certiorari to the U.S. Supreme Court seeking review of the Fifth Circuit's decision. On October 25, 2019, the defendants also filed a petition for writ of certiorari seeking review of the Fifth Circuit's decision. 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 2018 Annual Report and in our Form 10-Q for the quarter ended June 30, 2019, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies, and/or prospects.

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 **www.freddiemac.com/singlefamily**, **mf.freddiemac.com**, and **www.freddiemac.com/capital-markets**.

OTHER INFORMATION

Executive Management Compensation Program For 2020

As discussed in our Current Report on Form 8-K filed on August 27, 2019, FHFA, acting as Conservator, directed Freddie Mac to make specified changes to our executive compensation program for so long as we are in conservatorship, including increasing the mandatory deferral period for at-risk deferred salary for named executive officers, other than our Chief Executive Officer, from one year to two years and limiting base salaries for all employees, including named executive officers, to $600,000. Our Chief Executive Officer does not receive deferred salary, and therefore his compensation was not affected by this change. We have revised our executive management compensation program accordingly.

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 September 30, 2019. 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 September 30, 2019, 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 3Q 2019

We evaluated the changes in our internal control over financial reporting that occurred during 3Q 2019 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 September 30, 2019 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 Conservatorship, 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 external press releases, statements, and certain speeches 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 3Q 2019 have been prepared in conformity with GAAP.

Exhibit Index

Exhibit	Description*
4.1	Third Amended and Restated Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Liquidation Preference Senior Preferred Stock (par value $1.00 per share), dated September 30, 2019
10.1	Letter Agreement dated September 27, 2019 between the United States Department of the Treasury and the Federal Home Loan Mortgage Corporation,acting through the Federal Housing Finance Agency as its Conservator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 1, 2019)
10.2	2020 Executive Management Compensation Program†
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Executive Vice President —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 Executive Vice President —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.

† This exhibit is a management contract or compensatory plan, contract, or arrangement.

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: October 30, 2019

By: /s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer

(Principal Financial Officer)

Date: October 30, 2019

Form 10-Q Index

EXHIBIT 4.1

EXECUTION VERSION

FREDDIE MAC

THIRD AMENDED AND RESTATED CERTIFICATE OF CREATION, DESIGNATION, POWERS, PREFERENCES, RIGHTS, PRIVILEGES, QUALIFICATIONS, LIMITATIONS, RESTRICTIONS, TERMS AND CONDITIONS OF VARIABLE LIQUIDATION PREFERENCE SENIOR PREFERRED STOCK (PAR VALUE $1.00 PER SHARE)

The Federal Housing Finance Agency, as Conservator of the Federal Home Loan Mortgage Corporation, a government-sponsored enterprise of the United States of America (the "Company"), does hereby certify that, pursuant to authority vested in the Board of Directors of the Company by Section 306(f) of the Federal Home Loan Mortgage Corporation Act, and pursuant to the authority vested in the Conservator of the Company by Section 1367(b) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. §4617), as amended, the Conservator adopted Resolution FHLMC 2008-24 on September 7, 2008, which resolution is now, and at all times since such date has been, in full force and effect, and that the Conservator approved the final terms of the issuance and sale of the preferred stock of the Company designated above.

As amended and restated, effective September 30, 2019, in accordance with the Letter Agreement dated September 27, 2019, and the Third Amendment dated as of August 17, 2012, to the Amended and Restated Senior Preferred Stock Purchase Agreement dated as of September 26, 2008, the Senior Preferred Stock shall have the following designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions:

