



Freddie Mac Third Quarter 2024

**Financial Results Webcast**

*Remarks of*

**James Whitlinger**

Interim Chief Financial Officer

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**INTRODUCTION**

Good morning and thank you for joining our call to review Freddie Mac's third quarter performance.

The company delivered another solid quarter. We earned \$3.1 billion in the third quarter, and our net worth increased to \$56 billion.

We helped 415,000 families purchase, refinance or rent a home. Once again, more than half – 51 percent – of the primary home purchases we financed supported first-time home buyers and 51 percent of eligible purchase and refinance loans were affordable to low- and moderate-income families. On the Multifamily side, 94 percent of the eligible rental units we financed were similarly affordable.

Beyond our efforts to make home affordable, we worked to make it sustainable for both renters and homeowners.



In August, we published a policy framework requiring minimum lease standards at multifamily properties with a new Freddie Mac-backed loan. Beginning in February 2025 the standards require a five-day grace period for rent payments, a 30-day notice for rent increases and a 30-day notice of a lease expiration.

And, in September we reminded homeowners affected by recent hurricanes of the immediate relief options available to them. These include Freddie Mac's forbearance program, which offers mortgage relief for up to 12 months without incurring a late fee or penalties. We also provide dedicated [resources to renters](#) in apartment buildings to help them plan and prepare for natural disasters, as well as respond and recover after they strike.

Freddie Mac communities and mortgage security investors all benefit alongside renters and homeowners when families are able to continue living in their homes.

Now let's take a look at our results in more detail.

## **FINANCIALS**

Our net income of \$3.1 billion for the quarter was an increase of \$420 million dollars, or 16 percent, year-over-year. This increase was



primarily driven by an increase in our net revenues and a decline in non-interest expense.

Third quarter net revenues were \$5.8 billion, an increase of \$148 million, or 3 percent, year-over-year. This increase was primarily driven by higher net interest income, which increased \$250 million or 5 percent year-over-year. Primary drivers for the higher net interest income were lower expense related to debt in hedge accounting relationships and continued mortgage portfolio growth. Our total mortgage portfolio grew 2 percent year-over-year and ended the quarter at \$3.5 trillion.

The increase in net interest income was partially offset by \$102 million lower non-interest income, primarily due to lower investment gains in the quarter versus the prior year.

The benefit for credit losses was \$191 million this quarter, driven by a credit reserve release in Single-Family as a result of lower mortgage interest rates and a credit reserve release in Multifamily due to enhancements in the credit loss estimation process. In the third quarter of 2023 we had a benefit for credit losses of \$263 million, which was primarily driven by a credit reserve release in Single-Family due to improvements in house prices.



Non-interest expense of \$2.2 billion for this quarter was lower by \$393 million as the prior year period included a \$313 million expense accrual for an adverse judgement at trial.

### *Single-Family Business Segment*

Turning to our individual business segments, Single-Family reported net income of \$2.6 billion for the quarter, up \$250 million, or 11 percent, from the prior year quarter, primarily driven by higher net interest income and lower non-interest expense.

Single-Family net interest income of \$4.7 billion was up 3 percent year-over-year, primarily driven by higher income on our investment portfolio, which benefited from lower expense related to debt in hedge accounting relationships.

Non-interest expense for the quarter was \$2.0 billion, down \$344 million or 15 percent from the prior year quarter, as the prior year quarter included an allocation of \$250 million for the \$313 million accrual for the adverse judgment at trial and a larger decrease in credit enhancement recoveries due to a decline in expected credit losses on covered loans.

Our benefit for Single-Family credit losses this quarter was \$99 million, primarily driven by a credit reserve release as a result of lower



mortgage interest rates. In the prior year quarter, we had a benefit of \$304 million, which was primarily driven by a credit reserve release due to improvements in home prices.

Home prices increased, on average, 3.6 percent over the past year, and our forecast assumes home prices will remain flat over the next 12 months and increase by 0.8 percent over the subsequent 12 months.

The Single-Family allowance for credit losses coverage ratio at the end of the quarter was 21 basis points, down slightly from 22 basis points a year earlier.

New business activity picked up in the quarter to \$98 billion dollars, up 15 percent or \$13 billion from the second quarter, as both home purchase and refinance volume increased due to lower mortgage interest rates. The 30-year mortgage interest rate fell to 6.08 percent at the end of the third quarter, the lowest we have experienced over the last two years and was down 78 basis points from the end of last quarter and 123 basis points lower than a year earlier.

Home purchase volume of \$84 billion made up 86 percent of our total new business activity this quarter. First-time homebuyers represented 51 percent of new Single-Family home purchase loans. The average



estimated guarantee fee rate charged on new business was 57 basis points this quarter, up 3 basis points from last quarter.

Our Single-Family mortgage portfolio increased 2 percent year-over-year to \$3.1 trillion dollars.

Credit characteristics of our Single-Family portfolio remained strong, with the weighted average current loan-to-value ratio at 52 percent and the weighted average current credit score at 755. At the end of the quarter, 62 percent of our Single-Family portfolio had some form of credit enhancement.

The Single-Family serious delinquency rate increased 4 basis points this quarter to 54 basis points from the historical low of 50 basis points that we saw in the last quarter. The SDQ rate remains 9 basis points below the pre-COVID rate of 63 basis points at the end of 2019.

In the third quarter, we helped approximately 18,000 families remain in their homes through loan workouts.

### *Multifamily Business Segment*

Moving on to Multifamily, the segment reported net income of \$532 million dollars, an increase of 47 percent, or \$170 million, from the prior year quarter. This increase was primarily driven by a benefit for



credit losses in the current quarter and lower non-interest expense compared to the same quarter last year.

The benefit for credit losses this quarter of \$92 million was primarily driven by a credit reserve release due to enhancements in the credit loss estimation process. In the prior year quarter, we had a provision for credit losses of \$41 million which was primarily driven by deterioration in overall loan performance. The Multifamily allowance for credit losses coverage ratio at the end of this quarter was 49 basis points, down from 54 basis points a year earlier.

Non-interest expense was \$217 million, down \$49 million, or 18 percent, year-over-year. The prior year quarter included an allocation of \$63 million dollars for the accrual for the adverse judgment at trial.

We have seen a slight pickup in demand for multifamily mortgage financing as interest rates declined this quarter. Our Multifamily new business activity was \$15 billion for the third quarter, bringing the year-to-date volume to \$35 billion versus \$32 billion for the same period last year. In the current quarter we provided financing for 131,000 multifamily rental units with 68 percent of the eligible multifamily rental units financed affordable to low-income families earning 80 percent or less of area median income.



Our Multifamily mortgage portfolio increased 5 percent year-over-year to \$452 billion, of which 93 percent was covered by credit enhancements.

The Multifamily delinquency rate was 39 basis points at the end of the quarter, up 1 basis point from last quarter and up 15 basis points from the end of September 2023.

This increase was driven primarily by an increase in delinquent floating rate loans including small balance loans that are in their floating rate period. Ninety-six percent of these delinquent loans have credit enhancement coverage.

### *Capital*

On the capital front, our net worth increased to \$56 billion, representing a 26 percent increase year-over-year.

## **CONCLUSION**

In conclusion, let me say that Freddie Mac is fully focused on fulfilling its mission. We are at our best when delivering strong financial results and serving our important mission. We continue to support the nation by helping lenders of all sizes, providing access to sustainable and affordable home financing, addressing issues of housing inequality, and





providing support and assistance to homeowners who have been impacted by the recent devastating hurricanes.

Thank you for joining us today.