1. Designation, Par Value, Number of Shares and Seniority

The class of preferred stock of the Company created hereby (the "Senior Preferred Stock") shall be designated "Variable Liquidation Preference Senior Preferred Stock," shall have a par value of $1.00 per share and shall consist of 1,000,000 shares. The Senior Preferred Stock shall rank prior to the common stock of the Company as provided in this Certificate and shall rank, as to both dividends and distributions upon liquidation, prior to (a) the Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock issued on December 4, 2007, (b) the 6.55% Non-Cumulative Preferred Stock issued on September 28, 2007, (c) the 6.02% Non-Cumulative Preferred Stock issued on July 24, 2007, (d) the 5.66% Non-Cumulative Preferred Stock issued on April 16, 2007, (e) the 5.57% Non-Cumulative Preferred Stock issued on January 16, 2007, (f) the 5.9% Non-Cumulative Preferred Stock issued on October 16, 2006, (g) the 6.42% Non-Cumulative Preferred Stock issued on July 17, 2006, (h) the Variable Rate, Non-Cumulative Preferred Stock issued on July 17, 2006, (i) the 5.81% Non-Cumulative Preferred Stock issued on January 29, 2002, (j) the 5.7% Non-Cumulative Preferred Stock issued on October 30, 2001, (k) the 6% Non-Cumulative Preferred Stock issued on May 30, 2001, (l) the Variable Rate, Non-Cumulative Preferred Stock issued on May 30, 2001 and June 1, 2001, (m) the 5.81% Non-Cumulative Preferred Stock issued on March 23, 2001, (n) the Variable Rate, Non-Cumulative Preferred Stock issued on March 23, 2001, (o) the Variable Rate, Non-Cumulative Preferred Stock issued on January 26, 2001, (p) the Variable Rate, Non-Cumulative Preferred Stock issued on November 5, 1999, (q) the 5.79% Non-Cumulative Preferred Stock issued on July 21, 1999, (r) the 5.1% Non-Cumulative Preferred Stock issued on March 19, 1999, (s) the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, (t) the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, (u) the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, (v) the 5% Non-Cumulative Preferred Stock issued on March 23, 1998, (w) the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, (x) the Variable Rate, Non-Cumulative Preferred Stock issued on April 26, 1996, (y) any other capital stock of the Company outstanding on the date of the initial issuance of the Senior Preferred Stock, and (z) any capital stock of the Company that may be issued after the date of initial issuance of the Senior Preferred Stock.

2. Dividends

(a) For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, holders of outstanding shares of Senior Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, cumulative cash dividends at the annual rate per share equal to the then-current Dividend Rate on the then-current Liquidation Preference. For each Dividend Period from January 1, 2013, holders of outstanding shares of Senior Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, cumulative cash dividends in an amount equal to the then-current Dividend Amount. Dividends on the Senior Preferred Stock shall accrue from but not including the date of the initial issuance of the Senior Preferred Stock and will be payable in arrears when, as and if declared by the Board of Directors quarterly on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing on December 31, 2008. If a Dividend Payment Date is not a "Business Day," the related dividend will be paid not later than the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. "Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which New York City banks are closed, or (iii) a day on which the offices of the Company are closed.

If declared, the initial dividend will be for the period from but not including the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2008. Except for the initial Dividend Payment Date, the “Dividend Period” relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date. For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, the amount of dividends payable on the initial Dividend Payment Date or for any Dividend Period through and including December 31, 2012, that is not a full calendar quarter shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in any period of less than one month. For the avoidance of doubt, for each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, in the event that the Liquidation Preference changes in the middle of a Dividend Period, the amount of dividends payable on the Dividend Payment Date at the end of such Dividend Period shall take into account such change in Liquidation Preference and shall be computed at the Dividend Rate on each Liquidation Preference based on the portion of the Dividend Period that each Liquidation Preference was in effect.

(b) To the extent not paid pursuant to Section 2(a) above, dividends on the Senior Preferred Stock shall accrue and shall be added to the Liquidation Preference pursuant to Section 8, whether or not there are funds legally available for the payment of such dividends and whether or not dividends are declared.

(c) For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2012, “Dividend Rate” means 10.0 percent; provided, however, that if at any time the Company shall have for any reason failed to pay dividends in cash in a timely manner as required by this Certificate, then immediately following such failure and for all Dividend Periods thereafter until the Dividend Period following the date on which the Company shall have paid in cash full cumulative dividends (including any unpaid dividends added to the Liquidation Preference pursuant to Section 8), the “Dividend Rate” shall mean 12.0 percent.

For each Dividend Period from January 1, 2013, and thereafter, the “Dividend Amount” for a Dividend Period means the amount, if any, by which the Net Worth Amount at the end of the immediately preceding fiscal quarter, less the Applicable Capital Reserve Amount for such Dividend Period, exceeds zero. In each case, “Net Worth Amount” means (i) the total assets of the Company (such assets excluding the Commitment and any unfunded amounts thereof) as reflected on the balance sheet of the Company as of the applicable date set forth in this Certificate, prepared in accordance with GAAP, less (ii) the total liabilities of the Company (such liabilities excluding any obligation in respect of any capital stock of the Company, including this Certificate), as reflected on the balance sheet of the Company as of the applicable date set forth in this Certificate, prepared in accordance with GAAP. “Applicable Capital Reserve Amount” means, as of any date of determination, (A) for each Dividend Period from January 1, 2013, through and including December 31, 2013, $3,000,000,000; (B) for each Dividend Period occurring within each 12-month period thereafter, through and including December 31, 2017, $3,000,000,000 reduced by $600,000,000 for each such 12-month period, so that for each Dividend Period from January 1, 2017, through and including December 31, 2017, the Applicable Capital Reserve Amount shall be $600,000,000; (C) for each Dividend Period from January 1, 2018, through and including June 30, 2019, $3,000,000,000; and (D) for each Dividend Period from July 1, 2019, and thereafter, $20,000,000,000. Notwithstanding the foregoing, for each Dividend Period from January 1, 2018, and thereafter, following any Dividend Payment Date with respect to which the Board of Directors does not declare and pay a dividend or declares and pays a dividend in an amount less than the Dividend Amount, the Applicable Capital Reserve Amount shall thereafter be zero. For the avoidance of doubt, if the calculation of the Dividend Amount for a Dividend Period does not exceed zero, then no Dividend Amount shall accrue or be payable for such Dividend Period.

(d) Each such dividend shall be paid to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the applicable Dividend Payment Date. The Company may not, at any time, declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any common stock or other securities ranking junior to the Senior Preferred Stock unless (i) full cumulative dividends on the outstanding Senior Preferred Stock in respect of the then-current Dividend Period and all past Dividend Periods (including any unpaid dividends added to the Liquidation Preference pursuant to Section 8) have been declared and paid in cash (including through any pay down of Liquidation Preference pursuant to Section 3) and (ii) all amounts required to be paid pursuant to Section 4 (without giving effect to any prohibition on such payment under any applicable law) have been paid in cash.

(e) Notwithstanding any other provision of this Certificate, the Board of Directors, in its discretion, may choose to pay dividends on the Senior Preferred Stock without the payment of any dividends on the common stock, preferred stock or any other class or series of stock from time to time outstanding ranking junior to the Senior Preferred Stock with respect to the payment of dividends.

(f) If and whenever dividends, having been declared, shall not have been paid in full, as aforesaid, on shares of the Senior Preferred Stock, all such dividends that have been declared on shares of the Senior Preferred Stock shall be paid to the holders pro rata based on the aggregate Liquidation Preference of the shares of Senior Preferred Stock held by each holder, and any amounts due but not paid in cash shall be added to the Liquidation Preference pursuant to Section 8.

3. Optional Pay Down of Liquidation Preference

(a) Following termination of the Commitment (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below), and subject to any limitations which may be imposed by law and the provisions below, the Company may pay down the Liquidation Preference of all outstanding shares of the Senior Preferred Stock pro rata, at any time, in whole or in part, out of funds legally available therefor, with such payment first being used to reduce any accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and, to the extent all such accrued and unpaid dividends have been paid, next being used to reduce any Periodic Commitment Fees (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below) previously added to the Liquidation Preference pursuant to Section 8 below. Prior to termination of the Commitment, and subject to any limitations which may be imposed by law and the provisions below, the Company may pay down the Liquidation Preference of all outstanding shares of the Senior Preferred Stock pro rata, at any time, out of funds legally available therefor, but only to the extent of (i) accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and not repaid by any prior pay down of Liquidation Preference and (ii) Periodic Commitment Fees previously added to the Liquidation Preference pursuant to Section 8 below and not repaid by any prior pay down of Liquidation Preference. Any pay down of Liquidation Preference permitted by this Section 3 shall be paid by making a payment in cash to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the date fixed for the payment.

(b) In the event the Company shall pay down of the Liquidation Preference of the Senior Preferred Stock as aforesaid, notice of such pay down shall be given by the Company by first class mail, postage prepaid, mailed neither less than 10 nor more than 45 days preceding the date fixed for the payment, to each holder of record of the shares of the Senior Preferred Stock, at such holder's address as the same appears in the books and records of the Company. Each such notice shall state the amount by which the Liquidation Preference of each share shall be reduced and the pay down date.

(c) If after termination of the Commitment the Company pays down the Liquidation Preference of each outstanding share of Senior Preferred Stock in full, such shares shall be deemed to have been redeemed as of the date of such payment, and the dividend that would otherwise be payable for the Dividend Period ending on the pay down date will be paid on such date. Following such deemed redemption, the shares of the Senior Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Senior Preferred Stock shall cease, with respect to shares so redeemed, other than the right to receive the pay down amount (which shall include the final dividend for such shares). Any shares of the Senior Preferred Stock which shall have been so redeemed, after such redemption, shall no longer have the status of authorized, issued or outstanding shares.

4. Mandatory Pay Down of Liquidation Preference Upon Issuance of Capital Stock

(a) If the Company shall issue any shares of capital stock (including without limitation common stock or any series of preferred stock) in exchange for cash at any time while the Senior Preferred Stock is outstanding, then the Company shall, within 10 Business Days, use the proceeds of such issuance net of the direct costs relating to the issuance of such securities (including, without limitation, legal, accounting and investment banking fees) to pay down the Liquidation Preference of all outstanding shares of Senior Preferred Stock pro rata, out of funds legally available therefor, by making a payment in cash to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the date fixed for the payment, with such payment first being used to reduce any accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and, to the extent all such accrued and unpaid dividends have been paid, next being used to reduce any Periodic Commitment Fees (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below) previously added to the Liquidation Preference pursuant to Section 8 below; provided that, prior to the termination of the Commitment (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below), the Liquidation Preference of each share of Senior Preferred Stock shall not be paid down below $1,000 per share.

(b) If the Company shall not have sufficient assets legally available for the pay down of the Liquidation Preference of the shares of Senior Preferred Stock required under Section 4(a), the Company shall pay down the Liquidation Preference per share to the extent permitted by law, and shall pay down any Liquidation Preference not so paid down because of the unavailability of legally available assets or other prohibition as soon as practicable to the extent it is thereafter able to make such pay down legally. The inability of the Company to make such payment for any reason shall not relieve the Company from its obligation to effect any required pay down of the Liquidation Preference when, as and if permitted by law.

(c) If after the termination of the Commitment the Company pays down the Liquidation Preference of each outstanding share of Senior Preferred Stock in full, such shares shall be deemed to have been redeemed as of the date of such payment, and the dividend that would otherwise be payable for the Dividend Period ending on the pay down date will be paid on such date. Following such deemed redemption, the shares of the Senior Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Senior Preferred Stock shall cease, with respect to shares so redeemed, other than the right to receive the pay down amount (which shall include the final dividend for such redeemed shares). Any shares of the Senior Preferred Stock which shall have been so redeemed, after such redemption, shall no longer have the status of authorized, issued or outstanding shares.

5. No Voting Rights

Except as set forth in this Certificate or otherwise required by law, the shares of the Senior Preferred Stock shall not have any voting powers, either general or special.

6. No Conversion or Exchange Rights

The holders of shares of the Senior Preferred Stock shall not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of the Company.

7. No Preemptive Rights

No holder of the Senior Preferred Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of the Company which at any time may be sold or offered for sale by the Company.

8. Liquidation Rights and Preference

(a) Except as otherwise set forth herein, upon the voluntary or involuntary dissolution, liquidation or winding up of the Company, the holders of the outstanding shares of the Senior Preferred Stock shall be entitled to receive out of the assets of the Company available for distribution to stockholders, before any payment or distribution shall be made on the common stock or any other class or series of stock of the Company ranking junior to the Senior Preferred Stock upon liquidation, the amount per share equal to the Liquidation Preference plus an amount, determined in accordance with Section 2(a) above, equal to the dividend otherwise payable for the then-current Dividend Period accrued through and including the date of payment in respect of such dissolution, liquidation or winding up; provided, however, that if the assets of the Company available for distribution to stockholders shall be insufficient for the payment of the amount which the holders of the outstanding shares of the Senior Preferred Stock shall be entitled to receive upon such dissolution, liquidation or winding up of the Company as aforesaid, then, all of the assets of the Company available for distribution to stockholders shall be distributed to the holders of outstanding shares of the Senior Preferred Stock pro rata based on the aggregate Liquidation Preference of the shares of Senior Preferred Stock held by each holder.

(b) "Liquidation Preference" shall initially mean $1,000 per share and shall be:

(i) increased each time a Deficiency Amount (as defined in the Preferred Stock Purchase Agreement) is paid to the Company by an amount per share equal to the aggregate amount so paid to the Company divided by the number of shares of Senior Preferred Stock outstanding at the time of such payment;

(ii) increased each time the Company does not pay the full Periodic Commitment Fee (as defined in the Preferred Stock Purchase Agreement) in cash by an amount per share equal to the amount of the Periodic Commitment Fee that is not paid in cash divided by the number of shares of Senior Preferred Stock outstanding at the time such payment is due;

(iii) increased on the Dividend Payment Date if the Company fails to pay in full the dividend payable for the Dividend Period ending on such date by an amount per share equal to the aggregate amount of unpaid dividends divided by the number of shares of Senior Preferred Stock outstanding on such date; and

(iv) decreased each time the Company pays down the Liquidation Preference pursuant to Section 3 or Section 4 of this Certificate by an amount per share equal to the aggregate amount of the pay down divided by the number of shares of Senior Preferred Stock outstanding at the time of such pay down.

(c) "Preferred Stock Purchase Agreement" means the Preferred Stock Purchase Agreement, dated September 7, 2008, between the Company and the United States Department of the Treasury.

(d) Neither the sale of all or substantially all of the property or business of the Company, nor the merger, consolidation or combination of the Company into or with any other corporation or entity, shall be deemed to be a dissolution, liquidation or winding up for the purpose of this Section 8.

9. Additional Classes or Series of Stock

The Board of Directors shall have the right at any time in the future to authorize, create and issue, by resolution or resolutions, one or more additional classes or series of stock of the Company, and to determine and fix the distinguishing characteristics and the relative rights, preferences, privileges and other terms of the shares thereof; provided that, any such class or series of stock may not rank prior to or on parity with the Senior Preferred Stock without the prior written consent of the holders of at least two-thirds of all the shares of Senior Preferred Stock at the time outstanding.

10. Miscellaneous

(a) The Company and any agent of the Company may deem and treat the holder of a share or shares of Senior Preferred Stock, as shown in the Company's books and records, as the absolute owner of such share or shares of Senior Preferred Stock for the purpose of receiving payment of dividends in respect of such share or shares of Senior Preferred Stock and for all other purposes whatsoever, and neither the Company nor any agent of the Company shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by the Company on or with respect to any such share or shares of Senior Preferred Stock.

(b) The shares of the Senior Preferred Stock, when duly issued, shall be fully paid and non-assessable.

(c) The Senior Preferred Stock may be issued, and shall be transferable on the books of the Company, only in whole shares.

(d) For purposes of this Certificate, the term “the Company” means the Federal Home Loan Mortgage Corporation and any successor thereto by operation of law or by reason of a merger, consolidation, combination or similar transaction.

(e) This Certificate and the respective rights and obligations of the Company and the holders of the Senior Preferred Stock with respect to such Senior Preferred Stock shall be construed in accordance with and governed by the laws of the United States, provided that the law of the Commonwealth of Virginia shall serve as the federal rule of decision in all instances except where such law is inconsistent with the Company’s enabling legislation, its public purposes or any provision of this Certificate.

(f) Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served to or upon the Company shall be given or served in writing addressed (unless and until another address shall be published by the Company) to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attn: Executive Vice President and General Counsel. Such notice, demand or other communication to or upon the Company shall be deemed to have been sufficiently given or made only upon actual receipt of a writing by the Company. Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served by the Company hereunder may be given or served by being deposited first class, postage prepaid, in the United States mail addressed (i) to the holder as such holder’s name and address may appear at such time in the books and records of the Company or (ii) if to a person or entity other than a holder of record of the Senior Preferred Stock, to such person or entity at such address as reasonably appears to the Company to be appropriate at such time. Such notice, demand or other communication shall be deemed to have been sufficiently given or made, for all purposes, upon mailing.

(g) The Company, by or under the authority of the Board of Directors, may amend, alter, supplement or repeal any provision of this Certificate pursuant to the following terms and conditions:

(i) Without the consent of the holders of the Senior Preferred Stock, the Company may amend, alter, supplement or repeal any provision of this Certificate to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Certificate, provided that such action shall not adversely affect the interests of the holders of the Senior Preferred Stock.

(ii) The consent of the holders of at least two-thirds of all of the shares of the Senior Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Senior Preferred Stock shall vote together as a class, shall be necessary for authorizing, effecting or validating the amendment, alteration, supplementation or repeal (whether by merger, consolidation or otherwise) of the provisions of this Certificate other than as set forth in subparagraph (i) of this paragraph (g). The creation and issuance of any other class or series of stock, or the issuance of additional shares of any existing class or series of stock, of the Company ranking junior to the Senior Preferred Stock shall not be deemed to constitute such an amendment, alteration, supplementation or repeal.

(iii) Holders of the Senior Preferred Stock shall be entitled to one vote per share on matters on which their consent is required pursuant to subparagraph (ii) of this paragraph (g). In connection with any meeting of such holders, the Board of Directors shall fix a record date, neither earlier than 60 days nor later than 10 days prior to the date of such meeting, and holders of record of shares of the Senior Preferred Stock on such record date shall be entitled to notice of and to vote at any such meeting and any adjournment. The Board of Directors, or such person or persons as it may designate, may establish reasonable rules and procedures as to the solicitation of the consent of holders of the Senior Preferred Stock at any such meeting or otherwise, which rules and procedures shall conform to the requirements of any national securities exchange on which the Senior Preferred Stock may be listed at such time.

(h) RECEIPT AND ACCEPTANCE OF A SHARE OR SHARES OF THE SENIOR PREFERRED STOCK BY OR ON BEHALF OF A HOLDER SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER (AND ALL OTHERS HAVING BENEFICIAL OWNERSHIP OF SUCH SHARE OR SHARES) OF ALL OF THE TERMS AND PROVISIONS OF THIS CERTIFICATE. NO SIGNATURE OR OTHER FURTHER MANIFESTATION OF ASSENT TO THE TERMS AND PROVISIONS OF THIS CERTIFICATE SHALL BE NECESSARY FOR ITS OPERATION OR EFFECT AS BETWEEN THE COMPANY AND THE HOLDER (AND ALL SUCH OTHERS).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Company this 30th day of September, 2019.

[Seal]

FEDERAL HOME LOAN MORTGAGE CORPORATION,
by
The Federal Housing Finance Agency, its Conservator

By: /s/ Mark A. Calabria

Mark A. Calabria
Director

Exhibit 10.2

2020 EXECUTIVE MANAGEMENT COMPENSATION PROGRAM ("2020 EMCP")
Program Document
Effective January 1, 2020

Covered Positions	A "Covered Officer" is any Freddie Mac[1] officer at the Senior Vice President ("SVP") level and above other than the Chief Executive Officer ("CEO").
Covered Position Participation Requirement	Participation in the 2020 EMCP is conditioned on the Covered Officer's agreement to the terms and conditions set forth herein and in the EMCP Recapture and Forfeiture Agreement ("Recapture Agreement"). <u>A Covered Officer who does not agree to the terms of both the 2020 EMCP and the Recapture Agreement will receive only Base Salary</u>. The terms and conditions set forth in the Recapture Agreement are incorporated in and made a part of this 2020 EMCP.
Target Total Direct Compensation[2]	A Covered Officer's target total direct compensation ("Target TDC") is the sum of Base Salary and Deferred Salary, each of which is paid in cash.
Base Salary	Base Salary is earned and paid on the company's standard payroll cycle and cannot exceed $600,000 without Federal Housing Finance Agency ("FHFA") approval.
Deferred Salary	The portion of Target TDC not paid in Base Salary is Deferred Salary, which is earned on the company's standard payroll cycle. The amount earned in each quarter, plus interest earned on that amount as described below under "Interest on Deferred Salary," will be paid in cash according to the "Approved Payment Schedule". Deferred Salary consists of the following two elements: *<u>At-Risk Deferred Salary</u>* - At-Risk Deferred Salary shall be equal to 30% of the Covered Officer's Target TDC. The amount of At-Risk Deferred Salary earned in a calendar year is subject to reduction based on corporate and individual performance as follows: • One-half of At-Risk Deferred Salary (or 15% of Target TDC) is subject to reduction based on an assessment by FHFA of performance against Conservatorship Scorecard objectives relevant for the calendar year in which the At-Risk Deferred Salary is earned.[3] The reduction can range from 0% (no reduction) to 100% (the maximum reduction). • One-half of At-Risk Deferred Salary (or 15% of Target TDC) is subject to reduction based on the Covered Officer's performance against individual objectives and an assessment of the company's performance against Corporate Scorecard objectives, each relevant to the calendar year in which the At-Risk Deferred Salary is earned. The total reduction can range from 0% (no reduction) to 100% (the maximum reduction). A Covered Officer's performance during the calendar year will be assessed by the CEO, in his/her sole discretion, pursuant to the performance assessment and reduction process in effect for such year.

[1] For purposes of this Program Document, Freddie Mac refers to the Federal Home Loan Mortgage Corporation and any of its wholly-owned subsidiaries.
[2] Initially expressed as an annual rate. Amount will be prorated, as appropriate, to reflect date of hire, promotion into a Covered Position, date of termination, or other adjustment to Target TDC.
[3] For the Covered Officer leading the Internal Audit function, the reduction will be based on the appropriate Board committee's and FHFA's assessment of performance against the Internal Audit Scorecard objectives.

Deferred Salary (continued)	At-Risk Deferred Salary payments for Covered Officers are subject to review and approval by the Committee and FHFA, as appropriate. *Fixed Deferred Salary* - Fixed Deferred Salary shall be equal to the Covered Officer's Target TDC less Base Salary and less At-Risk Deferred Salary and is not subject to reduction based on either corporate or individual performance. Payment of both At-Risk and Fixed Deferred Salary is also subject, if applicable, to the "Treatment Upon Termination" provisions set forth below.
Deferred Salary Approved Payment Schedule	At-Risk Deferred Salary - For Covered Officers hired after December 31, 2019, At-Risk Deferred Salary earned in each quarter will be paid on the last regular pay date in the corresponding quarter of the second calendar year following the quarter in which it was earned. For Covered Officers hired prior to December 31, 2019, At-Risk Deferred Salary earned in each quarter prior to January 1, 2022, will be paid on the last regular pay date in the corresponding quarter of the following calendar year. At-Risk Deferred Salary earned in each quarter after January 1, 2022, will be paid on the last regular pay date in the corresponding quarter of the second calendar year following the quarter in which it was earned. Fixed Deferred Salary - Fixed Deferred Salary earned in each quarter will be paid on the last regular pay date within the corresponding quarter of the following calendar year.
Interest on Deferred Salary	Interest will be credited on the amount of a Covered Officer's At-Risk and Fixed Deferred Salary earned during each calendar quarter. The interest rate used is one-half the one-year Treasury Bill rate in effect on the last business day immediately preceding the year in which Deferred Salary is earned. The amount on which interest is accrued will take into account any reduction for corporate and/or individual performance applicable to a Covered Officer's At-Risk Deferred Salary and any reduction applicable to a Covered Officer's Fixed Deferred Salary resulting from certain terminations of employment as described in "Treatment Upon Termination: Fixed Deferred Salary." Interest is earned from the first day of the calendar quarter following the quarter during which the Deferred Salary is earned through the payment date under the Approved Payment Schedule or, in the event of death, the actual payment date. The amount of interest payable with respect to a Covered Officer's Deferred Salary will be determined as of the payment date and will be paid at the same time as the Deferred Salary to which it relates. If Deferred Salary is forfeited or recaptured for any of the reasons described in the Recapture Agreement, the related interest will also be forfeited or recaptured.
Impact on Retirement, Executive, and Welfare Plans	The treatment of Base Salary and Deferred Salary as compensation for purposes of Freddie Mac's retirement and welfare benefit plans is governed by the actual terms of those plans. The table below summarizes whether the Base Salary and Deferred Salary a Covered Officer receives while an active employee are treated as compensation for purposes of the following Freddie Mac retirement and welfare benefit plans. Freddie Mac retains the right to amend, revise or discontinue any of the retirement and welfare benefit plans and the terms of each plan will prevail in the event that there is any conflict between those terms and the table below.

Impact on Retirement, Executive, and Welfare Plans (continued)	**Freddie Mac's Retirement and Welfare Benefit Plans**	**Base Salary Considered Compensation?**	**Deferred Salary Considered Compensation?**
	Tax-Qualified Thrift/401(k)	Yes	Yes
	Non-Qualified Thrift/401(k) Supplemental Executive Retirement Plan (SERP)[4]	Yes	Yes
	Group Term Life Insurance	Yes	No
	Group Universal Life Insurance	Yes	No
	Long-Term Disability Plan	Yes	No
	Accidental Death and Personal Loss Insurance	Yes	No
	Business Travel Accident Insurance	Yes	No
	Worker's Compensation	Yes	No
	Purchase/Payout of Vacation	Yes	No
	Interest earned on Deferred Salary, as well as any Base Salary or Deferred Salary a Covered Officer receives after termination of employment are not treated as compensation for purposes of any Freddie Mac retirement or welfare benefit plan.		
Treatment Upon Termination: Base Salary	Base Salary will cease upon termination of employment, regardless of the reason for such termination.		

[4] Compensation for purposes of the Non-Qualified Thrift/401(k) SERP may not exceed two times a Covered Officer's Base Salary.

Treatment Upon Termination: At-Risk Deferred Salary	The timing and payment of any unpaid portion of At-Risk Deferred Salary is based on the reason for termination of employment, as follows: • *Forfeiture Event* - All earned but unpaid At-Risk Deferred Salary and related interest is subject to forfeiture if a Covered Officer is terminated due to the occurrence of an event or conduct described in the Recapture Agreement; • *Death* - All earned but unpaid At-Risk Deferred Salary and related interest is paid as soon as administratively possible, but not later than 90 calendar days after the date of death, subject to the terms and conditions of the Recapture Agreement; and • *Any Other Reason*[5] - All earned but unpaid At-Risk Deferred Salary and related interest is paid in accordance with the Approved Payment Schedule, subject to the terms and conditions of the Recapture Agreement. Payment of earned but unpaid At-Risk Deferred Salary and related interest following a termination of employment shall be subject to the performance assessment and reduction process. The performance assessment and reduction process for At-Risk Deferred Salary is waived, however, in cases of death or Long-Term Disability (as defined in the Long-Term Disability Plan in effect on the date of termination) if the process is not complete as of the termination date.
Treatment Upon Termination: Fixed Deferred Salary	The timing and payment of any unpaid portion of Fixed Deferred Salary is based on the reason for termination of employment, as follows: • *Forfeiture Event* - All earned but unpaid Fixed Deferred Salary and related interest is subject to forfeiture if a Covered Officer is terminated due to the occurrence of an event or conduct described in the Recapture Agreement; • *Death* - All earned but unpaid Fixed Deferred Salary and related interest is paid in full as soon as administratively possible, but not later than 90 calendar days after the date of death, subject to the terms and conditions of the Recapture Agreement; and • *Any Other Reason*[5] - All earned but unpaid Fixed Deferred Salary and related interest is paid in accordance with the Approved Payment Schedule, subject to the terms and conditions of the Recapture Agreement. A Covered Officer's earned but unpaid Fixed Deferred Salary will be reduced by 2% for each full or partial month by which the termination precedes January 31 of the second calendar year following the calendar year in which the Fixed Deferred Salary is earned. This reduction will not be applied in cases of death, Long-Term Disability, a severance-eligible termination, as defined in the severance plan applicable to Covered Officers who are not executive officers, or retirement. A Covered Officer is considered to have retired when s/he voluntarily terminates employment after attaining or exceeding 62 years of age, regardless of length of service, or attaining or exceeding 55 years of age with 10 or more years of continuous service.

[5] Any Other Reason includes, but is not limited to, voluntary terminations, retirement, Long-Term Disability, and involuntary termination for any reason other than a Forfeiture Event.

Reservation of Rights and Applicable Law	Each Covered Officer's employment with Freddie Mac is "at-will," meaning that either the Covered Officer or Freddie Mac may terminate such employment at any time with or without cause or notice. Nothing in this Program Document or any other document referred to or incorporated by reference herein shall be held or construed to change the at-will nature of any Covered Officer's employment with Freddie Mac. Nothing in this Program Document is intended or shall be construed to abrogate FHFA's authority to either: (i) modify or terminate any compensation plan or program (including the 2020 EMCP); or (ii) disapprove the actual payment of any form of compensation to be paid pursuant to the 2020 EMCP. FHFA retains the right to modify any of the terms and conditions of your employment, including the right to modify or rescind the terms and conditions of the 2020 EMCP as well as the actual payment of compensation to you pursuant thereto, without giving rise to liability on the part of Freddie Mac. The 2020 EMCP is subject to and shall be construed in accordance with: (i) any applicable law and any applicable regulation, guidance or interpretation of FHFA and/or the United States Department of the Treasury; and (ii) the substantive laws of the Commonwealth of Virginia, excluding provisions of the Virginia law concerning choice-of-law that would result in the law of any state other than Virginia being applied. Payment of Deferred Salary under the 2020 EMCP is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986 ("Section 409A"), as amended, and, specifically, with the separation pay exemption and short-term deferral exemption of Section 409A, and shall in all respects be construed, interpreted, and administered in accordance with Section 409A. Notwithstanding anything in the 2020 EMCP to the contrary, payments may only be made pursuant to the 2020 EMCP upon an event and in a manner permitted by Section 409A or an applicable exemption. All payments to be made upon a termination of employment under this Program Document may only be made upon a "separation from service" under section 409A. If a Covered Officer is a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i)) at the time of a separation from service, payments scheduled to be made during the six months following the separation from service shall, to the extent required by Section 409A, be deferred to and payable on the first day of the seventh month following the separation from service.

This 2020 EMCP will be in effect for 2020 and subsequent years unless and until amended or superseded. By signing below, I acknowledge that I understand and voluntarily agree to the terms of this 2020 EMCP:

____ ____________________
Covered Officer's Signature Date

____
Printed Name

____
Title

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 September 30, 2019 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: October 30, 2019

/s/ David M. Brickman

David M. Brickman

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, James G. Mackey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 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: October 30, 2019

/s/ James G. Mackey

James G. Mackey

Executive Vice President — 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 September 30, 2019 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: October 30, 2019

/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 September 30, 2019 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James G. Mackey, Executive Vice President – 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: October 30, 2019

/s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer