

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

or

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

For the transition period from

to

Commission File Number: 001-34139



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

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

Voting Common Stock, no par value per share (OTCQB: FMCC)
 Variable Rate, Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCI)
 5% Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCKK)
 Variable Rate, Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCG)
 5.1% Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCH)
 5.79% Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCK)
 Variable Rate, Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCL)
 Variable Rate, Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCM)
 Variable Rate, Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCN)
 5.81% Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCO)
 6% Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCP)
 Variable Rate, Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCCJ)
 5.7% Non-Cumulative Preferred Stock, par value \$1.00 per share (OTCQB: FMCKP)
 Variable Rate, Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCCS)
 6.42% Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCCCT)
 5.9% Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCKO)
 5.57% Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCKM)
 5.66% Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCKN)
 6.02% Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCKL)
 6.55% Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCKI)
 Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, par value \$1.00 per share (OTCQB: FMCKJ)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 Emerging growth company
 Non-accelerated filer Smaller reporting 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 has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the common stock held by non-affiliates computed by reference to the price at which the common stock was last sold on June 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter) was \$1.4 billion.

As of January 29, 2021, there were 650,059,292 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None

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Introduction

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

Throughout this Form 10-K, we use certain acronyms and terms that are defined in the **Glossary**.

ABOUT FREDDIE MAC

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

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

COVID-19 Pandemic Response Efforts

Late in 2019, a novel coronavirus disease, later named COVID-19, was detected. The outbreak of COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic was declared a national emergency in the United States on March 13, 2020 and continued to evolve throughout 2020 and into 2021, both globally and domestically, with significant adverse effects on populations and economies.

We have remained focused on serving our mission and the crucial role we play in the U.S. housing finance system while supporting the health and safety of our communities, customers, and staff. We continue to actively monitor the situation and make decisions based on guidance from national, state, and local governments and public health authorities, including the U.S. CDC. Our Crisis Management Team (CMT), consisting of representatives from across the company, meets regularly, closely monitoring the situation, and providing frequent updates to our Board of Directors and staff. We continue to take actions in line with guidance from national and state governments and public health authorities to maintain business continuity. In March 2020, we required more than 95% of our staff to work remotely. While a small number of staff voluntarily returned to the office in 4Q 2020, more than 95% of our staff continued to work remotely as of December 31, 2020.

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

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

We have taken actions to help homeowners with Freddie Mac-owned mortgages who are directly or indirectly affected by the COVID-19 pandemic stay in their homes during this challenging time. We have announced a number of mortgage-relief options for borrowers affected by the COVID-19 pandemic, including providing up to 12 months of mortgage forbearance during which a borrower's payments are temporarily reduced or suspended. Under FHFA's guidance, we are extending COVID-19 forbearances up to 15 months for eligible borrowers, and this forbearance term may be further extended by FHFA in the future. We have also established a foreclosure and eviction moratorium for homeowners with Freddie Mac-owned single-family mortgages, which FHFA recently instructed us to extend until at least March 31, 2021. In addition, we have introduced a number of temporary measures to help provide sellers with the clarity and flexibility to continue to lend in a prudent and responsible manner and to expedite loan closings and help keep homebuyers, sellers, and other critical participants in the mortgage process safe during the COVID-19 pandemic. For additional information on these temporary measures, see **MD&A - Risk Management - Single-Family Mortgage Credit Risk**.

As of December 31, 2020, 2.70% of loans in our single-family credit guarantee portfolio, based on loan count, were in forbearance, including loans where the borrower has continued to make payments in accordance with the loan's original contractual terms and remains in current status. All information included in this Form 10-K related to single-family loans in forbearance is based on information reported to us by our servicers. Beginning in 4Q 2020, we required single-family servicers

to report to us all alternatives to foreclosure, which include forbearance plans on all mortgages, including those where the borrower has continued to make payments in accordance with the loan's original contractual terms and remains in current status. The forbearance data we reported in prior periods was generally limited to loans in forbearance that were past due based on the loan's original contractual terms. For the purpose of reporting delinquency rates, we report single-family loans in forbearance as delinquent during the forbearance period to the extent that payments are past due based on the loan's original contractual terms, irrespective of the forbearance plan. For additional information on our support of the single-family mortgage market during the COVID-19 pandemic, see **MD&A - Risk Management - Single-Family Mortgage Credit Risk**.

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

We have also provided support to the multifamily mortgage market, including by offering multifamily borrowers mortgage forbearance with the condition that they suspend all evictions during the forbearance period for renters unable to pay rent. Under our forbearance program, which is based on our existing natural disaster response program, multifamily borrowers with a fully performing loan as of February 1, 2020 can defer their loan payments for up to 90 days by showing hardship as a consequence of the COVID-19 pandemic and by gaining lender approval. In June 2020, in coordination with FHFA, we announced several supplemental forbearance relief options that lenders may use to assist borrowers who have a forbearance plan in place and continue to be materially affected by the COVID-19 pandemic. These supplemental relief options added to the original renter protections by providing flexibility to renters to repay past due rent over time and not in a lump sum, and extended the prohibition on charging renters fees and penalties for past due rent through both the forbearance and repayment periods. In December 2020, we extended the deadline to March 31, 2021 for borrowers whose loans have not been more than 30 days past due to request a new COVID-19 forbearance agreement or supplemental relief. The forbearance program was initially set to terminate at the end of 2020.

As of December 31, 2020, 2.01% of the loans in our multifamily mortgage portfolio, based on UPB, were enrolled in our forbearance program, approximately 95% of which were in their repayment period. Approximately 82% of the total loans in our forbearance program are included in securitizations with first loss credit protection provided by subordination, which reduces our credit risk exposure to those loans. We report multifamily loans in forbearance as current as long as the borrowers are in compliance with the forbearance agreement, including the agreed upon repayment plan. Loans in forbearance are therefore not included in our multifamily delinquency rates if the borrowers are in compliance with their forbearance agreement. For additional information on our support of the multifamily mortgage market during the COVID-19 pandemic, see **MD&A - Risk Management - Multifamily Mortgage Credit Risk**.

Business Outlook

We expect the COVID-19 pandemic to have an adverse effect on our business in 2021, and perhaps beyond. The duration and continued severity of the COVID-19 pandemic will determine the extent of the effect on our business. The impact the pandemic has had on the economy is unprecedented, and as a result, our economic and business forecasts are more uncertain than usual, and there are significant downside risks.

After the sharp decline in economic conditions seen in the first half of 2020, the economy rebounded during the second half of the year, although recent data indicates the recovery may be stalling. The housing market, however, is one segment of the economy that overall has performed well during the COVID-19 pandemic, with mortgage refinance originations increasing significantly during 2020 as many homeowners took advantage of historically low mortgage interest rates. We expect the low mortgage interest rate environment to continue through 2021 and 2022 as the Federal Reserve stated that it intends to keep interest rates low for an extended period of time. Low interest rates and the ability for many to work remotely have driven home sales to levels not seen since 2006. We expect total annual sales to remain strong in 2021 with only a modest decline in 2022. Unsold home inventory has hit an all-time low due to the increase in home sales, which in turn has driven increased house prices, although we expect house price growth to moderate in 2021 and 2022. Low mortgage interest rates, higher home sales, and increasing house prices also increased 2020 mortgage originations. We expect mortgage originations to decline in 2021 and decrease further in 2022.

Both supply and demand for rental housing will be affected over the next year or two due to the COVID-19 pandemic. However, a \$900 billion stimulus package was enacted in December 2020, with more stimulus expected in the coming months. The additional stimulus packages are expected to boost economic conditions in 2021 and help stabilize the rental market. Longer term, labor market conditions will be key to future rental market performance. At a national level, average rents declined in 2020, with rent growth performance varying by geographic market. Large markets such as San Francisco, New York, Miami, and Washington D.C. have been hardest hit, with some experiencing double-digit rent declines; however, rent continues to grow in over half of the U.S. markets tracked. Apartment prices have held up as investors continue to believe there is a need for additional rental housing in the U.S., both during and after the pandemic, and the investment environment remains attractive because of low interest rates. After an initial surge in forbearance requests by borrowers, peaking in July 2020, the number of multifamily properties in forbearance has declined slightly over the past several months. While these loans are not considered delinquent, they are an indication of stress in the market. For additional information on market and macroeconomic indicators that can affect our multifamily business and financial results, see **MD&A - Market Conditions and Economic Indicators**.

Our single-family allowance for credit losses increased significantly during 2020. We expect single-family serious delinquency rates and the volume of loss mitigation activity to remain elevated as a result of the COVID-19 pandemic and the forbearance

programs and foreclosure and eviction moratoriums we have announced. While we expect that the actions we have taken to support the mortgage markets as a result of the COVID-19 pandemic will improve borrower outcomes, these actions may not be as successful as we expect. In addition, these actions may continue to negatively affect our financial condition and results of operations, perhaps significantly. The ultimate success of these programs will depend on the duration and severity of the economic downturn. For additional information, see **MD&A - Risk Management - Credit Risk**.

After falling sharply in 2Q 2020 due to the effects of the COVID-19 pandemic, single-family CRT issuance resumed during 3Q 2020 with solid investor demand and subscription levels. However, the COVID-19 pandemic continues to impose uncertainties and may continue to impact our transactions going forward. We continue to evaluate our CRT strategy and make changes depending on market conditions, including the significant market volatility caused by the COVID-19 pandemic, and our business strategy. The ERCF specifies substantial capital requirements and could affect our CRT strategy, perhaps significantly. In addition, our risk appetite limits are governed by FHFA and these limits may lead us to take actions to comply with these limits, including continued execution of CRT transactions. For additional information on the ERCF, see **Introduction - About Freddie Mac - FHFA Enterprise Regulatory Capital Framework**.

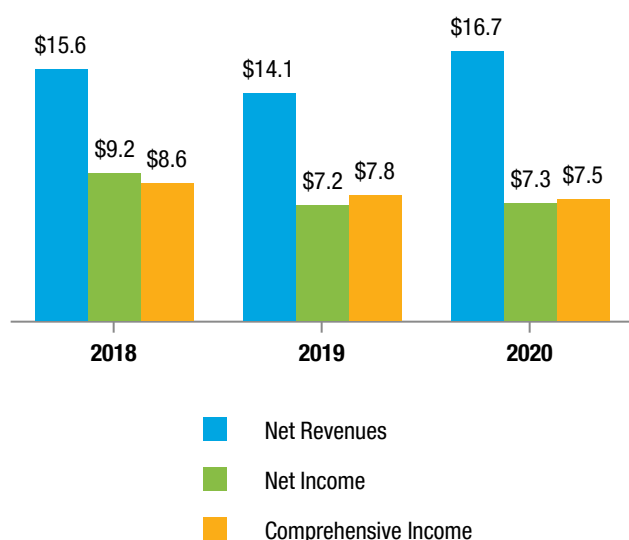
Our debt funding needs and debt funding costs may increase as we expect to advance significant amounts to cover principal and interest payments to security holders for loans in forbearance and to purchase delinquent loans from trusts after borrowers exit forbearance plans. Therefore, the less liquid assets in our mortgage-related investments portfolio are likely to increase in future periods.

Business Results

Consolidated Financial Results

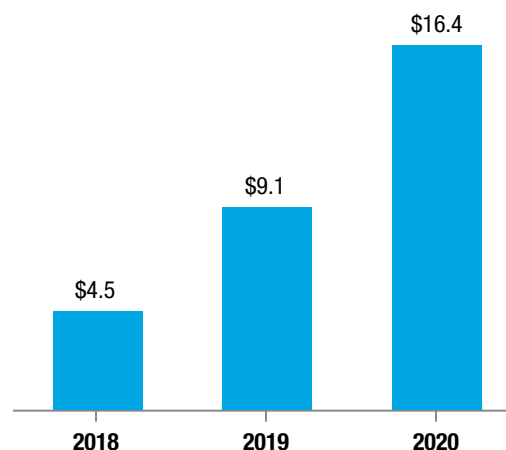
Net Revenues, Net Income, and Comprehensive Income

(In billions)



Total Equity as of December 31,

(In billions)



Key Drivers:

■ 2020 vs. 2019

- Net income was \$7.3 billion for 2020, an increase of \$0.1 billion, or 2%, from 2019. Comprehensive income was \$7.5 billion for 2020, a decrease of \$0.3 billion, or 3%, from 2019. The changes in net income and comprehensive income were primarily driven by higher net revenues, partially offset by higher provision for credit losses.
- Net revenues increased \$2.6 billion, or 18%, compared to 2019, primarily due to higher net interest income and higher investment gains (losses), net.
- Total equity was \$16.4 billion as of December 31, 2020, up from \$9.1 billion as of December 31, 2019.
- We recognized a decrease to retained earnings of \$0.2 billion upon our adoption of CECL on January 1, 2020. See **Note 1** for additional information about our adoption of CECL.

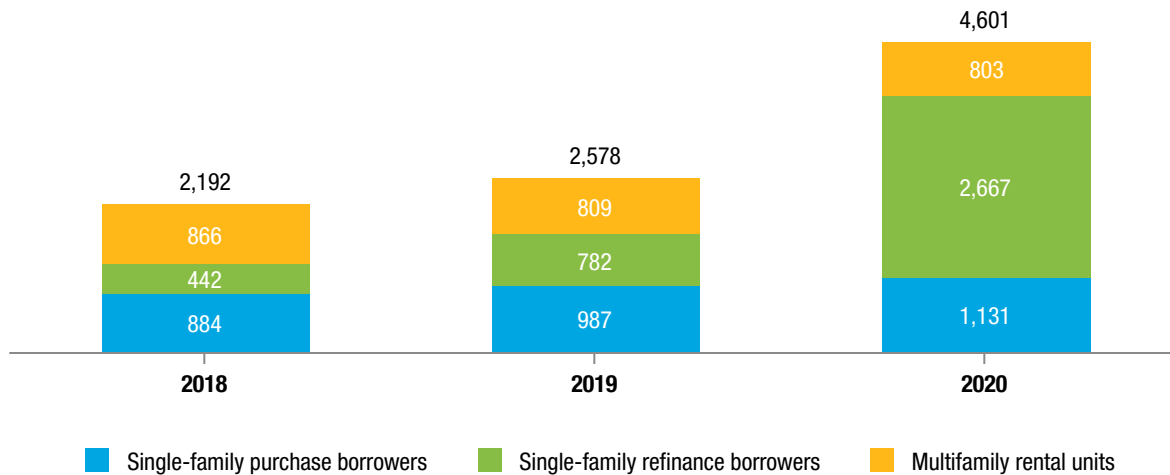
■ 2019 vs. 2018

- Net income was \$7.2 billion for 2019, a decrease of \$2.0 billion, or 22%, from 2018. Comprehensive income was \$7.8 billion for 2019, a decrease of \$0.8 billion, or 10%, from 2018. The declines in both net income and comprehensive income were primarily due to higher costs related to transferring credit risk and investments to improve the efficiency of our business operations.
- Net revenues declined \$1.5 billion, or 10%, compared to 2018, primarily due to lower investment gains (losses), net, partially offset by higher contractual net interest income on the single-family guarantee portfolio and higher income on the multifamily guarantee portfolio. The decline in net revenues was also partially offset by a \$1.2 billion increase in other comprehensive income.
- Total equity was \$9.1 billion as of December 31, 2019, up from \$4.5 billion as of December 31, 2018.

Market Liquidity

Market Liquidity

(In thousands)

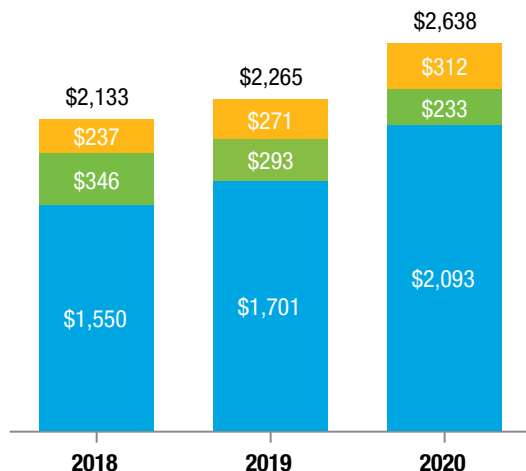


We support the U.S. housing market by executing our Charter Mission to provide liquidity and help maintain credit availability for new and refinanced single-family mortgages as well as for rental housing. Despite the significant challenges presented by the COVID-19 pandemic, we provided \$1.2 trillion in liquidity to the mortgage market in 2020, which enabled the financing of 4.6 million home purchases, refinancings, or rental units. Single-family refinance activity increased significantly compared to 2019, as borrowers took advantage of low mortgage interest rates during 2020.

Portfolio Balances

Guarantee Portfolio as of December 31,

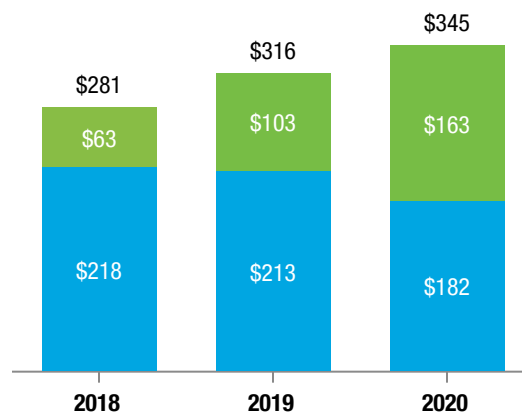
(UPB in billions)



- Single-family credit guarantee portfolio - Core (loans originated after 2008)
- Single-family credit guarantee portfolio - Legacy and relief refinance
- Multifamily guarantee portfolio

Investments Portfolio as of December 31,

(UPB in billions)



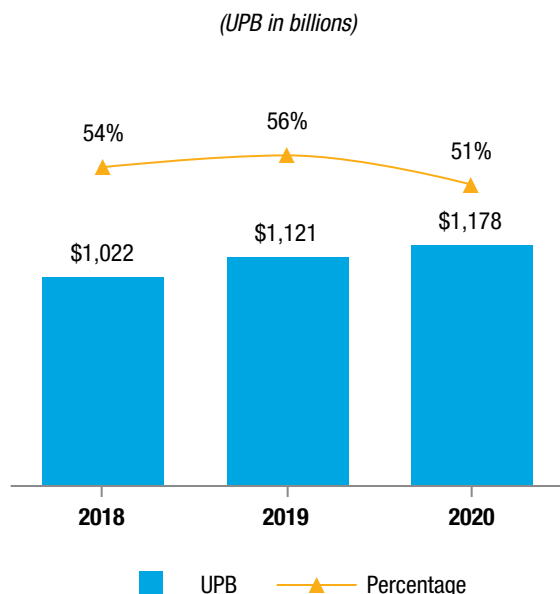
- Mortgage-related investments portfolio
- Other investments portfolio

- The total guarantee portfolio grew \$373 billion, or 16%, in 2020, driven by a 17% increase in our single-family credit guarantee portfolio and a 15% increase in our multifamily guarantee portfolio. The total guarantee portfolio grew \$132 billion, or 6%, in 2019, driven by a 5% increase in our single-family credit guarantee portfolio and a 14% increase in our multifamily guarantee portfolio.
 - The growth in our single-family credit guarantee portfolio in 2020 was driven by an increase in U.S. single-family mortgage debt outstanding and higher new business activity. Additionally, continued house price appreciation contributed to new business acquisitions having a higher average loan size compared to older vintages that continued to run off.
 - Our multifamily guarantee portfolio grew in 2020, primarily driven by increased loan purchase and securitization activity attributable to continued high demand for multifamily financing.
- Our total investments portfolio increased \$29 billion, or 9%, in 2020 and \$35 billion, or 12%, in 2019, primarily due to an increase in our other investments portfolio during both periods.
 - The increase in the other investments portfolio in 2020 was driven by higher loan prepayments and higher near-term cash needs for higher expected single-family cash window loan purchases, as well as our transition to comply with updated minimum liquidity requirements established by FHFA. For additional information on the updated minimum liquidity requirements, see **MD&A - Liquidity and Capital Resources**.
 - The increase in the other investments portfolio in 2019 was primarily driven by higher loan prepayments, higher near-term cash needs for upcoming debt maturities and anticipated calls of debt of Freddie Mac, and higher expected cash window loan purchases.
 - In February 2019, FHFA instructed us to maintain the mortgage-related investments portfolio at or below \$225 billion at all times. In November 2019, FHFA instructed us to include 10% of the notional value of certain interest-only securities owned by Freddie Mac in the calculation of this portfolio. In August 2020, FHFA instructed us to further limit the amount and type of assets we hold in our mortgage-related investments portfolio. Pursuant to the January 2021 Letter Agreement, the calculation of mortgage assets subject to the Purchase Agreement cap also includes 10% of the

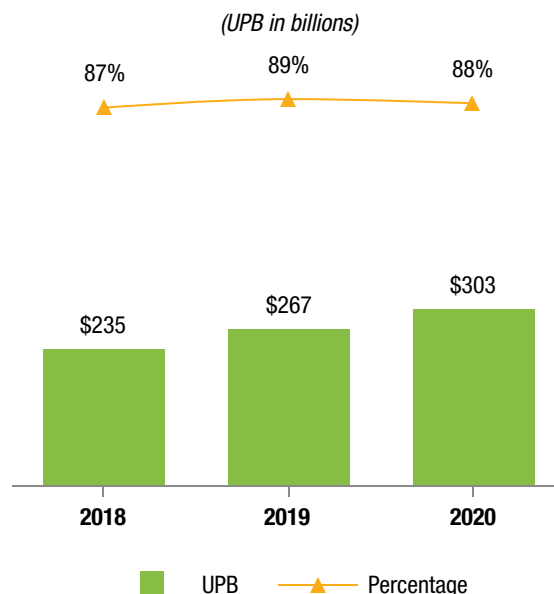
notional value of interest-only securities, and at the end of 2022, the Purchase Agreement cap on our mortgage-related investments portfolio will be lowered from \$250 billion to \$225 billion. See **MD&A - Conservatorship and Related Matters** for additional information.

Credit Risk Transfer

**Single-Family Credit Guarantee Portfolio with Credit Enhancement
as of December 31,**



**Multifamily Mortgage Portfolio with Credit Enhancement
as of December 31,**



In addition to transferring interest-rate and liquidity risk to third-party investors through our securitization activities, we have developed CRT programs that distribute mortgage credit risk to third-party investors. Our programmatic offerings regularly transfer a portion of the credit risk primarily on recently acquired loans, with the percentage of our single-family credit guarantee portfolio and the percentage of our multifamily mortgage portfolio covered by credit enhancements at 51% and 88%, respectively, as of December 31, 2020. Credit enhancement coverage of the single-family credit guarantee portfolio decreased from December 31, 2019, primarily due to the high volume of new business activity which has not been included in CRT transactions but may be included in future periods.

For additional information, see **Introduction - About Freddie Mac - COVID-19 Pandemic Response Efforts - Business Outlook**. See **MD&A - Our Business Segments - Single-Family Guarantee - Business Overview - Products and Activities** and **MD&A - Our Business Segments - Multifamily - Business Overview - Products and Activities** for additional information on our credit enhancements.

New Accounting Guidance for Credit Losses on Financial Instruments

On January 1, 2020, we adopted CECL, which replaced the previous incurred loss impairment methodology with a new methodology that measures the allowance for credit losses for financial instruments at amortized cost and off-balance sheet credit exposures based on current expected credit losses. CECL also changed the methodology for accounting for credit losses on debt securities classified as available-for-sale. We recorded a cumulative-effect adjustment on January 1, 2020, to recognize the impact of adopting CECL. This adjustment reduced our opening retained earnings balance by \$0.2 billion, net of income taxes. See **Note 1** for additional information on our adoption of CECL. See **Note 4**, **Note 5**, **Note 6**, **Note 7**, and **Note 8** for additional information on the changes in our significant accounting policies as a result of our adoption of CECL.

The adoption of CECL significantly changed how we measure credit losses on mortgage loans classified as held-for-investment and off-balance sheet credit exposures and may result in additional volatility in our credit-related expenses, as our estimate of credit losses now incorporates both our forecasts of certain future economic conditions and our expectations of credit losses over the entire contractual term of the instruments, which for many of our mortgage loans is 30 years. The length and severity

of the economic downturn caused by the COVID-19 pandemic, and its impact on the housing market, is subject to significant uncertainty, which makes it difficult to estimate such credit losses. These developments may have a material effect on our allowance for credit losses in future periods. See **Risk Management - Credit Risk** and **Critical Accounting Policies and Estimates** for additional information.

FHFA Enterprise Regulatory Capital Framework

In November 2020, FHFA released a final rule that establishes the ERCF as a new regulatory capital framework for Freddie Mac and Fannie Mae. This final rule is substantively similar in terms of overall structure and approach to the proposed capital rule released in May 2020. The final capital rule, which will become effective on February 16, 2021, has a transition period for compliance. In general, the compliance date for the regulatory capital requirements will be the later of the date of termination of our conservatorship and any later compliance date provided in a consent order or other transition order; however, we may begin implementing the ERCF sooner, upon the direction of FHFA or otherwise. As the ERCF was not yet in effect during 2020, we continued to use the guidance issued to us by FHFA under the CCF to evaluate our transactions and businesses. We will be required to report our regulatory capital under the new framework beginning on January 1, 2022. The final capital rule specifies substantial capital requirements and could affect our business strategies, perhaps significantly. For additional information, see **MD&A - Liquidity and Capital Resources** and **MD&A - Regulation and Supervision - Legislative and Regulatory Developments - FHFA Enterprise Regulatory Capital Framework**.

Conservatorship and Government Support for Our Business

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

In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury, under which we issued Treasury both senior preferred stock and a warrant to purchase common stock. The senior preferred stock and warrant were issued as an initial commitment fee in consideration for Treasury's commitment to provide funding to us under the Purchase Agreement.

Our Purchase Agreement with Treasury and the terms of the senior preferred stock we issued to Treasury 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. From 2013 through 2017, the applicable Capital Reserve Amount decreased by \$600 million each year, from \$3 billion in 2013 to \$600 million in 2017, limiting our ability to retain earnings and build capital. The applicable Capital Reserve Amount was then increased to \$3 billion as of January 1, 2018 pursuant to the December 2017 Letter Agreement and to \$20 billion as of September 30, 2019 pursuant to the September 2019 Letter Agreement. Pursuant to the January 2021 Letter Agreement, the applicable Capital Reserve Amount was further increased as of October 1, 2020 to the amount of adjusted total capital necessary to meet the capital requirements and buffers set forth in the ERCF. This increased Capital Reserve Amount will remain in effect until the last day of the second fiscal quarter during which we have reached and maintained such level of capital (the Capital Reserve End Date). As a result of the increases in the applicable Capital Reserve Amount, we have been able to retain earnings and build capital, but the increases in our Net Worth Amount from December 31, 2017 until we have built sufficient capital to meet the capital requirements and buffers set forth in the ERCF have been, or will be, added to the aggregate liquidation preference of the senior preferred stock. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period until the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and the applicable Capital Reserve Amount would thereafter be zero. This would not affect our ability to draw funds from Treasury at the request of FHFA, our conservator, under the Purchase Agreement.

Beginning with the first quarter after the Capital Reserve End Date, our cash dividend requirement each quarter will be an amount equal to the lesser of (i) 10% per annum on the then-current liquidation preference of the senior preferred stock and (ii) a quarterly amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. If for any reason we were not to pay our dividend requirement in full in any future period after the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and immediately following such failure and for all dividend periods thereafter until the dividend period following the date on which we shall have paid in cash full cumulative dividends, the dividend amount will be 12% per annum on the then-current liquidation preference of the senior preferred stock.

The January 2021 Letter Agreement also provides that by the Capital Reserve End Date, we and Treasury, in consultation with the Chairman of the Federal Reserve, will mutually agree on a periodic commitment fee that we will pay for Treasury's remaining funding commitment with respect to the five-year period commencing on the first January 1 after the Capital Reserve End Date.

Accordingly, after the Capital Reserve End Date, we will be able to retain further earnings and build further capital (or, with Treasury's prior written consent, pay dividends on our preferred stock, other than our senior preferred stock, or our common stock) only if and to the extent that the increase in the Net Worth Amount in any quarter, after the payment of a new periodic commitment fee to Treasury, exceeds 2.5% (10% annualized) of the then-current liquidation preference of the senior preferred stock.

The January 2021 Letter Agreement also establishes new or modified covenants which impose additional requirements for us to exit from conservatorship, including with respect to capital and the resolution of currently pending material litigation related to our conservatorship and the Purchase Agreement; allows us to issue common stock after Treasury's exercise in full of its warrant to acquire 79.9% of our common stock and resolution of currently pending material litigation relating to our conservatorship and the Purchase Agreement and to use up to \$70 billion in proceeds from such issuances to build capital; and imposes further limits on our business, including limits on our retained mortgage portfolio and indebtedness, secondary market activities, and single-family and multifamily loan acquisitions. With respect to capital, we are required to comply with the ERCF as reflected in FHFA's recent final capital rule, disregarding any subsequent amendment or other modifications to that rule. Treasury and Freddie Mac also commit to work to restructure Treasury's investment and dividend amount in a manner that facilitates our orderly exit from conservatorship, ensures Treasury is appropriately compensated, and permits us to raise third-party capital and make distributions as appropriate.

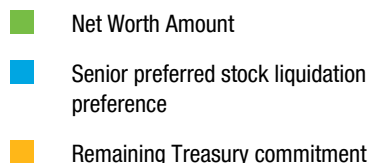
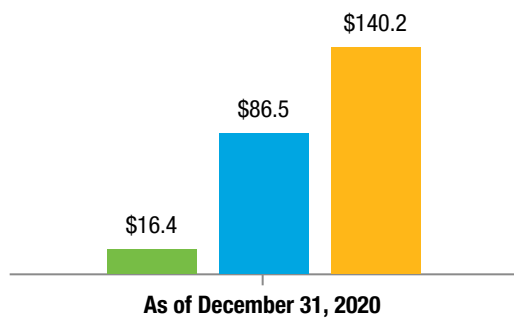
We continue to assess the effects of these new Purchase Agreement covenants on our business, and we are developing related business processes and controls, including with respect to monitoring and reporting.

See **MD&A - Regulation and Supervision** and **Note 2** for additional information on our Purchase Agreement with Treasury and the January 2021 Letter Agreement.

The graphs below show, as of December 31, 2020, our net worth, the liquidation preference of the senior preferred stock, the remaining amount of Treasury's funding commitment to us, the cumulative senior preferred stock dividends we have paid to Treasury, and the cumulative funds we have drawn from Treasury pursuant to its funding commitment.

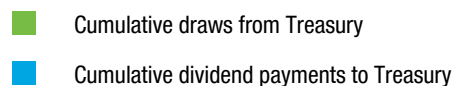
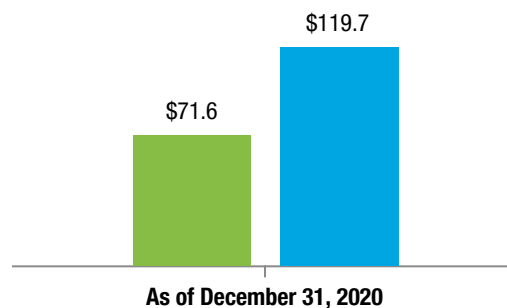
Net Worth Amount, Liquidation Preference, and Treasury Commitment

(In billions)



Dividend Payments and Draws

(In billions)



Pursuant to the Purchase Agreement and terms of the senior preferred stock, both as amended:

- Our Net Worth Amount was \$16.4 billion as of December 31, 2020, up from \$9.1 billion on December 31, 2019. As our Net Worth Amount as of December 31, 2020 was below the amount necessary to meet the capital requirements and buffers set forth in the ERCF, we will not have a dividend requirement to Treasury on the senior preferred stock for 4Q 2020, and we do not expect to have a dividend requirement on the senior preferred stock until we reach such capital levels.
- The liquidation preference of the senior preferred stock increased from \$84.1 billion on September 30, 2020 to \$86.5 billion on December 31, 2020 based on the \$2.4 billion increase in our Net Worth Amount during 3Q 2020, and will increase to \$89.1 billion on March 31, 2021 based on the \$2.5 billion increase in the Net Worth Amount during 4Q 2020.

At December 31, 2020, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. As of December 31, 2020, our aggregate funding received from Treasury under the Purchase Agreement was \$71.6 billion. The remaining Treasury commitment under the Purchase Agreement was \$140.2 billion at December 31, 2020, and will be reduced by any future draws.

For more information on the conservatorship and government support for our business, including our dividend requirements on and increases in the liquidation preference of the senior preferred stock, see **MD&A - Conservatorship and Related Matters, MD&A - Regulation and Supervision, and Note 2.**

OUR BUSINESS

Primary Business Strategies

Freddie Mac's overall strategic direction is established by management and affirmed by the Board through its approval of a strategic plan, which sets forth our primary business strategies and generally covers a three-year timeframe. FHFA, the Administration, or Congress could take actions that cause us to alter our strategic plan. FHFA, as Conservator, has influenced, and may in the future influence, our strategic direction, such as through our new initiatives, credit and pricing policies, and capital, liquidity, and risk appetite constraints.

Charter Mission

We are a GSE with a specific and limited corporate purpose (i.e., Charter Mission) to support the liquidity, stability, and affordability of the U.S. housing market as a participant in the secondary mortgage market, while operating as a commercial enterprise earning an appropriate return. Everything we do must be done within the constraints of our Charter Mission.

Our Strategic Goals

Our primary business strategies are currently focused on three strategic goals: exit conservatorship, create a world class operating platform, and become the leader in housing.

Exit Conservatorship

We seek to exit from conservatorship with an attractive, sustainable business model. We are focused on meeting or exceeding milestones set by FHFA and Treasury, including those relating to capital, remediation of deficiencies, and risk management, as well as our own internal metrics designed to facilitate our exit from conservatorship.

Create a World-Class Operating Platform

We seek to create and operate a modern, resilient, flexible, and efficient platform that allows us to better assess and manage risk, while also enabling us to best meet the needs and demands of our company, customers, business partners, and the market in a safe, sound, and efficient manner by focusing on activities such as:

- Enhancing our capability to effectively manage risk and capital through our underwriting, purchase, servicing, and credit risk distribution activities;
- Increasing the resiliency of our infrastructure and operations;
- Reducing costs for us and our customers in order to pass through savings to borrowers and renters; and
- Managing the risks and opportunities that arise from Environmental, Social, and Governance (ESG) issues in connection with executing our mission.

Become the Leader in Housing

We seek to emerge from conservatorship as the leader in housing by continuing to provide leadership through innovation and collaboration to enhance liquidity, stability, and affordability. We seek to help the housing industry better serve the needs of homebuyers and renters, particularly in the context of the current affordability challenges, including from fundamental problems related to housing supply. We intend to do so by identifying and implementing new ways to expand fair and responsible access to credit, including achieving the single-family and multifamily housing goals and Duty to Serve plan, and engaging in activities to support the UMBS.

Our Charter

Our Charter forms the framework for our business activities. Our Charter Mission is to:

- Provide stability in the secondary mortgage market for residential loans;
- Respond appropriately to the private capital market;
- Provide ongoing assistance to the secondary mortgage market for residential loans (including activities relating to loans for low- and moderate-income families, involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- Promote access to mortgage loan credit throughout the United States (including central cities, rural areas, and other underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Our Charter permits us to purchase first-lien single-family loans with LTV ratios at the time of our purchase of less than or equal to 80%. Our Charter also permits us to purchase first-lien single-family loans that do not meet this criterion if we have certain specified credit protections, which include mortgage insurance from a qualified insurer on the portion of the UPB of the loan that exceeds an 80% LTV ratio, a seller's agreement to repurchase or replace a defaulted loan, or the retention by the seller of at least a 10% participation interest in the loan.

This Charter requirement does not apply to multifamily loans or to loans that have the benefit of any guarantee, insurance, or other obligation by the United States or any of its agencies or instrumentalities (e.g., the FHA, VA, or USDA Rural Development). Additionally, as part of our Enhanced Relief RefinanceSM program, we purchase single-family refinanced loans we currently own or guarantee without obtaining additional credit enhancement in excess of that already in place for any such loan, even when the LTV ratio of the new loan is above 80%.

Our Charter does not permit us to originate loans or lend money directly to mortgage borrowers in the primary mortgage market. Our Charter limits our purchase of single-family loans to the conforming loan market, which consists of loans originated with UPBs at or below limits determined annually based on changes in FHFA's housing price index. In most of the United States, the maximum conforming loan limit for a one-family residence has been set at \$548,250 for 2021, an increase from \$510,400 for 2020, \$484,350 for 2019, \$453,100 for 2018, \$424,100 for 2017, and \$417,000 from 2006 to 2016. Higher limits have been established in certain "high-cost" areas (for 2021, up to \$822,375 for a one-family residence). Higher limits also apply to two- to four-family residences and to one- to four-family residences in Alaska, Guam, Hawaii, and the U.S. Virgin Islands.

Business Segments

We have three reportable segments: Single-family Guarantee, Multifamily, and Capital Markets. Certain activities that are not part of a reportable segment are included in the All Other category. For more information on our segments, see **MD&A - Our Business Segments** and **Note 17**.

Government Regulation and Supervision

Our business is subject to extensive regulation and supervision. The laws and regulations to which we are subject cover all key aspects of our business, and directly and indirectly affect our product offerings, pricing, competitive position and strategic plan, relationship with sellers and servicers, capital structure, cash needs and uses, borrowers' and others' privacy, and information security. As a result, such laws and regulations have a significant effect on key drivers of our results of operations, including, for example, our capital and liquidity, guarantee fees, product offerings, risk management, and costs of compliance. We could also incur fines or other financial penalties for failure to comply with all legal and regulatory requirements. Our business and results of operations may also be directly and adversely affected by future legislative, regulatory, or judicial actions. Such actions could affect us in a number of ways, including by imposing significant additional legal, compliance, and other costs on us and limiting our business activities. For example, recent changes to our capital requirements will affect our business and risk management strategies, including our risk appetite, our risk-adjusted returns, and the impact of our CRT transactions on our capital needs, and will increase the amount of capital we will be required to retain or raise to exit from conservatorship.

In addition, our conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. We are under the control of FHFA, as our Conservator, and are not managed to maximize stockholder returns. FHFA determines our strategic direction. We face a variety of different, and sometimes competing, business objectives and FHFA-mandated activities. FHFA has required us to make changes to our business that have adversely affected our financial results and could require us to make additional changes at any time. For example, FHFA may require us to undertake activities that reduce our profitability, expose us to additional credit, market, funding, operational, and other risks, or provide additional support for the mortgage market that serves our public mission, but adversely affects our financial results.

Further, we can be put into receivership at the discretion of the Director of FHFA at any time for a number of reasons set forth in the GSE Act.

FHFA is also Conservator of Fannie Mae, our primary competitor. FHFA's actions, as Conservator of both companies, could affect competition between us. It is also possible that FHFA could require us and Fannie Mae to take a uniform approach to certain activities, limiting innovation and competition and possibly putting us at a competitive disadvantage because of differences in our respective businesses. FHFA also could limit our ability to compete with new entrants and other institutions. For additional information on conservatorship and related risks, see **Introduction – About Freddie Mac – Conservatorship and Government Support for Our Business** and **Risk Factors – Conservatorship and Related Matters**.

Human Capital Management

Our people are integral to our company's success. It is our goal to sustain an inclusive culture with a highly engaged workforce focused on delivering on our corporate mission. We seek to be an employer of choice that attracts top talent through our commitment to inclusion and diversity, employee engagement, training, and other professional development opportunities. We also seek to implement appropriate compensation policies and practices within the constraints of our conservatorship status. We evaluate the success of our human capital management by measuring and monitoring the performance, development, and retention of our employees.

Employees

At January 31, 2021, we had 6,905 full-time and 34 part-time employees. Our headquarters are in McLean, Virginia, and the majority of our employees reside in the Washington D.C. metropolitan area.

Board of Directors and FHFA Oversight

We work collaboratively with the Compensation and Human Capital Committee (or CHC Committee) of the Board to support the oversight of compensation and benefits, inclusion and diversity, talent development, and strategies to strengthen our culture.

Although the CHC Committee plays a significant role in these matters, FHFA is actively involved in its role as our Conservator and as our regulator. For example, while we are in conservatorship, our directors serve on behalf of the Conservator and exercise their authority as provided by the Conservator. FHFA retains the authority not only to approve both the terms and amount of any compensation prior to payment to any of our executive officers, but also to modify any existing compensation arrangements. In addition, under the terms of the Purchase Agreement, FHFA is required to consult with Treasury on any increases in compensation or new compensation arrangements for our executive officers. FHFA requires us to submit to it proposed new compensation arrangements or increased amounts or benefits payable under existing compensation arrangements for executive officers. For more information, see **Directors, Corporate Governance, and Executive Officers – Board and Committee Information – Authority of the Board and Board Committees**.

Attracting, Developing, and Retaining Talent

We seek to be an employer of choice, but the competition for top talent is ever increasing, and our ability to compete could be limited as a result of our conservatorship, uncertainty about our future, and limitations on executive and employee compensation. For example, Congress by statute has limited the compensation of our CEO. In addition, FHFA has imposed limits on both executive and employee compensation, including limiting base salaries for all employees, and has required prior approval of certain compensation arrangements. These compensation restrictions could make it harder for us to attract and retain well-qualified leadership. For more information, see **Executive Compensation**. For the majority of employees, who are not subject to these restrictions, we seek to offer compensation that is competitive, fair, and equitable.

We also seek to promote the attraction, development, and retention of employees through comprehensive benefit and well-being programs, which have helped support our employees during the COVID-19 pandemic, and professional development opportunities to enhance workforce competencies and capabilities. We periodically survey our employees to better understand employee engagement and capture insights into our employees' needs and perspectives so that we can shape our workforce strategies accordingly.

We measure the success of our efforts through our workforce turnover. Our turnover was relatively low in 2020. In 4Q 2019, we offered a Voluntary Early Retirement Program (VERP) to Vice Presidents and non-officer employees meeting certain age and service requirements. On December 31, 2020, the VERP was completed, with over 600 employees accepting the VERP, with separation dates occurring throughout 2020. In addition, we have experienced leadership changes, including the hiring of a new CFO in June 2020 and the departure of our CEO in January 2021.

Inclusion and Diversity

We are committed to embedding inclusion and diversity in our business and culture. FHFA's Office of Minority and Women Inclusion has adopted regulations with respect to the promotion of diversity and inclusion and has provided us with guidance on areas of improvement. We have partnered with our CHC Committee to enhance our inclusion and diversity strategic plan.

We place a priority on attracting and recruiting a pipeline of diverse candidates while advancing a culture of inclusion where everyone at the company feels welcome and valued. We work with third party partners to help ensure diverse candidate slates for open positions. Our diversity efforts are reflected in the composition of our workforce, leadership, and Board. For example, we are a majority minority company, and women make up nearly half of our workforce and lead two of our three business lines. For additional information on Board composition, see **Directors, Corporate Governance, and Executive Officers – Directors – Director Criteria, Diversity, Qualifications, Experience, and Tenure**.

We have 10 business resource groups (BRGs) as well as division-specific teams that support employee engagement by providing learning and networking opportunities that foster an inclusive and diverse workforce. We have also expanded diversity through other programs, such as our neurodiversity hiring programs.

For more information on risks related to workforce attraction and retention, see **Risk Factors – Conservatorship and Related Matters and Risk Factors – COVID-19 Pandemic**.

Properties

Our principal offices consist of four office buildings we own in McLean, Virginia, comprising approximately 1.3 million square feet. 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.

Available Information

We file reports and other information with the SEC. In view of the Conservator's succession to all of the voting power of our stockholders, we have not prepared or provided proxy statements for the solicitation of proxies from stockholders since we entered into conservatorship, and do not expect to do so while we remain in conservatorship. Pursuant to SEC rules, our annual reports on Form 10-K contain certain information typically provided in an annual proxy statement.

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 are providing our website addresses and the website address of the SEC here and elsewhere in this Form 10-K solely for your information. Information appearing on our website or on the SEC's website is not incorporated into this Form 10-K.

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 debt 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 and mf.freddiemac.com/investors. From these addresses, 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, transaction volumes and details, redemption notices, Freddie Mac research, and material developments or other events that may be important to investors, in each case as applicable, on the websites for our business segments, which can be found at sf.freddiemac.com, mf.freddiemac.com, and www.freddiemac.com/capital-markets.

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

- Uncertainty regarding the duration and severity of the COVID-19 pandemic and the effects of the pandemic and actions taken in response thereto on the United States economy and housing market, which could, in turn, adversely affect our business in numerous ways, including, for example, by increasing our credit losses, impairing the value of our mortgage-backed securities, decreasing our liquidity and capital levels, and increasing our credit risk and operational risk;
- The actions the U.S. government (including FHFA, Treasury, and Congress) may take, restrict us from taking, or require us to take, including actions to support the housing markets (such as programs implemented in response to the COVID-19 pandemic or to implement the recommendations in FHFA's Conservatorship Scorecards and other objectives for us);
- The effect of the restrictions on our business due to the conservatorship and the Purchase Agreement;
- Changes in our Charter or in applicable legislative or regulatory requirements (including any legislation affecting the future status of our company);
- Changes to our capital requirements and potential effects of the ERCF on our business strategies;
- Changes in the fiscal and monetary policies of the Federal Reserve (including purchasing agency MBS and agency CMBS in amounts needed to support the market during the COVID-19 pandemic);
- Changes in tax laws;
- Changes in accounting policies, practices, or guidance, such as our adoption of CECL;
- Changes in economic and market conditions generally, and as a result of the COVID-19 pandemic, including changes in employment rates, interest rates, spreads, and house 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 single-family credit guarantee portfolio;
- The success of our strategy to transfer mortgage credit risk through STACR debt note, STACR Trust note, ACIS[®], K Certificate, SB Certificate, and other CRT transactions;
- Our ability to maintain adequate liquidity to fund our operations;
- Our ability to maintain the security and resiliency of our operational systems and infrastructure, including against cyberattacks;
- Our ability to effectively execute our business strategies, implement new initiatives, and improve efficiency;
- The adequacy of our risk management framework, including the adequacy of the CCF for measuring risk;
- Our ability to manage mortgage credit risk, including the effect of changes in underwriting and servicing practices;
- Our ability to limit or manage our economic exposure and GAAP earnings exposure to interest-rate volatility and spread volatility, including the availability of derivative financial instruments needed for interest-rate risk management purposes and our ability to apply hedge accounting;
- Our operational ability to issue new securities, make timely and correct payments on securities, and provide initial and ongoing disclosures;
- Our reliance on CSS and the CSP for the operation of the majority of our single-family securitization activities, our reduced influence over CSS Board decisions as a result of FHFA-required changes to the CSS LLC agreement in January 2020 and FHFA's subsequent appointment of three new CSS Board members, and any additional changes FHFA may require in our relationship with, or support of, CSS;
- Changes or errors in the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks;
- Changes in investor demand for our debt or mortgage-related securities;

- Our ability to maintain market acceptance of the UMBS, including our ability to continue to align the prepayment speeds of our and Fannie Mae's respective UMBS;
- Changes in the practices of loan originators, servicers, investors, and other participants in the secondary mortgage market;
- The discontinuance of, transition from, or replacement of LIBOR and the adverse consequences it could have on our business and operations;
- The occurrence of a major natural disaster or other catastrophic event 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-K, including in the **MD&A** section.

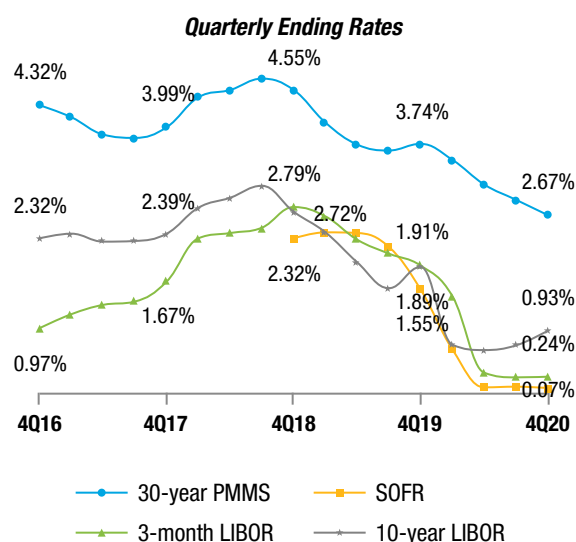
Forward-looking statements are made only as of the date of this Form 10-K, and we undertake no obligation to update any forward-looking statements we make to reflect events or circumstances occurring after the date of this Form 10-K.

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

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.

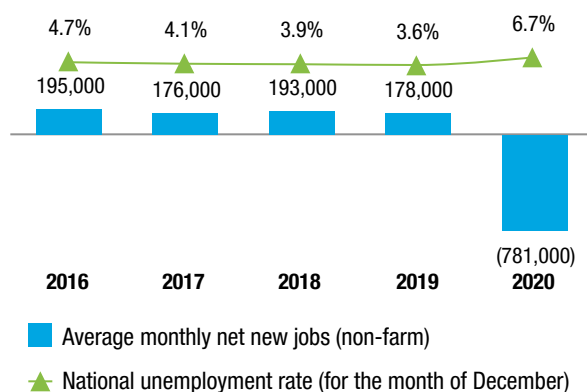
Interest Rates⁽¹⁾



- The 30-year Primary Mortgage Market Survey (PMMS) interest rate is indicative of what a consumer could expect to be offered on a first-lien prime conventional conforming home purchase mortgage with an LTV of 80%. Increases (decreases) in the PMMS rate typically result in decreases (increases) in refinancing activity and originations.
- Changes in the 10-year LIBOR interest rate and other benchmark rates can significantly affect the fair value of our financial instruments. We have elected hedge accounting for certain assets and liabilities in an effort to reduce GAAP earnings variability attributable to changes in benchmark interest rates.
- Changes in the 3-month LIBOR rate affect the interest earned on our short-term investments and interest expense on our short-term funding and derivatives.
- SOFR is a benchmark rate for secured overnight dollar denominated financing identified by certain banking regulators and market participants as a potential replacement for LIBOR.
- Interest rates declined significantly early in 2020 as a result of the COVID-19 pandemic and the associated government response, and ended the year at or near historical lows.

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

Unemployment Rate and Monthly Net New Jobs

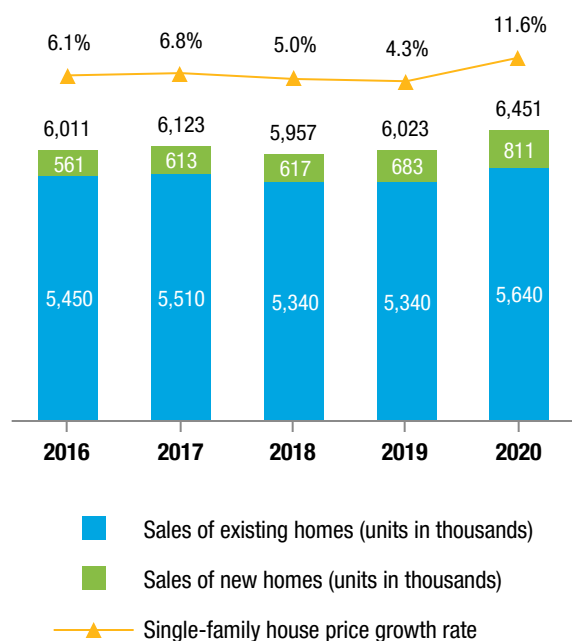


- Changes in the national unemployment rate can affect several market factors, including the demand for both single-family and multifamily housing and the level of loan delinquencies.
- In response to the COVID-19 pandemic, many state and local governments enacted measures designed to curb the spread of COVID-19 that severely curtailed economic activity and significantly increased unemployment levels. The labor market has recovered from the lows reached in April 2020 but continues to be weak. The availability of a COVID-19 vaccine and its widespread distribution may steer the economy towards recovery, but the timeline remains unknown.

Source: U.S. Bureau of Labor Statistics.

Single-Family Housing and Mortgage Market Conditions

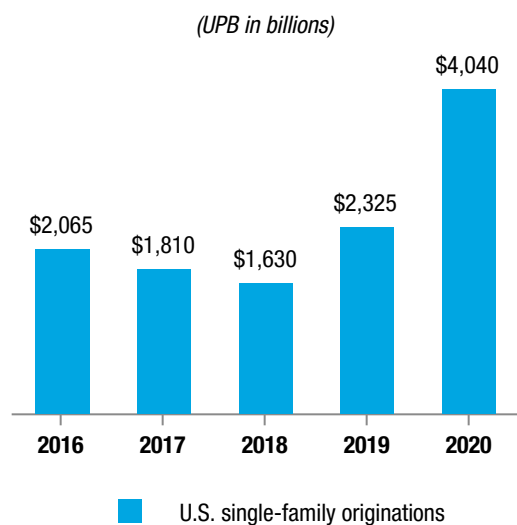
U.S. Single-Family Home Sales and House Prices



- Low interest rates and the ability for many to work remotely drove significant increases in home sales in 2020. In 2021, we expect U.S. single-family home purchase volume to remain strong due to low mortgage interest rates. Freddie Mac's single-family loan purchase volumes typically follow a similar trend.
- Changes in house prices affect the amount of equity that borrowers have in their homes. Borrowers with less equity typically have higher delinquency rates. As house 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 house prices grew 11.6% in 2020 compared to 4.3% during 2019. We expect house price growth to moderate in 2021.

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

U.S. Single-Family Mortgage Originations

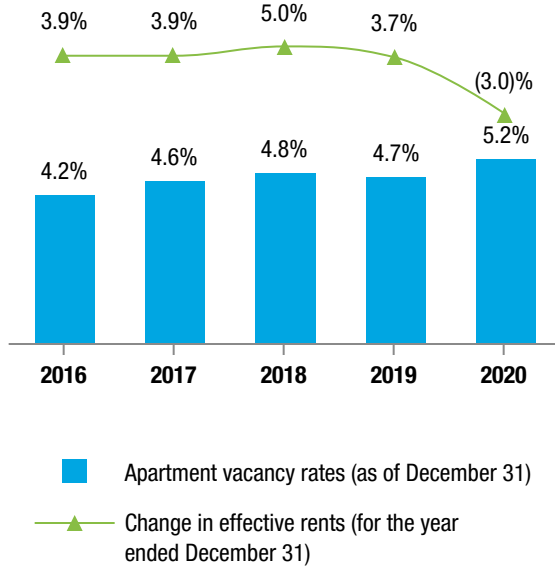


- U.S. single-family loan origination volumes increased in 2020 compared to 2019 as a result of the low average mortgage interest rates, higher home sales, and increasing house prices.

Source: Inside Mortgage Finance.

Multifamily Housing and Mortgage Market Conditions

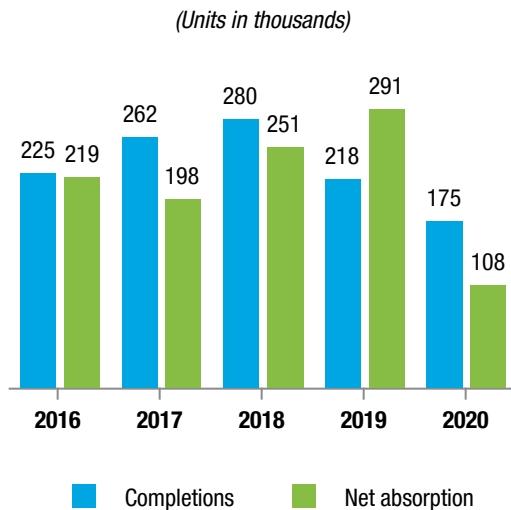
Apartment Vacancy Rates and Change in Effective Rents



- Completions in 2020 were at their lowest level over the past several years due to the COVID-19 pandemic slowing construction. While low absorption levels resulted in higher vacancy rates, these rates remain below the long-term average (between 2000 and 2020) of 5.4%. However, vacancy rates may continue to increase in the future as the COVID-19 relief programs, including federal stimulus packages, expire.
- Effective rent growth (i.e., the average rent paid by the renter over the term of the lease, adjusted for concessions by the landlord and costs borne by the renter) was negative at a national level and declined significantly in 2020 due to the COVID-19 pandemic, falling below the long-term average (between 2000 and 2020) of 2.8%.
- Despite lower effective rent growth and higher vacancy rates, multifamily property prices grew at an 8.3% annualized growth rate in 2020, as investors continue to believe there is a need for additional rental housing in the U.S. and the overall investment environment remains attractive given historically low interest rates.

Source: Reis.

Apartment Completions and Net Absorption

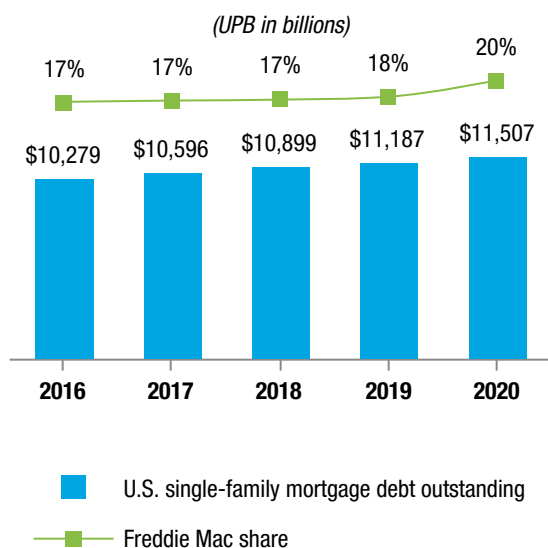


- Both supply and demand for rental housing will be affected over the next year or two due to the COVID-19 pandemic, which will flow through to multifamily fundamentals.
- Despite a slow down in completions due to COVID-19, the supply of multifamily units exceeded demand in 2020.
- Although we expect the increase in demand observed in late 2020 to continue into 2021, new completions are expected to be elevated and likely to outpace absorptions.

Source: Reis.

Mortgage Debt Outstanding

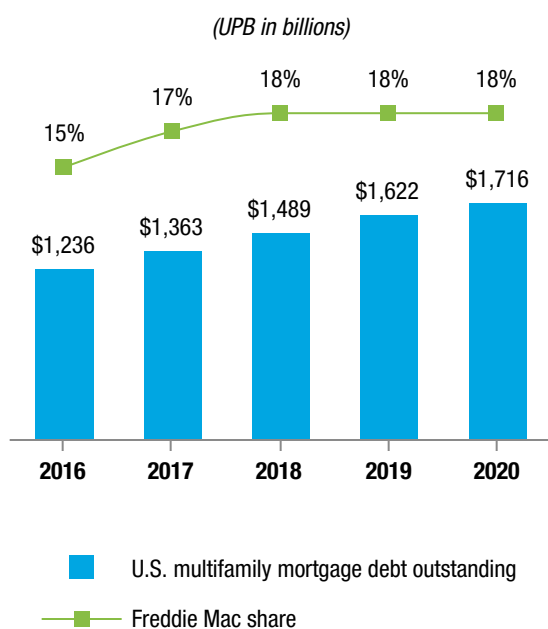
Single-Family Mortgage Debt Outstanding as of December 31,



- U.S. single-family mortgage debt outstanding increased in 2020 compared to 2019, primarily driven by house price appreciation. An increase in U.S. single-family mortgage debt outstanding typically results in growth of our single-family credit guarantee portfolio.

Source: Federal Reserve Financial Accounts of the United States of America. For 2020, the amount is as of September 30, 2020 (latest available information).

Multifamily Mortgage Debt Outstanding as of December 31,

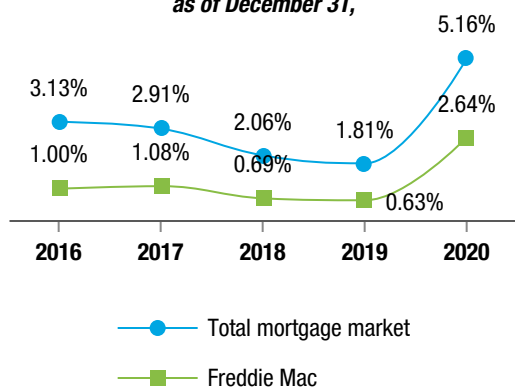


- Prior to March 2020, multifamily market fundamentals were driven by a healthy job market, population growth, high propensity to rent among young adults, and rising single-family house prices. Since then, the effects of the COVID-19 pandemic have slowed the economy significantly, impacting these market drivers.
- While the multifamily mortgage market grew, our share of total multifamily mortgage debt outstanding remained flat during 2020 due to ongoing competition from other market participants and the purchase limitations imposed by the multifamily loan purchase cap. The loan purchase cap was \$100.0 billion for the five-quarter period from 4Q 2019 through 4Q 2020 and applied to all multifamily business activity, with no exclusions. At least 37.5% of new multifamily business had to be mission-driven, affordable housing over the same five-quarter period.

Source: Federal Reserve Financial Accounts of the United States of America. For 2020, the amount is as of September 30, 2020 (latest available information).

Delinquency Rates

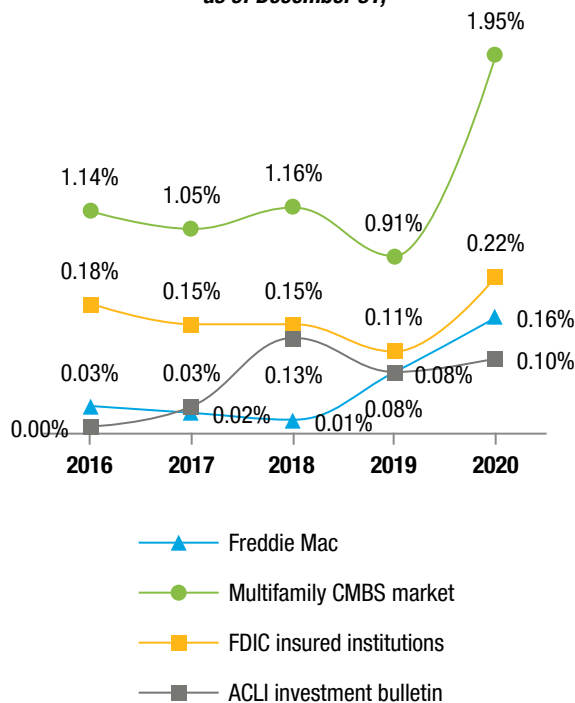
Single-Family Serious Delinquency Rates as of December 31,



Source: National Delinquency Survey from the Mortgage Bankers Association. For 2020, the total mortgage market rate is as of September 30, 2020 (latest available information).

- Our single-family serious delinquency rate is based on the number of loans in our single-family guarantee portfolio that are three monthly payments or more past due or in the process of foreclosure. We report single-family loans in forbearance as delinquent during the forbearance period to the extent that payments are past due based on the loans' original contractual terms, irrespective of the forbearance plan.
- Our single-family serious delinquency rate was higher as of December 31, 2020 compared to December 31, 2019, driven by loans in forbearance due to the COVID-19 pandemic. However, 55% of the seriously delinquent loans at December 31, 2020 were covered by credit enhancements that may partially reduce our credit risk exposure.
- We expect our single-family serious delinquency rate to remain elevated as a result of the COVID-19 pandemic and the forbearance programs we are offering in response.

Multifamily Delinquency Rates as of December 31,



Source: Freddie Mac, FDIC Quarterly Banking Profile, Intex Solutions, Inc., and Wells Fargo Securities (Multifamily CMBS market, excluding REOs), American Council of Life Insurers (ACLI). For 2020, the amounts for FDIC insured institutions and ACLI investment bulletin are as of September 30, 2020 (latest available information) and the amount for the Multifamily CMBS market is as of December 31, 2020.

- Our multifamily delinquency rate is based on the UPB of loans in our multifamily mortgage portfolio that are two monthly payments or more past due or in the process of foreclosure. We report multifamily loans in forbearance as current as long as the borrowers are in compliance with their forbearance agreement, including the agreed upon repayment plan. Loans in forbearance are therefore not included in our multifamily delinquency rate if the borrowers are in compliance with the forbearance agreement.
- Our multifamily delinquency rate was higher as of December 31, 2020 compared to December 31, 2019, due to the effects of the COVID-19 pandemic, but remains low compared to many other market participants. See **MD&A - Risk Management - Multifamily Mortgage Credit Risk** for additional information on our delinquency and forbearance rates.
- Multifamily delinquency rates could increase further in the near term due to the continuing effects of the COVID-19 pandemic. However, we currently do not expect to experience significant credit losses as a large portion of the credit risk exposure on our multifamily mortgage portfolio is reduced by first loss credit protection provided by subordination from our securitizations. See **MD&A - Risk Management - Multifamily Mortgage Credit Risk** for additional information on the subordination levels of our securitizations.

CONSOLIDATED RESULTS OF OPERATIONS

This discussion of our consolidated results of operations should be read in conjunction with our consolidated financial statements and accompanying notes.

On January 1, 2020, we adopted CECL, which changed our methodology for accounting for credit losses on financial assets measured at amortized cost, off-balance sheet credit exposures, and investments in debt securities classified as available-for-sale. See **Note 1** for additional information on our adoption of CECL. See **Note 4, Note 5, Note 6, Note 7, and Note 8** for additional information on the changes in our significant accounting policies as a result of our adoption of CECL.

We have three primary sources of revenue:

- **Net interest income** - Primarily consists of guarantee portfolio net interest income and investments portfolio net interest income. Guarantee portfolio net interest income primarily consists of the guarantee fee income from our single-family credit guarantee portfolio. We generally consolidate our single-family securitization trusts and, in that case, we record interest income on the loans held by the trust and interest expense on the debt securities issued by the trust. The difference between these amounts represents the guarantee fee income we receive as compensation for our guarantee of the principal and interest payments of the issued debt securities. Investments portfolio net interest income primarily consists of the difference between the interest income earned on the assets in our investments portfolio and the interest expense incurred on the liabilities used to fund those assets, including amortization of cost basis adjustments.
- **Guarantee fee income** - Primarily consists of the guarantee fee income from our multifamily guarantee portfolio. We generally do not consolidate our multifamily securitization trusts, and therefore, we do not recognize either the interest income on the loans held by the trust or the interest expense on the debt securities issued by the trust. Rather, we separately account for our guarantee to the trust and recognize the revenue from our guarantee as guarantee fee income.
- **Net investment gains** - Primarily consist of revenues from our multifamily loan purchase and securitization activities, sales of single-family delinquent and re-performing loans, and realized and unrealized gains (losses) on investment securities, net of gains and losses from our debt funding and interest-rate risk management activities. Net investment gains may fluctuate significantly from period-to-period based on the volume and nature of our investment, funding, and hedging activities and changes in market conditions, such as interest rates and market spreads.

We also earn revenue from fees that we charge to our single-family and multifamily sellers and servicers and other customers, which are recognized in other income.

We have two primary expense items:

- **Credit-related expenses** - Primarily consist of provision for credit losses, credit enhancement expense, benefit for credit enhancement recoveries, and REO operations expense. Upon our adoption of CECL, provision for credit losses primarily represents changes in expected credit losses on our single-family mortgage loans held-for-investment. The accounting for costs and recoveries from credit enhancements varies based on the nature of the contract. Credit enhancement expense and benefit for credit enhancement recoveries includes the costs we incur to transfer credit risk and the changes in expected recoveries, respectively, from credit enhancements that are accounted for as freestanding contracts, but does not include such amounts related to certain other types of credit enhancements that are not accounted for as freestanding contracts. See **MD&A - Our Business Segments - Single-Family Guarantee - Products and Activities, MD&A - Our Business Segments - Multifamily - Products and Activities**, and **Note 8** for additional information on our accounting for credit enhancements. REO operations expense represents expenses related to foreclosed properties.
- **Operating expenses** - Primarily consist of administrative expenses, the 10 basis point fee related to the Temporary Payroll Tax Cut Continuation Act of 2011, and other expenses we incur to run our business.

The table below compares our consolidated results of operations for the past three years. Certain amounts in prior periods have been reclassified to conform to the current presentation.

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

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
				2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Net interest income	\$12,771	\$11,848	\$12,021	\$923	8 %	(\$173)	(1)%
Guarantee fee income	1,442	1,089	866	353	32	223	26
Investment gains (losses), net	1,813	818	1,921	995	122	(1,103)	(57)
Other income (loss)	633	323	762	310	96	(439)	(58)
Net revenues	16,659	14,078	15,570	2,581	18	(1,492)	(10)
Benefit (provision) for credit losses	(1,452)	746	736	(2,198)	(295)	10	1
Credit enhancement expense	(1,058)	(749)	(409)	(309)	(41)	(340)	(83)
Benefit for (decrease in) credit enhancement recoveries	323	41	(8)	282	688	49	613
REO operations expense	(149)	(229)	(169)	80	35	(60)	(36)
Credit-related benefit (expense)	(2,336)	(191)	150	(2,145)	(1,123)	(341)	(227)
Administrative expense	(2,535)	(2,564)	(2,293)	29	1	(271)	(12)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(1,836)	(1,617)	(1,484)	(219)	(14)	(133)	(9)
Other expense	(723)	(657)	(469)	(66)	(10)	(188)	(40)
Operating expense	(5,094)	(4,838)	(4,246)	(256)	(5)	(592)	(14)
Income before income tax (expense) benefit	9,229	9,049	11,474	180	2	(2,425)	(21)
Income tax (expense) benefit	(1,903)	(1,835)	(2,239)	(68)	(4)	404	18
Net income (loss)	7,326	7,214	9,235	112	2	(2,021)	(22)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	205	573	(613)	(368)	(64)	1,186	193
Comprehensive income (loss)	\$7,531	\$7,787	\$8,622	(\$256)	(3)%	(\$835)	(10)%

See **Critical Accounting Policies and Estimates** for information concerning certain significant accounting policies and estimates applied in determining our reported results of operations and **Note 1** for information on our accounting policies and a summary of other significant accounting policies and the related notes in which information about them can be found.

Net Revenues

Net Interest Income

Net interest income consists of guarantee portfolio net interest income, investments portfolio net interest income, and income (expense) from hedge accounting.

- **Guarantee portfolio net interest income** is primarily generated by our single-family guarantee portfolio, as we generally consolidate our single-family securities trusts, and consists of three components:
 - Contractual net interest income, which is equal to the difference between the interest income on loans held by consolidated trusts and the interest expense on debt securities issued by consolidated trusts. This amount represents the ongoing contractual monthly guarantee fee we receive for managing the credit risk associated with mortgage loans held by consolidated trusts.
 - The legislated 10 basis point increase in guarantee fees that is remitted to Treasury as part of the Temporary Payroll Tax Cut Continuation Act of 2011.
 - Deferred fee income, which primarily consists of recognition of premiums and discounts on mortgage loans and debt securities of consolidated trusts and the fees that we receive or pay when we acquire single-family loans, which represent a portion of the guarantee fee compensation we receive for managing the credit risk associated with mortgage loans held by consolidated trusts. These amounts are recognized in net interest income based on the effective yield over the contractual life of the associated financial instrument and may vary significantly from period to period, primarily based on changes in actual prepayments on the underlying loans. Increases in actual prepayments result in a higher rate of amortization, while decreases in actual prepayments result in a lower rate of amortization. The timing of amortization of loans may differ from the timing of amortization of the securities backed by the loans, as the proceeds from the loans backing these securities are remitted to the security holders at a date subsequent to the date these proceeds are received by us.

- **Investments portfolio net interest income** consists of two components:
 - The difference between the interest income earned on the assets in our investments portfolio and the interest expense incurred on the liabilities used to fund those assets, including amortization of cost basis adjustments. These amounts are recognized in net interest income based on the effective yield over the contractual life of the associated financial instrument.
 - Interest expense related to CRT debt (STACR debt notes and SCR debt notes).
- **Income (expense) from hedge accounting** primarily consists of amortization of previously deferred hedge accounting basis adjustments and the earnings mismatch on qualifying fair value hedge relationships, which is equal to the difference between fair value changes for the hedging instrument, including the accrual of periodic cash settlements, and fair value changes for the hedged item attributable to the risk being hedged. See **Note 10** for additional detail on hedge accounting.

The table below presents the components of net interest income.

Table 2 - Components of Net Interest Income

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
				2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Guarantee portfolio net interest income:							
Contractual net interest income	\$5,014	\$3,767	\$3,457	\$1,247	33%	\$310	9%
Net interest income related to the Temporary Payroll Tax Cut Continuation Act of 2011	1,884	1,590	1,438	294	18	152	11
Deferred fee income	3,787	2,436	2,900	1,351	55	(464)	(16)
Total guarantee portfolio net interest income	10,685	7,793	7,795	2,892	37	(2)	—
Investments portfolio net interest income:							
Contractual net interest income and amortization	5,082	5,411	6,251	(329)	(6)	(840)	(13)
Interest expense related to CRT debt	(764)	(1,104)	(1,094)	340	31	(10)	(1)
Total investments portfolio net interest income	4,318	4,307	5,157	11	—	(850)	(16)
Income (expense) from hedge accounting	(2,232)	(252)	(931)	(1,980)	(786)	679	73
Net interest income	\$12,771	\$11,848	\$12,021	\$923	8%	(\$173)	(1%)

Key Drivers:

- **Guarantee portfolio contractual net interest income**
 - **2020 vs. 2019** - Increased primarily due to the continued growth in the single-family guarantee portfolio coupled with higher contractual guarantee fee rates.
 - **2019 vs. 2018** - Increased primarily due to the continued growth of the single-family guarantee portfolio.
- **Guarantee portfolio deferred fee income**
 - **2020 vs. 2019** - Increased primarily due to higher prepayments due to the low mortgage interest rate environment.
 - **2019 vs. 2018** - Decreased primarily due to the timing differences in amortization related to prepayments between debt of consolidated trusts and the underlying mortgage loans.
- **Investments portfolio contractual net interest income and amortization**
 - **2020 vs. 2019** - Decreased primarily due to a change in our investment mix as the lower-yielding other investments portfolio represented a larger percentage of our total investments portfolio, partially offset by lower funding costs.
 - **2019 vs. 2018** - Decreased primarily due to the lower and flatter interest rate environment, coupled with a change in our investment mix as the lower-yielding other investments portfolio represented a larger percentage of our total investments portfolio.
- **Interest expense related to CRT debt**
 - **2020 vs. 2019** - Decreased primarily due to lower short-term interest rates and a decline in volume as we no longer issue STACR debt notes on a regular basis.
 - **2019 vs. 2018** - Remained relatively flat as higher short-term interest rates were offset by a decline in volume as we no longer issue STACR debt notes on a regular basis.

■ Income (expense) from hedge accounting

- **2020 vs. 2019** - Expense increased primarily due to amortization of hedge accounting-related basis adjustments driven by higher prepayments, partially offset by higher income related to accruals of periodic cash settlements on derivatives in hedging relationships.
- **2019 vs. 2018** - Expense decreased 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 accounting-related basis adjustments.

Net Interest Yield Analysis

The table below presents an analysis of interest-earning assets and interest-bearing liabilities. To calculate the average balances, we generally use a daily weighted average of amortized cost. When daily average balance information is not available, such as for mortgage loans, we use monthly averages. Mortgage loans on non-accrual status, where interest income is generally recognized when collected, are included in the average balances.

Table 3 - Analysis of Net Interest Yield

(Dollars in millions)	Year Ended December 31,								
	2020			2019			2018		
	Average Balance	Interest Income (Expense)	Average Rate	Average Balance	Interest Income (Expense)	Average Rate	Average Balance	Interest Income (Expense)	Average Rate
Interest-earning assets:									
Cash and cash equivalents	\$24,428	\$30	0.12 %	\$8,925	\$187	2.10 %	\$7,189	\$67	0.93 %
Securities purchased under agreements to resell	94,350	354	0.38	56,465	1,284	2.27	45,360	880	1.94
Secured lending	4,752	85	1.79	2,933	104	3.55	1,350	35	2.58
Mortgage-related securities:									
Mortgage-related securities	109,794	4,645	4.23	132,735	5,761	4.34	143,424	6,026	4.20
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(68,005)	(2,377)	(3.50)	(85,407)	(3,524)	(4.13)	(88,757)	(3,437)	(3.87)
Total mortgage-related securities, net	41,789	2,268	5.43	47,328	2,237	4.73	54,667	2,589	4.74
Non-mortgage-related securities	30,053	313	1.04	22,776	500	2.19	18,955	446	2.35
Loans held by consolidated trusts ⁽¹⁾	2,057,249	56,225	2.73	1,882,802	64,927	3.45	1,799,122	61,883	3.44
Loans held by Freddie Mac ⁽¹⁾	92,538	3,065	3.31	86,973	3,656	4.20	98,005	4,154	4.24
Total interest-earning assets	2,345,159	62,340	2.66	2,108,202	72,895	3.46	2,024,648	70,054	3.46
Interest-bearing liabilities:									
Debt securities of consolidated trusts including those held by Freddie Mac	2,088,913	(48,658)	(2.33)	1,907,818	(57,504)	(3.01)	1,826,429	(54,966)	(3.01)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(68,005)	2,377	3.50	(85,407)	3,524	4.13	(88,757)	3,437	3.87
Total debt securities of consolidated trusts held by third parties	2,020,908	(46,281)	(2.29)	1,822,411	(53,980)	(2.96)	1,737,672	(51,529)	(2.97)
Debt of Freddie Mac:									
Short-term debt	75,668	(606)	(0.80)	85,492	(1,910)	(2.23)	62,893	(1,193)	(1.90)
Long-term debt	218,447	(2,682)	(1.23)	192,100	(5,157)	(2.68)	216,484	(5,311)	(2.45)
Total debt of Freddie Mac	294,115	(3,288)	(1.12)	277,592	(7,067)	(2.55)	279,377	(6,504)	(2.33)
Total interest-bearing liabilities	2,315,023	(49,569)	(2.14)	2,100,003	(61,047)	(2.91)	2,017,049	(58,033)	(2.88)
Impact of net non-interest-bearing funding	30,136	—	0.03	8,199	—	0.01	7,599	—	0.01
Total funding of interest-earning assets	2,345,159	(49,569)	(2.11)	2,108,202	(61,047)	(2.90)	2,024,648	(58,033)	(2.87)
Net interest income/yield		\$12,771	0.55 %		\$11,848	0.56 %		\$12,021	0.59 %

(1) Loan fees included in interest income were \$4.5 billion, \$3.2 billion, and \$2.6 billion for loans held by consolidated trusts and \$86 million, \$112 million, and \$104 million for loans held by Freddie Mac during 2020, 2019, and 2018, respectively.

Net Interest Income Rate / Volume Analysis

The table below presents a rate and volume analysis of our net interest income. Our net interest income reflects the reversal of interest income accrued, net of interest received on a cash basis, related to mortgage loans that are on non-accrual status.

Table 4 - Net Interest Income Rate / Volume Analysis

(Dollars in millions)	Variance Analysis					
	2020 vs. 2019			2019 vs. 2018		
	Rate	Volume	Total Change	Rate	Volume	Total Change
Interest-earning assets:						
Cash and cash equivalents	(\$249)	\$92	(\$157)	\$101	\$19	\$120
Securities purchased under agreements to resell	(1,450)	520	(930)	170	234	404
Secured lending	(66)	47	(19)	17	52	69
Mortgage-related securities	(142)	(974)	(1,116)	194	(459)	(265)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	492	655	1,147	(220)	133	(87)
Total mortgage-related securities, net	350	(319)	31	(26)	(326)	(352)
Non-mortgage-related securities	(314)	127	(187)	(31)	85	54
Loans held by consolidated trusts	(14,332)	5,630	(8,702)	159	2,885	3,044
Loans held by Freddie Mac	(813)	222	(591)	(34)	(464)	(498)
Total interest-earning assets	(16,874)	6,319	(10,555)	356	2,485	2,841
Interest-bearing liabilities:						
Debt securities of consolidated trusts including those held by Freddie Mac	13,939	(5,093)	8,846	(85)	(2,453)	(2,538)
Extinguishment of debt securities of consolidated trusts held by Freddie Mac	(492)	(655)	(1,147)	220	(133)	87
Total debt securities of consolidated trusts held by third parties	13,447	(5,748)	7,699	135	(2,586)	(2,451)
Debt of Freddie Mac:						
Short-term debt	1,105	199	1,304	(237)	(480)	(717)
Long-term debt	3,105	(630)	2,475	(476)	630	154
Total debt of Freddie Mac	4,210	(431)	3,779	(713)	150	(563)
Total interest-bearing liabilities	17,657	(6,179)	11,478	(578)	(2,436)	(3,014)
Net interest income	\$783	\$140	\$923	(\$222)	\$49	(\$173)

Guarantee Fee Income

Guarantee fee income relates primarily to multifamily securitizations, as we generally do not consolidate our multifamily securitization trusts. For additional details on our multifamily securitizations, see **MD&A - Our Business Segments - Multifamily - Products and Activities - Securitizations, Guarantees, and Risk Transfer Products**.

Guarantee fee income consists of the following:

- **Contractual guarantee fees** - Consists of the fees earned from guarantees issued to third parties and securitization trusts that we do not consolidate.
- **Guarantee obligation amortization** - Represents the amortization of our obligation to perform over the term of the guarantee as we are released from risk.
- **Guarantee asset fair value changes** - Represents the change in fair value of our right to receive contractual guarantee fees. Because our multifamily loans contain prepayment protection, declining interest rates generally result in a higher guarantee asset fair value, with the opposite effect occurring when interest rates increase.

The table below presents the components of guarantee fee income.

Table 5 - Components of Guarantee Fee Income

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
				2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Contractual guarantee fees	\$1,023	\$910	\$810	\$113	12 %	\$100	12 %
Guarantee obligation amortization	977	813	711	164	20	102	14
Guarantee asset fair value changes	(558)	(634)	(655)	76	12	21	3
Guarantee fee income	\$1,442	\$1,089	\$866	\$353	32 %	\$223	26 %

Key Drivers:

- **2020 vs. 2019 and 2019 vs. 2018** - Increased primarily driven by multifamily guarantee portfolio growth, coupled with lower fair value losses on our multifamily guarantee assets due to lower interest rates.

Investment Gains (Losses), Net

The table below presents the components of investment gains (losses), net. We use derivatives to economically hedge the interest-rate risk of our financial assets and liabilities. As a result, interest-rate-related fair value gains and losses that we recognize in mortgage loans gains (losses), investment securities gains (losses), and debt gains (losses) generally have offsetting impacts from the derivative instruments that we use to economically hedge interest-rate risk. We recognize these offsetting impacts from derivative instruments in derivative gains (losses).

Table 6 - Components of Investment Gains (Losses), Net

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
				2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Mortgage loans gains (losses)	\$5,372	\$4,744	\$746	\$628	13%	\$3,998	536%
Investment securities gains (losses)	778	389	(815)	389	100	1,204	148
Debt gains (losses)	701	201	720	500	249	(519)	(72)
Derivative gains (losses)	(5,038)	(4,516)	1,270	(522)	(12)	(5,786)	(456)
Investment gains (losses), net	\$1,813	\$818	\$1,921	\$995	122%	(\$1,103)	(57%)

Mortgage Loans Gains (Losses)

Mortgage loans gains (losses) are primarily generated by our multifamily loan purchase and securitization activities and sales of single-family delinquent and re-performing loans, and consist of the following:

- **Gains (losses) on certain multifamily loan purchase commitments** - Represents the change in fair value between the commitment date and settlement date for multifamily loan purchase commitments for which we have elected the fair value option.
- **Gains (losses) on mortgage loans** - Includes changes in fair value on held-for-sale loans, including loans for which we have elected the fair value option, as well as any gains and losses realized on the sales of these loans.

Mortgage loans gains (losses) are affected by a number of factors, including:

- Volume of held-for-sale single-family seasoned mortgage loans;
- Volume of held-for-sale multifamily loans measured at lower-of-cost-or-fair value;
- Volume of multifamily loan purchase commitments and mortgage loans for which we have elected the fair value option; and
- Changes in interest rates and market spreads.

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

Table 7 - Components of Mortgage Loans Gains (Losses)

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Single-family:							
Gains (losses) on mortgage loans	\$1,248	\$1,902	\$712	(\$654)	(34)%	\$1,190	167 %
Multifamily:							
Gains (losses) on certain loan purchase commitments	2,288	1,913	\$777	375	20	1,136	146
Gains (losses) on mortgage loans	1,836	929	(743)	907	98	1,672	225
Total Multifamily	4,124	2,842	34	1,282	45	2,808	8,259
Mortgage loans gains (losses)	\$5,372	\$4,744	\$746	\$628	13 %	\$3,998	536 %

Key Drivers:

- **2020 vs. 2019** - Single-family mortgage loans gains decreased primarily due to a lower volume of loan sales and higher losses from lower-of-cost-or-fair-value adjustments. For multifamily, higher initial pricing margins on new loan commitments, coupled with realized gains from the sale of a higher volume of loans measured at lower-of-cost-or-fair-value, resulted in higher gains.
- **2019 vs. 2018** - Single-family mortgage loans gains increased primarily due to a higher volume of loan sales. For multifamily, higher initial pricing margins on new loan commitments, coupled with spread-related fair value improvements, resulted in higher gains.

Investment Securities Gains (Losses)

Investment securities gains (losses) primarily consist of fair value gains and losses recognized on trading securities and realized gains and losses on the sale of available-for-sale securities.

Investment securities gains (losses) are affected by a number of factors, including changes in interest rates and market spreads and volume of sales of available-for-sale securities.

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

Table 8 - Components of Investment Securities Gains (Losses)

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Realized gains (losses) on sales of available-for-sale securities	\$393	\$170	\$324	\$223	131 %	(\$154)	(48)%
Realized and unrealized gains (losses) on trading securities	482	328	(1,007)	154	47	1,335	133
Other	(97)	(109)	(132)	12	11	23	17
Investment securities gains (losses)	\$778	\$389	(\$815)	\$389	100 %	\$1,204	148 %

Key Drivers:

- **2020 vs. 2019** - Increased primarily due to gains on sales of agency mortgage-related securities and higher gains on trading securities from the decline in long-term interest rates.
- **2019 vs. 2018** - Shifted to gains during 2019 primarily driven by higher gains on trading securities due to decreasing interest rates, partially offset by lower volume of sales at gains of non-agency mortgage-related securities.

Debt Gains (Losses)

Debt gains (losses) are primarily generated by investments in debt securities of consolidated trusts and active management of our debt funding costs and consist of the following:

- **Fair value changes** - Include the gains and losses on debt for which we have elected the fair value option, primarily certain STACR debt notes.
- **Gains (losses) on extinguishment of debt** - Represent the difference between the consideration paid and the debt carrying value when we purchase debt securities of consolidated trusts as investments in our mortgage-related investments portfolio and when we repurchase or call debt of Freddie Mac.

Debt gains (losses) are affected by a number of factors, including:

- Changes in the market spreads between debt yields and benchmark interest rates and
- Amount and type of debt selected for repurchase based on our investment and funding strategies, including our efforts to support the liquidity and price performance of our mortgage-related securities.

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

Table 9 - Components of Debt Gains (Losses)

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
				2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Fair value changes:							
Debt securities of consolidated trusts	\$4	(\$4)	\$5	\$8	200 %	(\$9)	(180)%
Debt of Freddie Mac	335	136	137	199	146	(1)	(1)
Total fair value changes	339	132	142	207	157	(10)	(7)
Gains (losses) on extinguishment of debt:							
Debt securities of consolidated trusts	124	(258)	564	382	148	(822)	(146)
Debt of Freddie Mac	238	327	14	(89)	(27)	313	2,236
Total gains (losses) on extinguishment of debt	362	69	578	293	425	(509)	(88)
Debt gains (losses)	\$701	\$201	\$720	\$500	249 %	(\$519)	(72)%

Key Drivers:

- **2020 vs. 2019** - Increased primarily due to higher gains on extinguishments of debt as a result of more selective debt repurchase activity, coupled with fair value gains on STACR debt notes for which we elected the fair value option as a result of spread widening caused by the significant market volatility related to the COVID-19 pandemic.
- **2019 vs. 2018** - Decreased primarily due to losses from the extinguishment of fixed-rate debt securities of consolidated trusts, as market interest rates declined between the time of issuance and repurchase, partially offset by an increase in gains on callable debt due to an increase in call volume.

Derivative Gains (Losses)

Derivative instruments are a key component of our interest-rate risk management strategy. We use derivatives to economically hedge our interest-rate risk exposure. We primarily use interest-rate swaps, futures, and option-based derivatives, such as swaptions, to manage our exposure to changes in interest-rates. We consider the cost of derivatives used in interest-rate risk management to be an inherent part of the cost of funding our mortgage-related investments portfolio.

In addition, we routinely enter into commitments to purchase and sell loans and mortgage-related securities. The majority of these commitments are accounted for as derivative instruments.

We continue to align our derivative portfolio to economically hedge the changing duration of our assets and liabilities. We manage our exposure to interest-rate risk on an economic basis to a low level as measured by our models. We believe the impact of derivatives on our GAAP financial results should be considered in the context of our overall interest-rate risk profile, including our PVS and duration gap results. For more information about our interest-rate risk management activities and the sensitivity of reported GAAP earnings to those activities, see **MD&A - Risk Management - Market Risk**.

Derivative gains (losses) consist of the following:

- **Fair value gains (losses)** - Represent changes in the fair value of our derivatives while not designated in hedging relationships based on market conditions at the end of the period or at the time the derivative instrument is terminated. These amounts may or may not be realized over time, depending on future changes in market conditions and the terms of our derivative instruments.
- **Accrual of periodic cash settlements on swaps** - Consists of the net amount we accrue during a period for interest-rate swap payments that we will make or receive for derivatives while not designated in hedging relationships. This accrual represents the ongoing cost of our hedging activities, and is economically equivalent to interest expense.

We apply fair value hedge accounting to certain single-family mortgage loans and long-term debt to reduce our GAAP earnings volatility. We include gains and losses and the accrual of periodic cash settlements on derivatives designated in qualifying hedge relationships in the same line used to present the earnings effect of the hedged item.

Derivative gains (losses) are affected by a number of factors, including:

- **Changes in interest rates** - Our primary derivative instruments are interest-rate swaps, including pay-fixed and receive-fixed interest-rate swaps. With a pay-fixed interest-rate swap, we pay a fixed rate of interest and receive a variable rate of interest based on a specified notional balance, which is used for calculation purposes only. As interest rates decline, we recognize derivative losses, as the amount of interest we pay remains fixed, and the amount of interest we receive declines. As rates rise, we recognize derivative gains, as the amount of interest we pay remains fixed, but the amount of interest we receive increases. With a receive-fixed interest-rate swap, the opposite results occur.
- **Implied volatility** - Many of our assets and liabilities have embedded prepayment options. We use option-based derivatives, including swaptions, to economically hedge the prepayment options embedded in our mortgage assets and callable debt. Fair value gains and losses on swaptions are sensitive to changes in both interest rates and implied volatility, which reflects the market's expectation of future changes in interest rates. Assuming all other factors are unchanged, including interest rates, purchased swaptions generally become more valuable as implied volatility increases and less valuable as implied volatility decreases, with the opposite being true for written swaptions.
- **Changes in the shape of the yield curve** - We own assets and have outstanding debt with cash flows at different tenors along the yield curve. We use derivatives to hedge the yield exposure of assets and debt, resulting in derivatives with different maturities. As a result, changes in the shape of the yield curve will affect our derivative gains (losses).
- **Changes in the composition of our derivative portfolio** - The mix and balance of our derivative portfolio changes from period to period as we enter into or terminate derivative instruments to respond to changes in interest rates and changes in the balances and modeled characteristics of our assets and liabilities. Changes in the composition of our derivative portfolio will affect the derivative gains and losses we recognize in a given period, thereby affecting the volatility of comprehensive income.

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

Table 10 - Components of Derivative Gains (Losses)

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
				2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	\$	%	\$	%
Fair value gains (losses):							
Interest-rate risk management derivatives	(\$1,826)	(\$3,843)	\$849	\$2,017	52 %	(\$4,692)	(553) %
Mortgage commitment derivatives	(1,856)	(452)	606	(1,404)	(311)	(1,058)	(175)
CRT-related derivatives	163	(1)	(38)	164	16,400	37	97
Other	57	52	(6)	5	10	58	967
Total fair value gains (losses)	(3,462)	(4,244)	1,411	782	18	(5,655)	(401)
Accrual of periodic cash settlements on swaps	(1,576)	(272)	(141)	(1,304)	(479)	(131)	(93)
Derivative gains (losses)	(\$5,038)	(\$4,516)	\$1,270	(\$522)	(12)%	(\$5,786)	(456)%

Key Drivers:

- **2020 vs. 2019** - Increase in derivative losses, primarily driven by losses on commitments to sell mortgage-related securities as prices increased due to spread tightening, partially offset by gains on commitments to purchase mortgage loans.
- **2019 vs. 2018** - Decreases in long-term rates during 2019 resulted in derivative fair value losses compared to derivative fair value gains during 2018. The interest rate decreases during 2019 resulted in fair value losses on our pay-fixed interest rate swaps, forward commitments to issue mortgage-related securities, and futures, partially offset by fair value gains on our receive-fixed swaps and certain of our option-based derivatives.

Credit-Related Expense

Benefit (Provision) for Credit Losses

Our benefit (provision) for credit losses relates primarily to single-family loans held-for-investment and can vary substantially from period to period based on a number of factors, such as changes in actual and forecasted house prices and interest rates, borrower prepayments and delinquency rates, events such as natural disasters or pandemics, the type and volume of our loss mitigation and foreclosure activity, government assistance provided to borrowers, and redesignation of loans between held-for-investment and held-for-sale. Our estimate of expected credit losses is particularly sensitive to changes in forecasted house price growth rates, which affect both the probability and severity of expected credit losses, and changes in forecasted interest rates, as lower (higher) interest rates typically result in higher (lower) expected prepayments and a shorter (longer) estimated loan life, and therefore lower (higher) expected credit losses. See **MD&A - Critical Accounting Policies and Estimates** for additional information.

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

Table 11 - Components of Benefit (Provision) for Credit Losses

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
				\$	%	\$	%
Benefit (provision) for credit losses:							
Single-family	(\$1,320)	\$749	\$712	(\$2,069)	(276)%	\$37	5 %
Multifamily	(132)	(3)	24	(129)	(4,300)	(27)	(113)
Benefit (provision) for credit losses	(\$1,452)	\$746	\$736	(\$2,198)	(295)%	\$10	1 %

■ Single-family

- **2020 vs. 2019** - Shifted to a provision primarily due to higher expected credit losses as a result of the COVID-19 pandemic. The higher expected credit losses during 2020 were primarily driven by the following factors:
 - **Expected credit losses related to COVID-19 relief programs** - Our provision for credit losses in 2020 required significant management judgment to estimate the impact of COVID-19-related forbearance and relief programs on our expected credit losses. These judgments included estimates of the number of loans that will receive forbearance, the likely exit paths for loans in forbearance, and the number of loans where forbearance will be unsuccessful and the borrower will ultimately default. These factors resulted in a significant increase in our provision for credit losses for 2020, with the majority of the increase occurring in 1Q 2020. We recognized additional provision for allowances for pre-foreclosure costs and accrued interest receivable related to loans in forbearance due to the COVID-19 pandemic. In total, we increased our provision for credit losses during 2020 by \$2.8 billion as a result of the COVID-19 pandemic.
 - **Portfolio growth** - With the adoption of CECL, we recognize expected credit losses over the entire contractual term of the loan at the time of loan acquisition, rather than when it is probable the loan is impaired. In 2020, our single family credit guarantee portfolio grew by \$332 billion, or 17%, contributing to the increase in provision for credit losses.
 - **Growth in realized and forecasted house prices and declines in forecasted interest rates** - During 2020, house price appreciation and significant declines in mortgage interest rates partially offset the increase in the provision for credit losses as a result of the COVID-19 pandemic and portfolio growth.
- **2019 vs. 2018** - Remained relatively flat due to the solid credit performance of our single-family portfolio.

■ Multifamily

- **2020 vs. 2019** - Increase in provision due to higher expected credit losses as a result of the COVID-19 pandemic.
- **2019 vs. 2018** - Remained relatively flat due to the stable credit performance of our multifamily portfolio.

The decline in economic activity caused by the COVID-19 pandemic, and the corresponding government response, is unprecedented, and as a result, our estimate of expected credit losses is subject to significant uncertainty. See **MD&A - Risk Management - Credit Risk** for additional information.

Credit Enhancement Expense

Credit enhancement expense primarily relates to certain single-family CRT transactions and includes the premiums paid to transfer credit risk to third parties and transaction and other costs incurred to enter into those transactions. Credit enhancement expense does not include costs associated with CRT-related debt, which are primarily recognized in interest expense, or the costs associated with CRT-related derivatives, which are recognized in investment gains (losses), net.

Key Drivers:

- **2020 vs. 2019 and 2019 vs. 2018** - Increased primarily due to higher outstanding cumulative volumes of CRT transactions.

See **MD&A - Our Business Segments - Single-Family Guarantee - Products and Activities**, **MD&A - Our Business Segments - Multifamily - Products and Activities**, and **Note 8** for additional information on our credit enhancements.

Benefit for (Decrease in) Credit Enhancement Recoveries

Benefit for (decrease in) credit enhancement recoveries primarily relates to certain single-family CRT transactions and represents changes in expected recoveries from those transactions. We recognize a benefit for (decrease in) recoveries from many of our CRT transactions at the same time that we recognize an allowance for credit losses on the covered loans, measured on the same basis as the allowance for credit losses on the covered loans.

Key Drivers:

- **2020 vs. 2019** - Increase in benefit for credit enhancement recoveries as a result of the corresponding increase in expected credit losses due to the COVID-19 pandemic.

Operating Expense

Key Drivers:

- **2020 vs. 2019** - Increased primarily due to higher Temporary Payroll Tax Cut Continuation Act of 2011 expense driven by an increase in single-family business activity in 2020.
- **2019 vs. 2018** - Increased primarily due to higher salaries and employee benefits driven by the VERP and higher technology costs in 2019.

Other Comprehensive Income (Loss)

Our investments in securities classified as available-for-sale are measured at fair value on our consolidated balance sheets. The fair value of these securities is primarily affected by changes in interest rates and market spreads. All unrealized gains and losses on these securities are excluded from earnings and reported in other comprehensive income until realized, unless we determine that a decline in fair value is the result of a credit loss. We reclassify our unrealized gains and losses from AOCI to earnings upon the sale of the securities.

Key Drivers:

- **2020 vs. 2019** - Decrease of \$0.4 billion primarily driven by recognition of realized gains due to sales of available-for-sale securities.
- **2019 vs. 2018** - Increase of \$1.2 billion primarily due to fair value gains as long-term interest rates declined, partially offset by fair value losses due to spread widening on our agency mortgage-related securities.

CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized consolidated balance sheets.

Beginning January 1, 2020, we elected to offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell when such amounts meet the conditions for balance sheet offsetting. Prior period amounts have been reclassified to conform to the current presentation. See **Note 1** and **Note 11** for additional information.

Table 12 - Summarized Consolidated Balance Sheets

(Dollars in millions)	December 31,		Year Over Year Change	
	2020	2019	\$	%
Assets:				
Cash and cash equivalents	\$23,889	\$5,189	\$18,700	360 %
Securities purchased under agreements to resell	105,003	56,271	48,732	87
Subtotal	128,892	61,460	67,432	110
Investment securities, at fair value	59,825	75,711	(15,886)	(21)
Mortgage loans, net	2,383,888	2,020,200	363,688	18
Accrued interest receivable, net	7,754	6,848	906	13
Derivative assets, net	1,205	844	361	43
Deferred tax assets, net	6,557	5,918	639	11
Other assets	39,294	22,799	16,495	72
Total assets	\$2,627,415	\$2,193,780	\$433,635	20 %
Liabilities and Equity:				
Liabilities:				
Accrued interest payable	\$6,210	\$6,559	(\$349)	(5)%
Debt	2,592,546	2,169,685	422,861	19
Derivative liabilities, net	954	372	582	156
Other liabilities	11,292	8,042	3,250	40
Total liabilities	2,611,002	2,184,658	426,344	20
Total equity	16,413	9,122	7,291	80
Total liabilities and equity	\$2,627,415	\$2,193,780	\$433,635	20 %

Key Drivers:

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

- **Cash and cash equivalents** and **securities purchased under agreements to resell** increased on a combined basis primarily due to higher loan prepayments and a higher cash window loan purchase forecast. In addition, our compliance with updated minimum liquidity requirements established by FHFA has increased the size of our other investments portfolio. For additional information on the minimum liquidity requirements, see **MD&A - Liquidity and Capital Resources**.
- **Investment securities, at fair value** decreased primarily due to sales of agency securities, which allowed us to maintain compliance with the mortgage-related investments portfolio cap imposed by the Purchase Agreement and FHFA while also supporting a higher volume of single-family cash window purchases.
- **Mortgage loans, net** increased primarily due to a 17% increase in our single-family credit guarantee portfolio.
- **Derivative assets, net and derivative liabilities, net** increased primarily due to significant changes in the fair value of forward commitments to sell mortgage loans and mortgage-related securities.
- **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 4Q 2020.
- **Debt** increased primarily due an increase in our debt securities of consolidated trusts held by third parties resulting from the increase in our single-family credit guarantee portfolio.
- **Total equity** increased primarily due to our ability to retain earnings as a result of the increase in the applicable Capital Reserve Amount pursuant to the September 2019 and January 2021 Letter Agreements.

OUR BUSINESS SEGMENTS

As shown in the table below, we have three reportable segments, which are based on the way we manage our business. Certain activities that are not part of a reportable segment are included in the All Other category.

Segment/Category	Description
Single-family Guarantee	Reflects results from our purchase, securitization, and guarantee of single-family loans and the management of single-family mortgage credit risk
Multifamily	Reflects results from our purchase, sale, securitization, and guarantee of multifamily loans and securities, our investments in those loans and securities, and the management of multifamily mortgage credit risk and market risk
Capital Markets	Reflects results from managing our mortgage-related investments portfolio (excluding Multifamily segment investments, single-family seriously delinquent loans, and the credit risk of single-family performing and reperforming loans), single-family securitization activities, and treasury function, which includes interest-rate risk management for the company
All Other	Consists of material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments

Segment Earnings

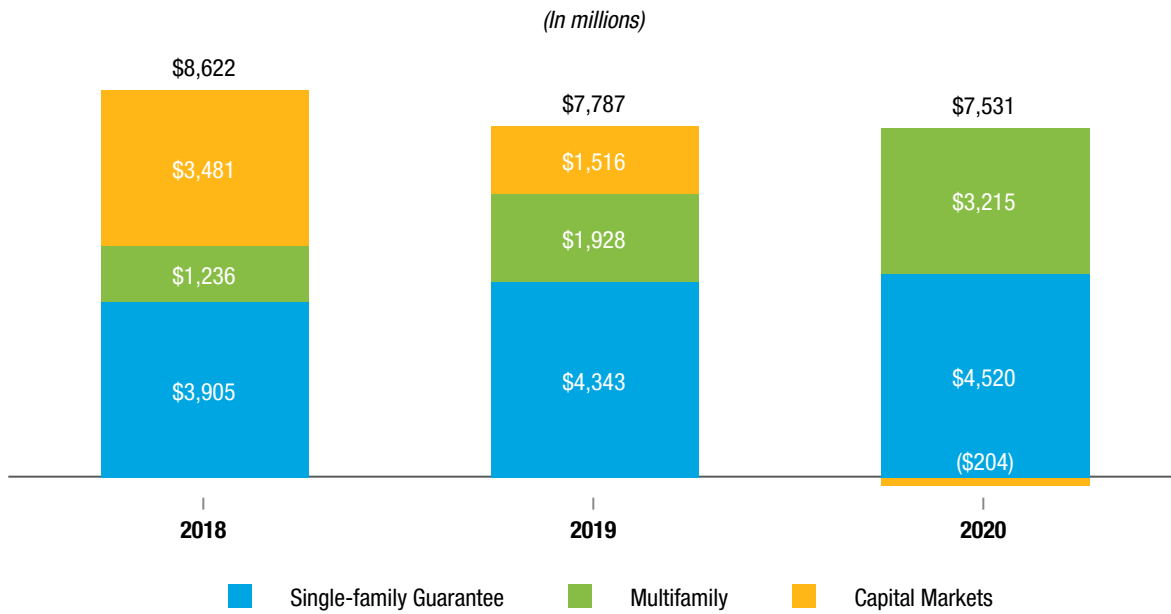
We evaluate segment performance and allocate resources based on a Segment Earnings approach:

- We make significant reclassifications among certain line items in our GAAP financial statements to reflect measures of guarantee fee income on guarantees, net interest income on investments, and benefit (provision) for credit losses on loans that are in line with how we manage our business.
- We allocate certain revenues and expenses, including certain returns on assets, funding and hedging costs, and all administrative expenses to our three reportable segments.
- The sum of Segment Earnings for each segment and the All Other category equals GAAP net income (loss). Likewise, the sum of comprehensive income (loss) for each segment and the All Other category equals GAAP comprehensive income (loss).

Segment Earnings differs significantly from, and should not be used as a substitute for, net income (loss) as determined in accordance with GAAP. Our definition of Segment Earnings may differ from similar measures used by other companies. We believe that Segment Earnings provides us with meaningful metrics to assess the financial performance of each segment and our company as a whole. See **Note 17** for additional details on Segment Earnings, including additional financial information for our segments.

Segment Comprehensive Income

The graph below shows our comprehensive income by segment.



Single-Family Guarantee

Business Overview

The Single-family Guarantee segment provides liquidity and support to the single-family market through a variety of activities that include the purchase, securitization, and guarantee of single-family loans originated by lenders.

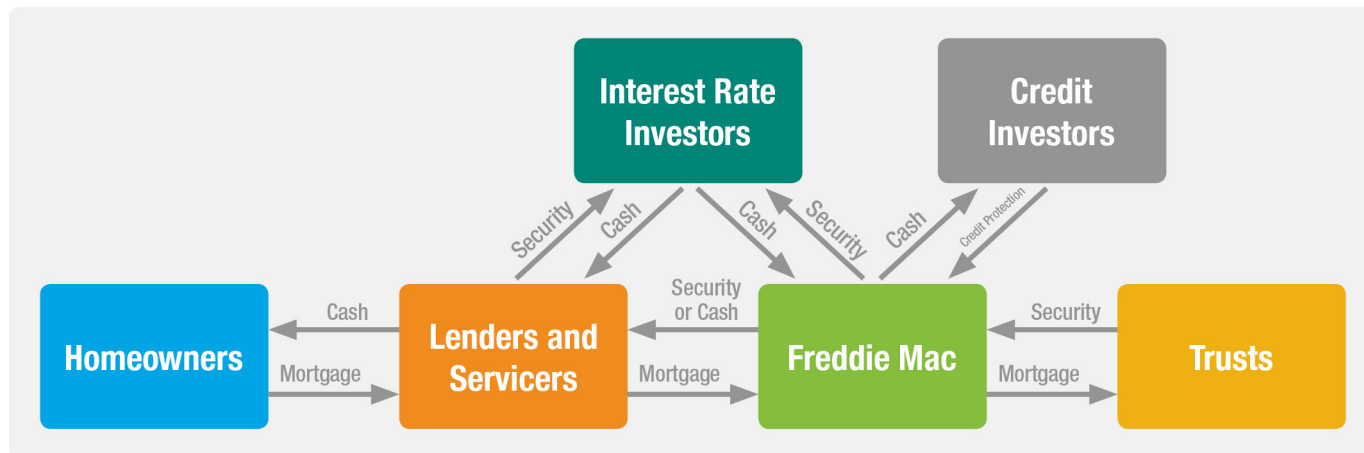
The U.S. residential mortgage market consists of a primary mortgage market that links homebuyers and lenders, and a secondary mortgage market that links lenders and investors. The size of the U.S. residential mortgage market is affected by many factors, including changes in interest rates, unemployment rates, homeownership rates, housing prices, the supply of housing, lender preferences regarding credit risk, and borrower preferences regarding mortgage debt.

In accordance with our Charter, we participate in the secondary mortgage market. The mix of loan products we purchase is affected by several factors, including the volume of loans meeting the requirements of our Charter, the volume meeting our risk appetite and originated according to our purchase standards, and the loan purchase and securitization activity of other financial institutions.

Our primary business model is to acquire loans that lenders originate and then pool those loans into mortgage-related securities that transfer interest-rate, prepayment, and liquidity risk to investors and can be sold in the capital markets. To reduce our exposure under our guarantees, we transfer credit risk on a portion of our single-family credit guarantee portfolio to the private market in certain instances. The returns we generate from these activities are primarily derived from the guarantee fees we receive in exchange for providing our guarantee of the principal and interest payments of the issued mortgage-related securities.

In order to issue mortgage-related securities, we establish trusts pursuant to our Master Trust Agreements and serve as the trustee of those trusts. The servicer administers the collection of the borrower's loan payment and remits the collected funds to us. We administer the distribution of payments to the investors in the mortgage-related securities, net of any applicable guarantee fees.

The diagram below illustrates our primary business model.



When a borrower prepays a loan that we have securitized, the outstanding balance of the security owned by investors is reduced by the amount of the prepayment. If the borrower becomes delinquent, we continue to make the applicable payments to the investors in the mortgage-related securities pursuant to our guarantee until we purchase the loan from the trust. We have the option to purchase specified loans, including certain delinquent loans, from the trust at a purchase price equal to the current UPB of the loan, less any outstanding advances of principal that have been previously distributed. At the instruction of FHFA, we generally have been purchasing loans from the trust if they are delinquent for 120 days, and we have the option to purchase sooner under certain circumstances (e.g., imminent default and seller breaches of representations and warranties). We must obtain FHFA's approval to implement changes to our policy to purchase loans from trusts. In response to the COVID-19 pandemic, FHFA has instructed us to maintain loans in payment forbearance plans (including COVID-19 payment forbearance plans) in mortgage-related security pools for at least the duration of the forbearance plan. Once the forbearance period expires, the loans will remain in the related securities pool while they are in certain loan workout programs or offers to enter into these programs remain outstanding. Beginning on January 1, 2021, at the instruction of FHFA and in alignment with Fannie Mae, we extended the trigger to purchase delinquent single-family loans from the trust to 24 months of delinquency, except for loans that meet certain criteria (e.g., permanently modified or foreclosure referral), which may be purchased sooner. We work with delinquent borrowers through our servicers to mitigate our losses through our loan workout programs. If we are unable to achieve a successful loan workout, we will pursue foreclosure of the underlying property, which will result in a third-

party sale or our acquisition of the property as REO. For additional details, see **MD&A - Risk Management**. The purchase and sale of delinquent loans are done in conjunction with the Capital Markets segment.

Guarantee Fees

We enter into loan purchase agreements with many of our single-family customers that outline the terms under which we agree to purchase loans from them over a period of time. For most of the loans we purchase, the guarantee fees are not specified contractually. Instead, we bid for some or all of the lender's loan volume on a monthly basis at a guarantee fee that we specify. As a result, our loan purchase volumes from individual customers can fluctuate significantly.

We seek to issue guarantees with fee terms that are commensurate with the aggregate risks assumed and that will, over the long-term, provide guarantee fee income that exceeds the credit-related and administrative expenses on the underlying loans and also provide a return on the capital that would be needed to support the related credit risk. The guarantee fees charged on new acquisitions generally consist of:

- A contractual monthly fee paid as a percentage of the UPB of the underlying loan, including the legislated 10 basis point increase in guarantee fees under the Temporary Payroll Tax Cut Continuation Act of 2011 and
- Fees we receive or pay when we acquire a loan, which include delivery fees and buy-up and buy-down fees. Delivery fees are calculated based on credit risk factors such as the loan product type, loan purpose, LTV ratio, and credit score, and are charged to compensate us for higher levels of risk in some loan products. Buy-up and buy-down fees are payments made or received to buy up or buy down, respectively, the monthly contractual guarantee fee and are paid in conjunction with the formation of a security to provide for a uniform coupon rate for the mortgage pool underlying the security. Buy-up fees are allocated to the Capital Markets segment.

We must obtain FHFA's approval to implement across-the-board changes to our risk-based guarantee fees. In addition, from time to time, FHFA issues directives or guidance to us affecting the levels of guarantee fees that we may charge.

Products and Activities

Securitization and Guarantee Products

We offer various types of guarantee and securitization products, primarily Level 1 Securitization Products and Resecuritization Products. In these securitization products, Freddie Mac functions in several capacities: depositor, guarantor, administrator, and trustee. We retain the credit risk and transfer the interest-rate, prepayment, and liquidity risks to the investors. While the Single-family Guarantee segment is responsible for the guarantee of our securities, the Capital Markets segment manages the securitization and resecuritization processes.

Level 1 Securitization Products

We offer a variety of Level 1 Securitization Products to our customers. Our Level 1 Securitization Products are pass-through securities that represent undivided beneficial interests in trusts that hold pools of loans. For our fixed-rate Level 1 Securitization Products, we guarantee the timely payment of principal and interest. For our ARM PCs, we guarantee the timely payment of the weighted average coupon interest rate for the underlying loans. We also guarantee the full and final payment of principal, but not the timely payment of principal, on ARM PCs. In exchange for our guarantee, we receive fees as described in the **Guarantee Fees** section above.

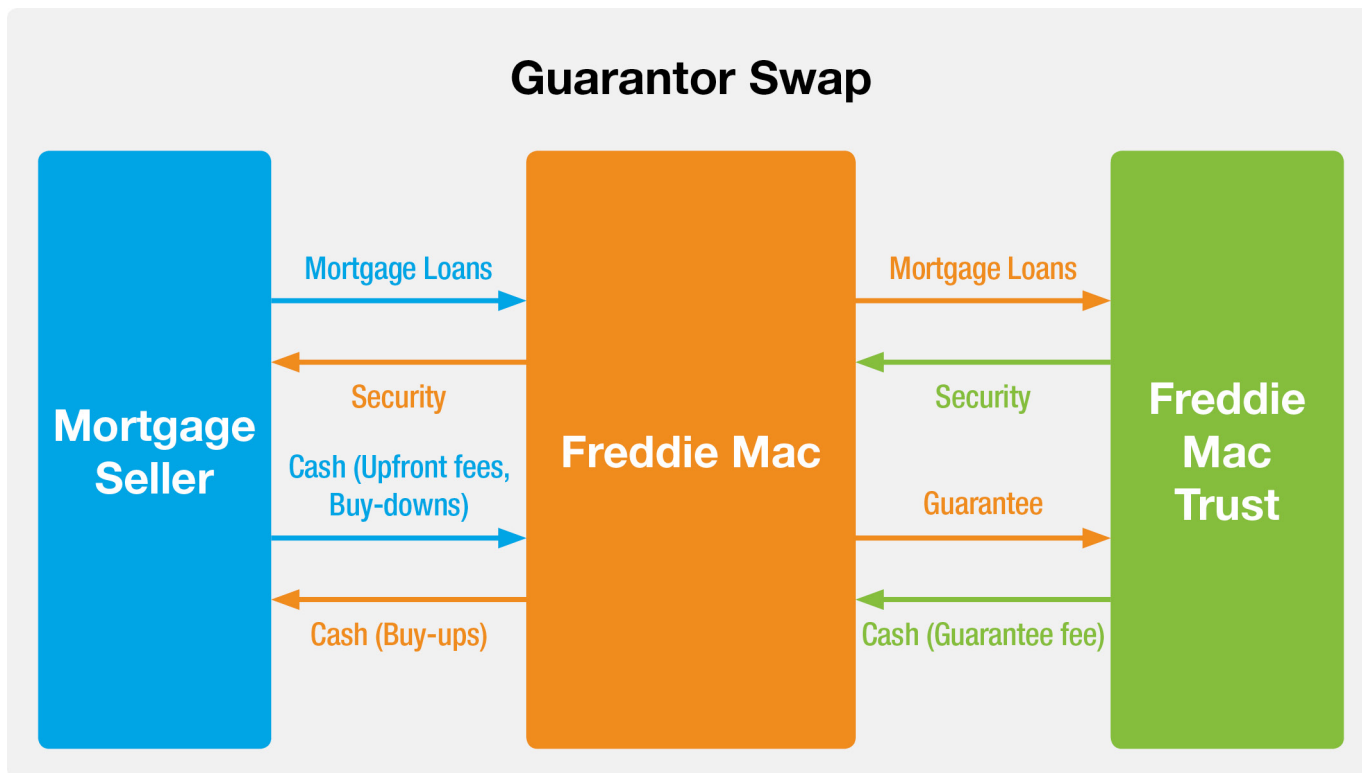
We issue the following types of Level 1 Securitization Products:

- **UMBS** - Single-class pass-through securities issued through the CSP with a 55-day payment delay for TBA-eligible fixed-rate mortgage loans.
- **55-day MBS** - Single-class pass-through securities issued through the CSP with a 55-day payment delay for non-TBA-eligible fixed-rate mortgage loans.
- **ARM PCs** - Single-class pass-through securities with a 75-day payment delay for ARM products. We do not issue these products through the CSP.

In prior years, we also issued Gold PCs, which were single-class pass-through securities with a 45-day payment delay for fixed-rate mortgage loans. We discontinued the offerings of Gold PCs in 2019. Existing Gold PCs that are not entirely resecuritized are eligible for exchange into UMBS (for TBA-eligible securities) or 55-day MBS (for non-TBA-eligible securities).

All Level 1 Securitization Products are backed only by mortgage loans that we have acquired. We offer (or previously offered) all of the above products through both guarantor swap and cash window programs.

In a guarantor swap execution, we offer transactions in which our customers, primarily large mortgage banking companies and commercial banks, provide us with loans in exchange for a security backed by those same loans, as shown in the diagram below:



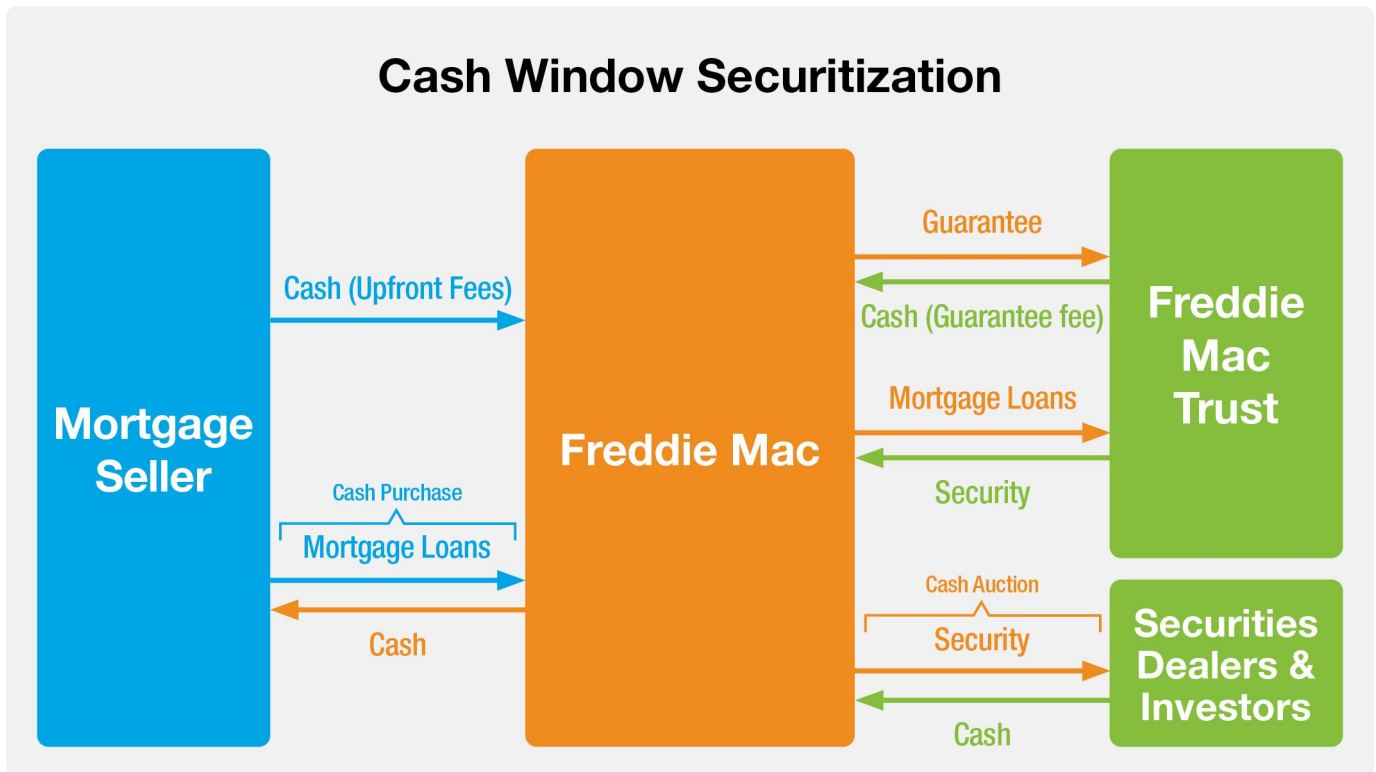
In a cash window execution, we purchase mortgage loans from our customers in exchange for cash consideration. Subsequent to purchasing the loans, we typically securitize them for retention in our mortgage-related investments portfolio or for sale to third parties. For the period of time between loan purchase and securitization, we refer to the loan as being in our securitization pipeline. The purchase of loans and sale of securities are managed by the Capital Markets segment.

The January 2021 Letter Agreement requires us to purchase loans for cash consideration; operate this cash window with non-discriminatory pricing; and comply with directives, regulations, restrictions, or other requirements prescribed by FHFA related to equitable secondary market access by community lenders. In addition, beginning on January 1, 2022, we will be required to limit the volume purchased through the cash window to \$1.5 billion per lender during any period comprising four calendar quarters. The primary impacts of this requirement will likely be:

- An increase in our counterparty risk as the volume restriction may operationally impact our customers by requiring them to seek additional sources of funding;
- A reduction in our ability to align prepayment profiles and securitization practices with Fannie Mae; and
- A reduction in our cash window loan purchase volume, which may reduce our aggregate single-family loan purchase volume and negatively affect our financial position and results of operations.

There may be additional FHFA guidance in the future that provides additional restrictions not included in the January 2021 Letter Agreement. For additional information about the January 2021 Letter Agreement, see **MD&A - Conservatorship and Related Matters**.

The diagram below illustrates a cash window execution.



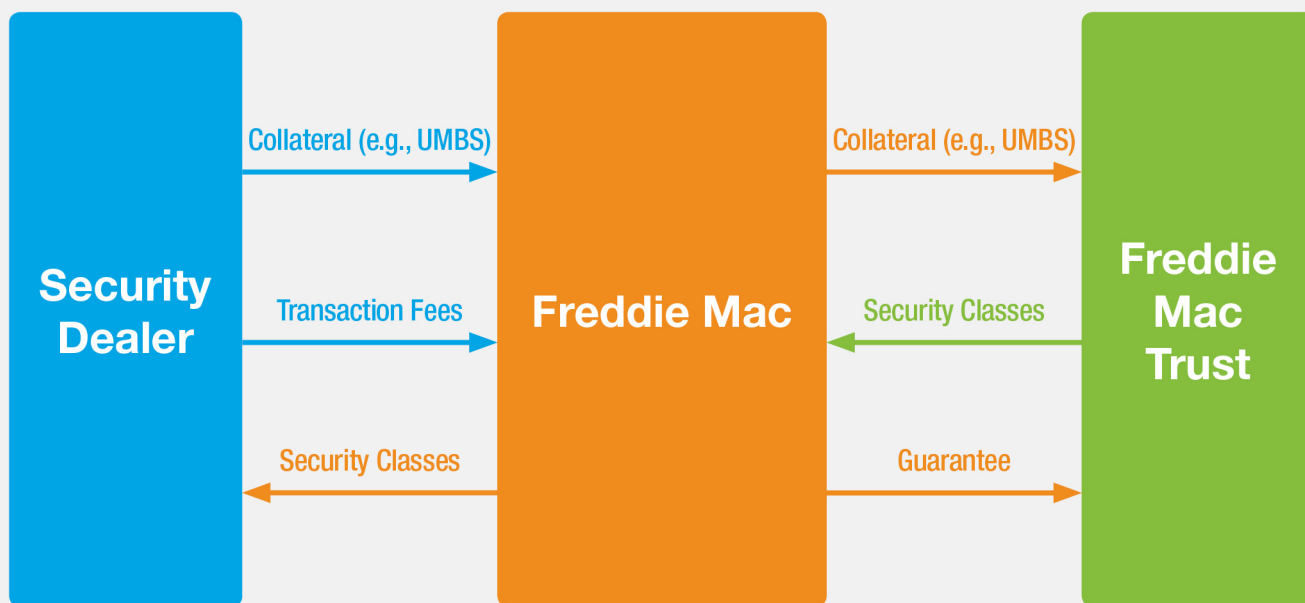
Resecuritization Products

We offer resecuritization products to our customers. Our resecuritization products represent beneficial interests in pools of Level 1 Securitization Products and certain other types of mortgage assets. We create these securities by using Level 1 Securitization Products or our previously issued resecuritization products as the underlying collateral. We leverage the issuance of these securities to expand the range of investors in our mortgage-related securities to include those seeking specific security attributes. Similar to our Level 1 Securitization Products, we guarantee the payment of principal and interest to the investors in our resecuritization products. We do not charge a guarantee fee for these securities if the underlying collateral is already guaranteed by us since no additional credit risk is introduced, although we typically receive a transaction fee as compensation for creating the security and future administrative responsibilities.

We have the ability to commingle TBA-eligible Fannie Mae collateral in certain of our resecuritization products. When we resecuritize Fannie Mae securities, which are separately guaranteed by Fannie Mae, in our commingled resecuritization products, our guarantee covers timely payment of principal and interest on such products from underlying Fannie Mae securities. If Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, we would be responsible for making the payment. We do not currently charge an incremental guarantee fee to commingle Fannie Mae collateral in resecuritization transactions, although we may do so in the future. However, we are required to hold incremental capital for our guarantees of Fannie Mae securities under the ERCF.

All of the cash flows from the collateral underlying our resecuritization products are generally passed through to investors in these securities. We do not issue resecuritization products that have concentrations of credit risk beyond those embedded in the underlying assets. In many of our resecuritization transactions, securities dealers or investors deliver mortgage assets in exchange for the resecuritization product. In certain cases, we may also transfer our own mortgage assets in exchange for the resecuritization product. The resecuritization activities are managed by the Capital Markets segment. The following diagram provides a general example of how we create resecuritization products.

Resecuritization Products



We offer the following types of resecuritization products:

- **Single-class resecuritization products** - Involve the direct pass through of all cash flows of the underlying collateral to the beneficial interest holders and include:
 - **Supers** - Resecuritizations of UMBS and certain other mortgage securities. This structure allows commingling of Freddie Mac and Fannie Mae collateral, where newly issued or exchanged UMBS and Supers issued by us or Fannie Mae may be commingled to back Supers issued by us. Fannie Mae also issues Supers. Supers can be backed by:
 - UMBS and/or other Supers issued by us or Fannie Mae;
 - Existing TBA-eligible Fannie Mae "MBS" and/or "Megas"; and/or
 - UMBS and Supers that we have issued in exchange for TBA-eligible PCs and Giant PCs that have been delivered to us in response to our exchange offer.
 - **Giant MBS** - Resecuritizations of:
 - Newly issued 55-day MBS and/or Giant MBS; and/or
 - 55-day MBS and/or Giant MBS that we have issued in exchange for non-TBA-eligible PCs and non-TBA-eligible Giant PCs that have been delivered to us in response to our exchange offer.
 - **Giant PCs** - Resecuritizations of previously issued PCs or Giant PCs. Although we no longer issue Gold PCs, existing Gold PCs may continue to be resecuritized into Giant PCs. In addition, ARM PCs may continue to be resecuritized into ARM Giant PCs. Fixed-rate Giant PCs are eligible for exchange into Supers (for TBA-eligible securities) or Giant MBS (for non-TBA-eligible securities).
- **Multiclass resecuritization products**
 - **REMICs** - Resecuritizations of previously issued mortgage securities that divide all cash flows of the underlying collateral into two or more classes of varying maturities, payment priorities, and coupons. This structure allows commingling of TBA-eligible Freddie Mac and Fannie Mae collateral.
 - **Strips** - Resecuritizations of previously issued Level 1 Securitization Products or single-class resecuritization products and issuance of stripped securities, including principal-only and interest-only securities or floating rate and inverse floating rate securities, backed by the cash flows from the underlying collateral. This structure allows commingling of TBA-eligible Freddie Mac and Fannie Mae collateral.

Other Securitization Products

- **Senior subordinate securitization structures backed by recently originated loans (consolidated)** - In prior years, we created senior subordinate securitization structures in which we issued guaranteed senior securities and unguaranteed subordinated securities backed by recently originated single-family loans. The unguaranteed subordinated securities absorb first losses on the related loans and the loans are serviced in accordance with our Guide. We discontinued regular offerings of these transactions in 2019.

- **Other securitization products** - Guaranteed mortgage-related securities collateralized by non-Freddie Mac mortgage-related securities. However, we have not entered into these types of transactions as part of our Single-family Guarantee business in several years.

We also securitize certain seasoned loans using senior subordinate securitization structures. See the **Sales and Securitization of Certain Seasoned Loans** section below for additional information.

Long-Term Standby Commitments

We also offer a guarantee on mortgage assets held by third parties, in exchange for guarantee fees, without securitizing those assets. These long-term standby commitments obligate us to purchase seriously delinquent loans that are covered by those commitments. From time to time, we have consented to the termination of our long-term standby commitments and simultaneously entered into guarantor swap transactions with the same counterparty, issuing securities backed by many of the same loans.

CSP

We continue to work with FHFA, Fannie Mae, and CSS to support the CSP and the UMBS market. We use the CSP for many of the securities administration activities for our Level 1 Securitization Products and resecuritization products. We and Fannie Mae issue a single (common) security called the UMBS through CSP. The UMBS market is designed to enhance the overall liquidity of TBA-eligible Freddie Mac and Fannie Mae securities by supporting their fungibility without regard to which company is the issuer. SIFMA permits UMBS TBA contracts to be settled by delivery of UMBS issued by either Freddie Mac or Fannie Mae under its good-delivery guidelines. In addition, we and Fannie Mae are also able to commingle Freddie Mac and Fannie Mae UMBS and other TBA-eligible mortgage securities in certain resecuritization transactions. We have both operational risk and counterparty risk exposure to Fannie Mae as a result of commingling securities and operational risk exposure to CSS through our use of the CSP for securities administration. For additional information, see **MD&A - Risk Management - Counterparty Credit Risk** and **MD&A - Risk Management - Operational Risk**.

We no longer issue securities with a 45-day payment delay. As a result, we are offering an optional exchange program for security holders to exchange certain existing fixed-rate Gold PCs and Giant PCs for corresponding UMBS and other applicable 55-day payment delay Freddie Mac mortgage securities. As part of this program, we make a one-time payment to exchanging security holders for the value of the 10 additional days of payment delay, based on "float compensation" rates we calculate. We do not expect the return from this additional float to fully offset our payments to the security holders. During 2020, we exchanged \$122.4 billion in UPB of 45-day payment delay securities, including securities owned by Freddie Mac, for 55-day payment delay securities, and paid \$46 million in float compensation in connection with these exchanges.

The primary impacts to Segment Earnings are:

- Guarantee fee income earned on our guarantee of principal and interest payments on our mortgage-related securities and
- Benefit (provision) for credit losses, which is affected by changes in estimated probabilities of default and estimated loss severities, the actual level of loan defaults, the effect of loss mitigation efforts, and payment performance of our mortgage portfolio.

CRT Transactions

To reduce our credit risk exposure, we engage in various types of credit enhancements, including CRT transactions and other credit enhancements. We define CRT transactions as those arrangements where we actively transfer the credit risk exposure on mortgages that we own or guarantee. We define other credit enhancements as those arrangements, such as traditional primary mortgage insurance, where we do not actively take part in the transfer of the credit risk exposure. Our CRT transactions are designed to reduce the amount of required capital related to credit risk, to transfer portions of credit losses on groups of previously acquired loans to third-party investors, and to reduce the risk of future losses to us and taxpayers if borrowers go into default. The costs we incur in exchange for this credit protection effectively reduce our guarantee fee income from the associated mortgages.

Each CRT transaction is designed to transfer a certain portion of the credit risk that we assume for loans with certain targeted characteristics. Risk positions may be transferred to third-party investors through one or more CRT transactions. The risk transfer could occur prior to, or simultaneously with, our purchase of the loan (i.e., front-end coverage) or after the purchase of the loan (i.e., back-end coverage). As CRT has become part of our normal business activities, we have established the following programs to regularly transfer portions of credit risk to diversified investors:

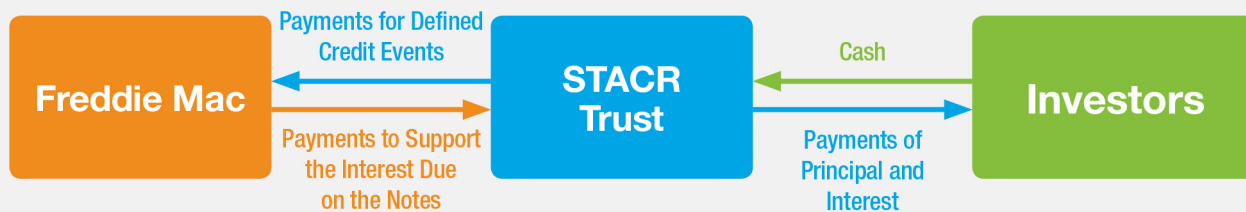
STACR and ACIS Offerings

Our two primary CRT programs are STACR and ACIS.

- **STACR** - Our primary single-family securities-based credit risk sharing vehicle. STACR Trust note transactions transfer risk to the private capital markets through the issuance of unguaranteed notes using a third-party trust. In a STACR transaction, we create a reference pool of loans from our single-family loan portfolio and a trust issues credit notes linked to the reference pool. The trust makes periodic payments of principal and interest on the notes to noteholders, but is not

required to repay principal to the extent that the note balance is reduced as a result of specified credit events on the mortgage loans in the related reference pool. We make payments to the trust to support payment of the interest due on the notes. The amount of risk transferred in each transaction affects the amounts we are required to pay. We receive payments from the trust that otherwise would have been made to the noteholders to the extent there are certain defined credit events on the mortgage loans in the related reference pool. The note balance is reduced by the amount of the payments to us, thereby transferring the related credit risk of the loans in the reference pool to the note investors. Generally, the note balance is also reduced based on principal payments that occur on the loans in the reference pool. Starting in 4Q 2019, the STACR Trust notes issued may qualify for favorable tax treatment for certain types of investors. The following diagram illustrates a typical STACR transaction.

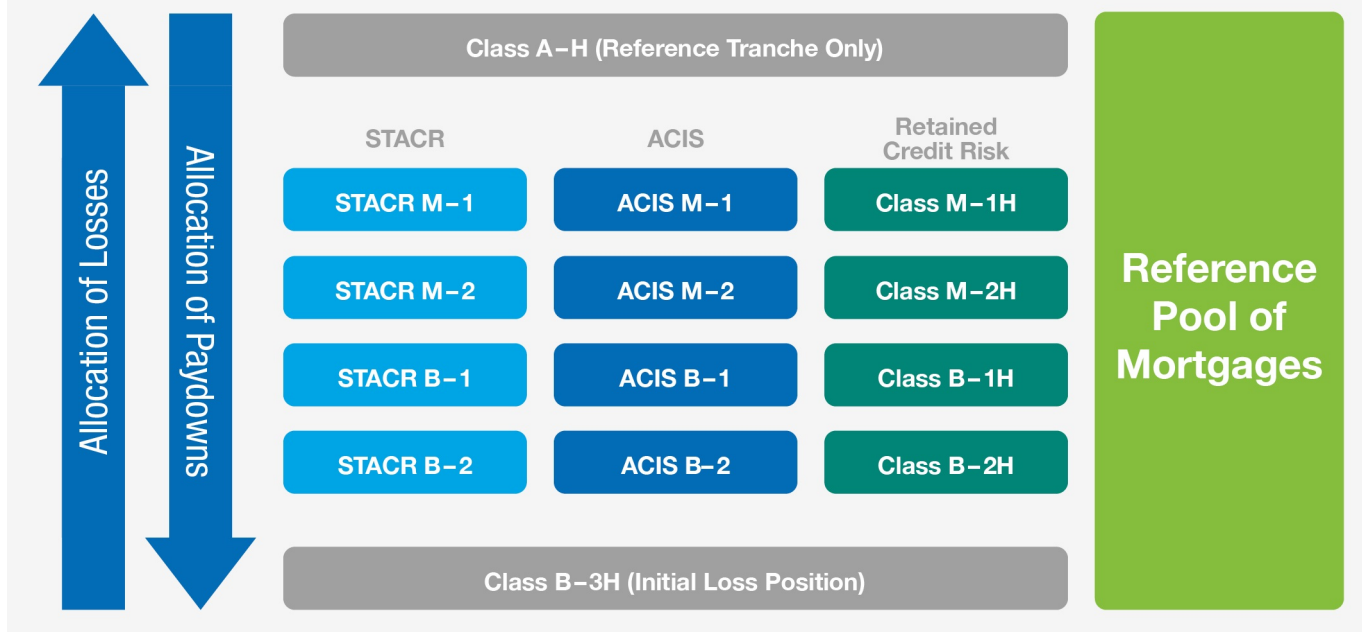
STACR Trust Note Transactions



- **ACIS** - Our primary insurance-based credit risk sharing vehicle. ACIS transactions are insurance policies we enter into with global insurance and reinsurance companies to cover a residual portion of credit risk on the STACR or standalone reference pools. We pay monthly premiums to the insurers or reinsurers in exchange for claim coverage on their portion of the reference pool. We require our ACIS counterparties to partially collateralize their exposure to reduce the risk that we will not be reimbursed for our claims under the policies.

We have established programmatic offerings of STACR and ACIS transactions to regularly transfer credit risk on a targeted population of recently acquired mortgage loans (“on-the-run transactions”). STACR and ACIS are generally complementary programs issued from the same reference pool for on-the-run transactions. The targeted loan population for on-the-run transactions is recently acquired fixed-rate mortgage loans with maturity terms greater than 20 years and LTV ratios between 60% and 97%, excluding loans acquired under our relief refinance programs, government guaranteed loans, and loans that do not meet certain eligibility criteria. Our typical on-the-run transactions are issued on a monthly basis and provide back-end coverage for loans that we acquired approximately two quarters prior to issuance (e.g., a transaction in 4Q 2020 would typically cover loans acquired in 2Q 2020). In a typical on-the-run transaction, we transfer to third-party investors a portion of the credit risk between a specified attachment point and a detachment point which may vary based on numerous factors, such as the type of collateral and market conditions. We generally retain the initial loss position and at least 5% of the credit risk of all the positions sold to align our interests with those of the investors. We also retain all of the senior credit risk position. On-the-run STACR transactions typically have a 30-year maturity and on-the-run ACIS transactions typically have a 12.5-year maturity. The diagram below illustrates a typical on-the-run STACR and ACIS structure.

STACR & ACIS Structure



In addition to our regularly issued on-the-run transactions, we also periodically execute “off-the-run” STACR and ACIS transactions that provide back-end coverage on certain loans that are not in the on-the-run transaction targeted loan population. For example, we offer STACR and ACIS transactions that provide coverage on HARP and other relief refinance loans, STACR and ACIS transactions that provide coverage on unissued portions of the reference pools related to previous STACR and ACIS transactions, and ACIS transactions that provide coverage on loans with 15-year maturities not related to any STACR offering.

Prior to 2018, the majority of our STACR transactions were structured as unsecured debt issued directly by us (STACR debt notes) rather than as debt issued by a trust. These transactions operate similarly to STACR Trust notes, except that we make payments of principal and interest on the issued STACR debt notes and are not required to repay principal to the extent that the notional credit risk position is reduced as a result of a specified credit event on a loan in the reference pool. For certain STACR debt notes issued in prior years (generally STACR debt notes issued prior to 2015), losses are allocated to the notional amounts of the credit risk positions based on calculated losses using a predefined formula when the loans experience a credit event, which predominantly occurs when a loan becomes 180 days delinquent. As a result, in these transactions, we receive reimbursement of losses based on these calculated loss amounts rather than based on actual losses. While we may issue STACR debt notes in the future, we expect to predominantly issue STACR Trust notes.

Additional Offerings

In addition to our primary offerings, we also offer the following CRT products:

- **ACIS Forward Risk Mitigation (AFRM)** - An additional offering in the ACIS program that provides front-end credit risk transfer as loans come into the portfolio. Under each of these insurance policies, we pay monthly premiums that are determined based on the outstanding balance of the reference pool. When specific credit events occur, we generally receive compensation from the insurance policy up to an aggregate limit based on actual losses.
- **Integrated Mortgage Insurance (IMAGINSM)** - An insurance-based offering that provides loan-level front-end protection for loans with 80% and higher LTV ratios. IMAGIN is designed to expand and diversify sources of private capital supporting low down payment lending. Mortgage insurance provided to each loan is generally underwritten by a group of insurers and reinsurers. IMAGIN is offered to a broad range of Freddie Mac sellers, who can choose IMAGIN or traditional primary mortgage insurance at their discretion. IMAGIN remains a pilot program and our ability to expand is limited by FHFA.
- **Lender risk sharing** - A variety of transactions in which lenders may retain a portion of the credit risk on loans they originate and/or service. These transactions are generally collateralized so that our exposure to counterparty credit risk is not increased. We discontinued offerings of these transactions in 2020.

We also transfer credit risk on newly originated loans and seasoned loans through senior subordinated securitization structures. See the **Securitization and Guarantee Products** section above and the **Sales and Securitization of Certain Seasoned Loans** section below for additional information. For additional information on single-family mortgage loan credit enhancements,

see **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors**.

The primary impacts to Segment Earnings are:

- Interest expense on our STACR debt notes, net of reinvestment income;
- Fair value gains and losses recognized on certain CRT transactions;
- Expenses to transfer credit risk for certain CRT transactions; and
- Benefits recognized from recoveries under certain CRT transactions.

Sales and Securitization of Certain Seasoned Loans

We manage the balance of our less liquid single-family mortgage loans, many of which we acquired by purchasing delinquent or modified loans from guaranteed securities. We may offer to sell select seasoned single-family mortgage loans through a variety of methods. In these transactions, we may reduce or eliminate our credit risk, in addition to our interest-rate and prepayment risk, associated with the underlying mortgage loans. The sales of these mortgage loans are managed by the Capital Markets segment. Our seasoned loan transactions include the following:

- **Senior subordinate securitization structures backed by seasoned loans (nonconsolidated)** - Transactions where we issue guaranteed senior securities and unguaranteed subordinated securities. The collateral for these structures primarily consists of reperforming loans. The unguaranteed subordinated securities absorb first losses on the related loans. Unlike senior subordinate securitization transactions backed by recently originated mortgage loans, in these transactions we transfer servicing to servicers that we believe have capabilities and resources necessary to improve the loss mitigation associated with these loans. As such, the loans are not serviced in accordance with our Guide and we do not control the servicing.
- **Level 1 Securitization Products** - We securitize certain reperforming loans, depending on market conditions, business strategy, credit risk considerations, and operational efficiency, using Level 1 Securitization Products through a similar process to that discussed above. We may subsequently resecuritize a portion of the guaranteed securities, with some of the resulting interests being sold to third parties.
- **Whole loan sales** - Sales of seriously delinquent loans for cash.

The primary impact to Segment Earnings is:

- Gains and losses recognized on the reclassification of loans held-for-investment to held-for-sale and subsequent sale of these loans.

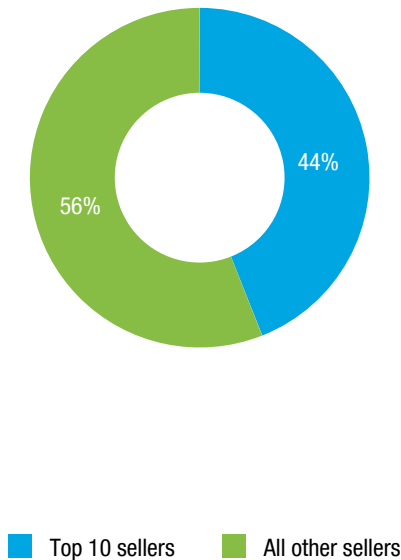
Customers

Our customers in the Single-family Guarantee segment are predominantly financial institutions that originate, sell, and perform the ongoing servicing of loans for new or existing homeowners. These companies include mortgage banking companies, commercial banks, regional banks, community banks, credit unions, HFAs, savings institutions, and non-depository financial institutions. Many of these companies are both sellers and servicers for us. Our single-family customers also include investors in our CRT offerings. In addition, we maintain relationships with investors and dealers in our guaranteed mortgage-related securities.

We acquire a significant portion of our loans from several lenders that are among the largest originators in the U.S. In addition, a significant portion of our single-family loans is serviced by several large servicers. The following charts show the concentration of our 2020 single-family purchase volume by our largest sellers and our loan servicing by our largest servicers as of December 31, 2020. Any seller or servicer with a 10% or greater share is listed separately.

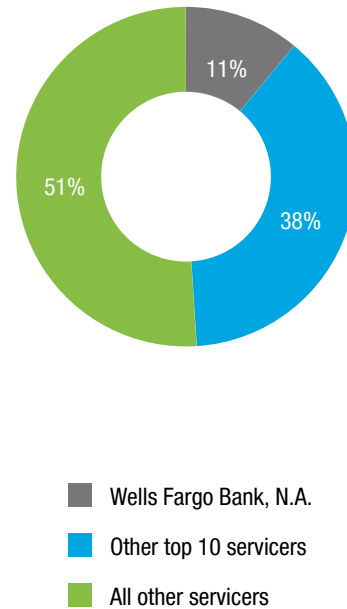
Percentage of Single-Family Purchase Volume

(Based on UPB of \$1,090 billion)



Percentage of Single-Family Servicing Volume⁽¹⁾

(Based on UPB of \$2,326 billion)



(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.

For additional information about seller and servicer concentration risk and our relationships with our seller and servicer customers, see **MD&A - Risk Management - Counterparty Credit Risk - Sellers and Servicers** and **Note 18**.

Competition

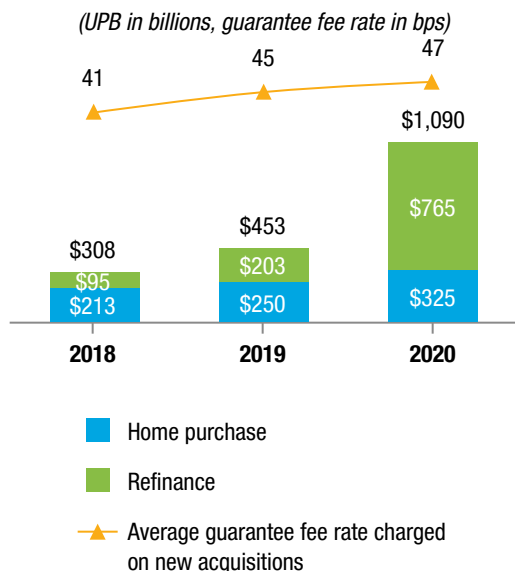
Our principal competitors in the Single-family Guarantee segment are Fannie Mae, FHA/VA (with Ginnie Mae securitization), and other financial institutions that retain or securitize loans, such as commercial and investment banks, dealers, and savings institutions. The conservatorship, including direction provided to us by our Conservator, may affect our ability to compete. The areas in which we and Fannie Mae compete have been limited as we have been required by FHFA to align certain of our single-family mortgage purchase offerings, servicing, and securitization practices with Fannie Mae to achieve market acceptance of the UMBS. FHFA has also placed limits on our and Fannie Mae's ability to compete with each other on our returns and in areas that affect prepayment speeds of single-family mortgage-related securities.

Business Results

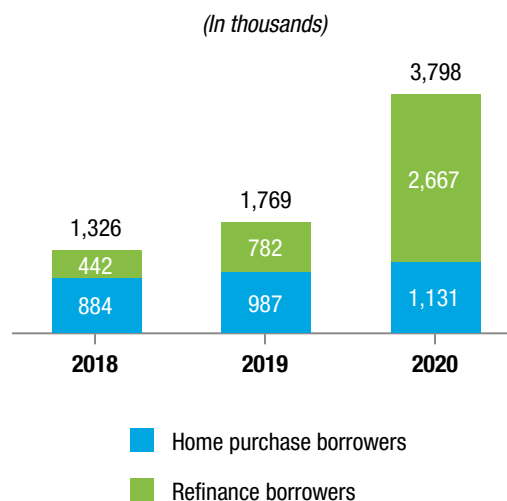
The following graphs and related discussion present the business results of our Single-family Guarantee segment.

New Business Activity

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



Number of Families Helped to Own a Home



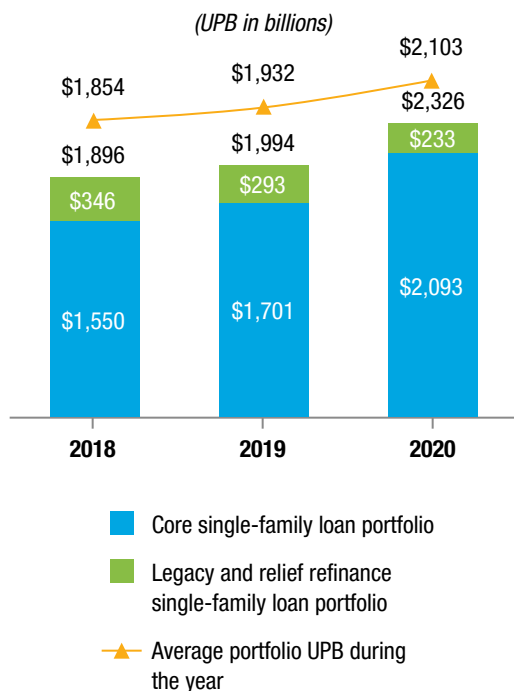
(1) Guarantee fee excludes legislated 10 basis point increase and includes deferred fees recognized over the estimated life of the related loans. We enhanced our estimation methodology related to recognition of buy-up fees in 2019.

- As a key player in the secondary mortgage market, we maintain a consistent market presence by providing lenders with a constant source of liquidity for conforming loan products. We have funded approximately 22.6 million single-family homes since January 1, 2009. Our loan purchase and guarantee activity increased in 2020 compared to 2019 primarily due to an increase in refinance activity as a result of the low mortgage interest rate environment.
- The average guarantee fee rate charged on new acquisitions consists of the contractual guarantee fee rate and deferred fee income, including the expected gains (losses) from buy-up fees, recognized 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** for more information on our guarantee fees. The average guarantee fee rate charged on new acquisitions increased in 2020 compared to 2019 primarily due to an increase in contractual guarantee fees.
- Home sales increased in 2020 compared to 2019 driven by low mortgage interest rates. The low mortgage rate environment, which also led to an increase in mortgage refinance activity during 2020, is expected to continue through 2021 and 2022 as the Federal Reserve stated that it intends to keep interest rates low for an extended period of time.
- We continued working to improve access to affordable housing, including through our Home Possible[®] loan initiatives. Our Home Possible loan initiatives offer down payment options as low as 3% and are designed to help qualified borrowers with limited savings buy a home. We purchased approximately 145,000 loans under these initiatives in 2020. We also continue to implement programs that support responsibly broadening access to affordable housing by:
 - Improving the effectiveness of pre-purchase and early delinquency counseling for borrowers;
 - Expanding our ability to support borrowers who do not have a credit score;
 - Implementing the Duty to Serve Underserved Markets plan; and
 - Increasing support for first-time home buyers and mortgage industry professionals.

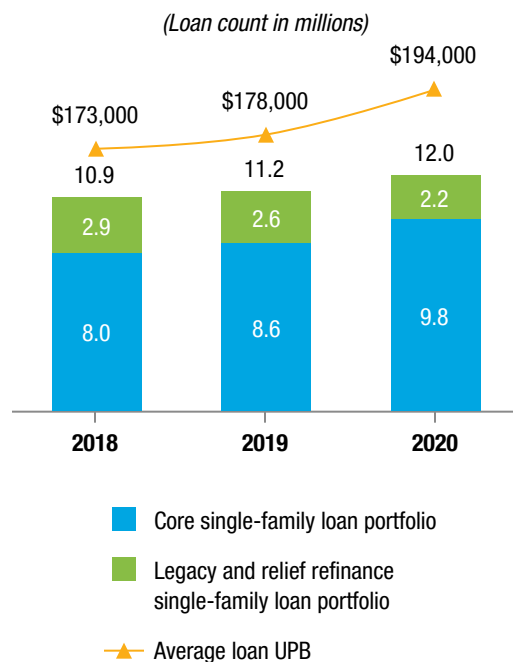
While we are responsibly expanding our programs and outreach capabilities to better serve low- and moderate-income borrowers and underserved markets, these loans result in increased credit risk. Expanding access to affordable housing will continue to be a top priority in 2021. See **MD&A - Regulation and Supervision - Federal Housing Finance Agency - Duty to Serve Underserved Markets Plan** for more information.

Single-Family Credit Guarantee Portfolio

Single-Family Credit Guarantee Portfolio as of December 31,



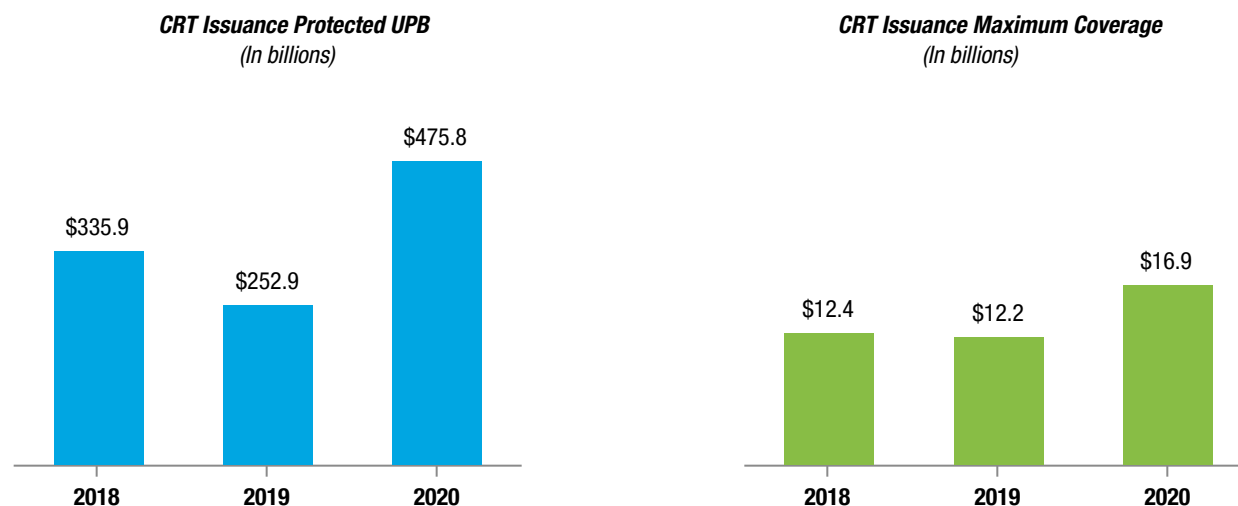
Single-Family Loans as of December 31



- The single-family credit guarantee portfolio increased during 2020 by approximately 17%, driven by an increase in U.S. single-family mortgage debt outstanding and higher new business activity. Additionally, continued house price appreciation contributed to new business acquisitions having a higher average loan size compared to older vintages that continued to run off.
- As we continued to purchase new loans, our core single-family loan portfolio grew to 90% of the single-family credit guarantee portfolio at December 31, 2020, compared to 85% at December 31, 2019. Our legacy and relief refinance single-family loan portfolio, which generally has a weaker credit profile, continued to run off, declining to 10% of the single-family credit guarantee portfolio at December 31, 2020, compared to 15% at December 31, 2019.
- The average portfolio Segment Earnings guarantee fee rate recognizes deferred fee income over the contractual life of the related loans (usually 30 years). If the related loans prepay, the remaining fee is recognized immediately. The effect of prepayments may be offset by our upfront fee hedging activities. See **MD&A - Our Business Segments - Single-Family Guarantee - Business Overview - Guarantee Fees** for more information on our guarantee fees and **Note 17** for more information on the effect of our upfront fee hedging activities on Segment Earnings.
- The average portfolio Segment Earnings guarantee fee rate was 49 bps, 40 bps, and 35 bps at December 31, 2020, December 31, 2019, and December 31, 2018, respectively (all excluding the legislated 10 basis point increase in guarantee fees). The rate increased in 2020 compared to 2019 due to an increase in the recognition of deferred fee income driven by faster loan prepayments as a result of the low mortgage interest rate environment, and an increase in contractual guarantee fees as older vintages were replaced by acquisitions of new loans with higher contractual guarantee fees.

CRT Activities

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



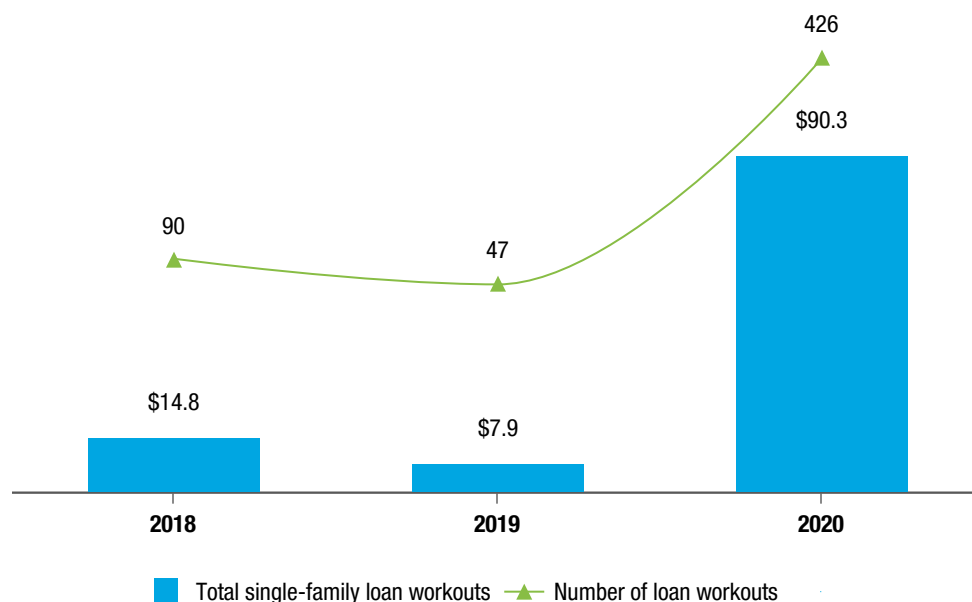
- During 2020, 2019, and 2018, 62%, 71%, and 74%, respectively, of our single-family acquisitions were loans in the targeted population for our CRT transactions (primarily 30-year fixed-rate loans with LTV ratios between 60% and 97%). The decline from 2019 to 2020 was primarily driven by a decrease in the number of recently acquired loans with maturity terms greater than 20 years and improved credit quality of recently acquired loans.
- Our CRT issuance amounts increased during 2020 due to our ability to shorten the loan acquisition to CRT issuance timeline from approximately three quarters to two quarters, as well as increases in loan purchase and guarantee activity. These issuances were supported by solid investor demand and subscription levels even though our ability to execute these transactions was negatively impacted by the effects of the COVID-19 pandemic during 2Q 2020. However, the COVID-19 pandemic continues to impose uncertainties and may continue to adversely impact our transactions going forward.
- In November 2020, FHFA released a final rule that establishes the ERCF as a new regulatory capital framework for Freddie Mac and Fannie Mae. The ERCF, which will become effective on February 16, 2021, has a transition period for compliance. In general, the compliance date for the regulatory capital requirements will be the later of the date of termination of our conservatorship and any later compliance date provided in a consent order or other transition order; however, we may begin implementing the ERCF sooner, upon the direction of FHFA or otherwise. The ERCF specifies substantial capital requirements and could affect our CRT business strategies, perhaps significantly. For additional information, see **MD&A – Regulation and Supervision – Legislative and Regulatory Developments – FHFA Enterprise Regulatory Capital Framework**.
- We evaluate our CRT strategy and make changes to such strategy depending on market conditions, including the significant market volatility caused by the COVID-19 pandemic, and our business strategy. Our risk appetite limits are also governed by FHFA and these limits may lead us to take actions to comply with these limits, including continued execution of CRT transactions. See **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors** for additional information on our CRT activities and other credit enhancements.

Loss Mitigation Activities

The following graph provides details about our completed single-family loan workout activities. The forbearance data below is limited to loans in forbearance that were past due based on the loan's original contractual terms.

Completed Loan Workout Activity

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



- Completed loan workout activity includes forbearance plans where borrowers fully reinstated the loan to current status during or at the end of forbearance period, payment deferrals, modifications, successfully completed repayment agreements, short sales, and deeds in lieu of foreclosure. Completed loan workout activity excludes active loss mitigation activity that was ongoing and had not been completed as of the end of the year, such as forbearance plans that had been initiated but not completed and trial period modifications. There were approximately 280,000 loans in forbearance plans and 10,000 loans in other active loss mitigation activity as of December 31, 2020.
- We continue to help struggling families retain their homes or otherwise avoid foreclosure through loan workouts. Our loan workout activity increased significantly in 2020 compared to 2019 primarily driven by the increase in completed forbearance plans and payment deferrals related to the COVID-19 pandemic.
- As part of our strategy to mitigate losses and reduce our holdings of less liquid assets, we may pursue sales of certain seriously delinquent and reperforming loans depending on market conditions, business strategy, credit risk considerations, and operational efficiency. See **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Engaging in Loss Mitigation Activities** for more information on our loss mitigation activities.
- Pursuant to FHFA guidance and the CARES Act, we offer mortgage relief options for borrowers affected by the COVID-19 pandemic. Among other things, we have been offering forbearance of up to 12 months to single-family borrowers experiencing a financial hardship, either directly or indirectly, related to COVID-19. Under FHFA's guidance, we are extending COVID-19 forbearances up to 15 months for eligible borrowers, and this forbearance term may be further extended by FHFA in the future. On July 1, 2020, we began providing servicers a payment deferral option to offer to eligible homeowners. We expect the volume of our loss mitigation activities related to the effects of the pandemic to remain elevated in 2021 as a result of the actions we take to support the mortgage market. For additional information on our responses to the pandemic, see **Introduction - About Freddie Mac - COVID-19 Pandemic Response Efforts**.

See **MD&A - Risk Management** for additional information on our loan workout activities.

Financial Results

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

Table 13 - Single-Family Guarantee Segment Financial Results

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
				\$	%	\$	%
Guarantee fee income	\$10,292	\$7,773	\$6,581	\$2,519	32 %	\$1,192	18 %
Investment gains (losses), net	956	964	307	(8)	(1)	657	214
Other income (loss)	241	391	841	(150)	(38)	(450)	(54)
Net revenues	11,489	9,128	7,729	2,361	26	1,399	18
Benefit (provision) for credit losses	(1,680)	418	448	(2,098)	(502)	(30)	(7)
Credit enhancement expense	(1,696)	(1,434)	(1,069)	(262)	(18)	(365)	(34)
Benefit for (decrease in) credit enhancement recoveries	305	41	(8)	264	644	49	613
REO operations expense	(152)	(245)	(189)	93	38	(56)	(30)
Credit-related expense	(3,223)	(1,220)	(818)	(2,003)	(164)	(402)	(49)
Administrative expense	(1,609)	(1,647)	(1,491)	38	2	(156)	(10)
Other expense	(943)	(786)	(568)	(157)	(20)	(218)	(38)
Operating expense	(2,552)	(2,433)	(2,059)	(119)	(5)	(374)	(18)
Segment Earnings (Losses) before income tax (expense) benefit	5,714	5,475	4,852	239	4	623	13
Income tax (expense) benefit	(1,178)	(1,110)	(944)	(68)	(6)	(166)	(18)
Segment Earnings (Losses), net of taxes	4,536	4,365	3,908	171	4	457	12
Total other comprehensive income (loss), net of tax	(16)	(22)	(3)	6	27	(19)	(633)
Total comprehensive income (loss)	\$4,520	\$4,343	\$3,905	\$177	4 %	\$438	11 %

Key Drivers:

■ 2020 vs. 2019

- Higher guarantee fee income primarily due to portfolio growth, higher deferred fee income recognition driven by faster loan prepayments as a result of the low mortgage interest rate environment, and higher contractual guarantee fee rates.
- Benefit (provision) for credit losses shifted to a provision due to higher expected credit losses as a result of the COVID-19 pandemic and portfolio growth, partially offset by growth in realized and forecasted house prices and declines in forecasted interest rates during 2020.
- Higher credit enhancement expense primarily due to higher outstanding cumulative volumes of CRT transactions.
- Higher benefit for credit enhancement recoveries primarily due to a corresponding increase in expected credit losses as a result of the COVID-19 pandemic.

■ 2019 vs. 2018

- Higher guarantee fee income primarily due to higher deferred fee income recognition, partially offset by the amortization of hedge accounting related basis adjustments, driven by faster prepayments, coupled with higher contractual guarantee fee rates.
- Higher investment gains primarily due to higher realized gains on a higher volume of sales of, and lower unrealized lower-of-cost-or-fair-value losses related to, single-family held-for-sale loans.
- Lower other income primarily due to higher non-cash premium/discount amortization expense driven by timing differences between liquidations of the loans and liquidations of the securities backed by these loans.
- Higher credit enhancement expense primarily due to higher outstanding cumulative volumes of CRT transactions.

Multifamily

Business Overview

The Multifamily segment provides liquidity and support to the multifamily mortgage market through a variety of activities that include the purchase, guarantee, sale, and/or securitization of multifamily loans and mortgage-related securities. The overall market demand for multifamily loans is generally affected by local and regional economic factors, such as unemployment rates, construction cycles, property prices, preferences for homeownership versus renting, and the relative affordability of single-family homes, as well as certain macroeconomic factors, such as interest rates.

While we maintain a variety of products and activities, our primary business model is to acquire multifamily loans for aggregation and then securitization. The returns we generate from these activities are primarily derived from (i) the net interest income we earn on the loans prior to their securitization, (ii) the price received upon securitization of the loans versus the price we paid to acquire the loans, and (iii) the ongoing guarantee fee we receive in exchange for providing our guarantee primarily on the issued senior securities. We evaluate these factors collectively to assess the profitability of any given transaction and to maximize our returns.

Our securitization activities generally (i) provide us with a mechanism to finance our loan product offerings, (ii) reduce our credit risk, interest-rate risk, and liquidity risk exposure on the loans that we purchase, and (iii) reduce our conservatorship capital required under CCF. For multifamily loans that we do not intend to securitize, we may pursue other strategies, including the execution of other CRT products designed to transfer to third parties all or a portion of the loan's credit risk.

Products and Activities

Our support of the multifamily market generally begins with our underwriting of the loans that we commit to purchase from our Optigo® network of approved lenders and typically ends with the disposition of those loans, generally through a borrower payoff. Through our support of the multifamily mortgage market, borrowers can obtain lower financing costs, which can benefit renters through lower rental rates and/or improved services or amenities. Our commitment to purchase multifamily loans generally begins with an index lock agreement or a loan purchase commitment.

Index Lock Agreements

We offer borrowers an option to lock the Treasury index component of their fixed rate loans anytime during the quote or underwriting process. This option enables borrowers to lock the most volatile part of their coupon, thereby providing an enhanced level of risk mitigation against interest-rate volatility. The index lock period offered for most loans is 60 days and is generally followed by a loan purchase commitment. We economically hedge our interest-rate exposure from these agreements primarily by entering into pay-fixed, receive-float interest-rate swaps. Index lock agreements do not qualify for accounting recognition and therefore our interest-rate risk management activities related to index lock agreements temporarily introduce volatility in our financial results until the index lock agreement becomes a loan purchase commitment.

The primary impact to Segment Earnings is:

- Fair value gains or losses recognized on interest-rate derivatives. These gains or losses are generally offset once an index lock agreement becomes a loan purchase commitment and is accounted for at fair value.

Loan Purchase Commitments

Prior to issuing an unconditional commitment to purchase a multifamily loan, we negotiate with the lender the specific economic terms and conditions of our commitment, including the loan's purchase price, index, and mortgage spread. We price our loans to achieve an initial pricing margin that we expect to realize at securitization. Decisions related to the commitment price and/or mortgage spread will affect our initial pricing margin and are generally influenced by our current business strategy, the type of loan that we acquire (i.e., whether it qualifies as mission-driven, affordable housing), the amount available under the loan purchase cap, current securitization spreads, and changing market conditions. The initial pricing margin, which is based on the price we would receive to sell the mortgage loans in a typical securitization transaction, is recognized at the commitment date for commitments we measure at fair value and at the time of securitization for loans where we do not elect the fair value option.

At the time we commit to purchase a multifamily loan, we preliminarily determine our intent with respect to that loan. For commitments to purchase fixed-rate loans that we intend to sell or securitize (i.e., held-for-sale commitments), we elect the fair value option and therefore recognize and measure these commitments at fair value in our consolidated financial statements. We do not elect the fair value option for commitments to purchase floating-rate loans or loans that we intend to hold for the foreseeable future (i.e., held-for-investment commitments), and therefore these commitments are not recognized in our consolidated financial statements.

Our multifamily commitments and loans measured at fair value are subject to changes in fair value due to two main risks: (i) interest-rate risk and (ii) spread risk. While we use derivatives to economically hedge the interest rate-related fair value changes of these assets measured at fair value, we continue to be exposed to spread-related fair value changes. The fair values of our commitments and loans are generally impacted by changes in K Certificate benchmark spreads, which are market-quoted spreads over the swap rate. We generally recognize spread-related fair value gains (losses) for our commitments and loans measured at fair value when these benchmark spreads tighten (widen). We partially reduce our spread-related fair value exposure by purchasing or entering into certain spread-related derivatives, thereby obtaining some protection against significant adverse movements in market spreads.

The primary impacts to Segment Earnings are:

- At the commitment date, the initial pricing margin is recognized on held-for-sale commitments where we elected the fair value option; and
- After the commitment date, but prior to purchase, changes in the fair value of commitments where we elected the fair value option are recognized, net of interest-rate risk management activities. These fair value adjustments result from changes in the expected pricing of our securitizations due to changes in interest rates and securitization market spreads.

Loan Products

Through our Optigo network of approved lenders, we offer borrowers a variety of loan products for the acquisition, refinance, and/or rehabilitation of multifamily properties. While our Optigo lenders originate the loans that we purchase, we use a prior-approval underwriting approach, in contrast to the delegated underwriting approach used in our Single-family Guarantee segment and Fannie Mae's Delegated Underwriting and Servicing (DUS) program. Under this approach, we maintain credit discipline by completing our own underwriting, credit review, and legal review for each loan prior to issuing a loan purchase commitment, including reviewing third-party appraisals and performing cash flow analysis. We also price every loan or transaction based on the specific terms, structure, and type of execution.

Multifamily loans are typically originated by our Optigo lenders without recourse to the borrower, making repayment dependent on the cash flows generated by the underlying property. Cash flows generated by a property are significantly influenced by vacancy and rental rates, as well as conditions in the local rental market, the physical condition of the property, the quality of property management, and the level of operating expenses.

Our primary multifamily loan products include the following:

- **Conventional loans** - Financing that includes fixed-rate and floating-rate loans, loans in lease-up and with moderate property upgrades, manufactured housing community loans, senior housing loans, student housing loans, supplemental loans, and certain Green Advantage loans.
- **Small balance loans** - Financing provided to small rental property borrowers for the acquisition or refinance of multifamily properties. Financing ranges from \$1 million to \$7.5 million and is focused on affordable or workforce housing properties from 5 to 50 units.
- **Targeted affordable housing** - Financing provided to borrowers in underserved areas that have restricted units affordable to households with low income (earning up to 80% of AMI) and very-low income (earning up to 50% of AMI) and that typically receive government subsidies.

We also continue to support the multifamily mortgage market's LIBOR transition efforts by promoting new floating rate loans indexed to SOFR. Since September 2020, we have successfully quoted, purchased, and securitized new floating rate loans indexed to SOFR. The loans indexed to SOFR will be used as collateral in our SOFR bond offerings, thereby adding liquidity to the market and facilitating the transition to SOFR.

The amount and type of multifamily loans that we purchase is significantly influenced by the multifamily loan purchase cap that is established by FHFA. In 3Q 2019, FHFA announced a multifamily loan purchase cap of \$100.0 billion for the five-quarter period from 4Q 2019 through 4Q 2020. This cap applied to all multifamily business activity, with no exclusions. To ensure a strong focus on affordable housing and traditionally underserved markets, at least 37.5% of the multifamily business had to be mission-driven, affordable housing over the same five-quarter period. Examples of multifamily loans that qualify as mission-driven, affordable housing include certain senior housing loans, small balance loans, manufactured housing loans, and targeted affordable housing loans.

In November 2020, FHFA announced that the 2021 multifamily loan purchase cap for the multifamily business will be \$70.0 billion. At least 50% of the multifamily new business activity must be mission-driven, affordable housing, generally defined as affordable to renters at 80% of AMI or below, with at least 20% being affordable to renters at 60% of AMI or below. The production cap is subject to reassessment throughout the year by FHFA to determine whether an increase in the cap is appropriate based on a stronger than expected overall market.

The January 2021 Letter Agreement capped multifamily loan purchases at \$80 billion in any 52-week period, subject to annual adjustment by FHFA. Based on FHFA guidance, this Purchase Agreement cap is in addition to FHFA's multifamily loan purchase cap for 2021 and the measurement period for the Purchase Agreement cap should be applied prospectively (i.e., this

cap does not include volumes from the 52 weeks prior to the January 2021 Letter Agreement). At least 50% of the multifamily new business activity in any calendar year must be mission-driven, pursuant to FHFA guidelines. For more information on the January 2021 Letter Agreement, see **MD&A - Conservatorship and Related Matters**.

We typically elect the fair value option for fixed-rate held-for-sale loans but do not elect the fair value option for floating-rate loans or loans we intend to hold for the foreseeable future or to use as collateral in a PC transaction. The vast majority of all new multifamily loan purchases are initially classified as held-for-sale and included in our securitization pipeline. The holding period for loans in our securitization pipeline generally ranges between two and five months, as we aggregate sufficient loans with similar terms and risk characteristics to securitize. For example, loans purchased during the first quarter will generally be used as collateral for securitizations that settle in the second and third quarters of that same year.

The primary impacts to Segment Earnings are:

- While in our securitization pipeline, changes in fair value recognized on loans classified as held-for-sale and measured at fair value, net of interest-rate risk management activities. These fair value adjustments result from changes in the expected pricing of our securitizations due to changes in interest rates and securitization market spreads; and
- Interest income on loans while held in our mortgage-related investments portfolio.

Securitizations, Guarantees, and Risk Transfer Products

We securitize substantially all of the loans in our securitization pipeline after a short holding period. We enter into various types of securitizations that generally result in the transfer of all or a portion of the underlying collateral's interest-rate risk, liquidity risk, and/or credit risk to third parties.

In our typical securitizations, we guarantee the issued senior securities. 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 guarantee fee income that is expected to exceed the credit-related and administrative expenses of the underlying loans. Structural deal features, such as term, type of underlying loan product, and subordination levels, generally influence the deal's risk profile, which ultimately affects the guarantee fee rate we set at the time of securitization.

For guarantees to non-consolidated entities or other third parties, we generally recognize a guarantee asset at inception. This asset, which represents the right to collect contractual guarantee fees, is recorded at fair value with subsequent changes in fair value recognized in earnings. The fair value of our guarantee assets may vary significantly from period-to-period based on changes in market conditions, including interest rates and credit spreads. Because our multifamily loans contain prepayment protection, decreasing interest rates generally result in a higher guarantee asset fair value, with the opposite effect occurring when interest rates increase. See **Note 5** for additional information on our accounting for guarantees.

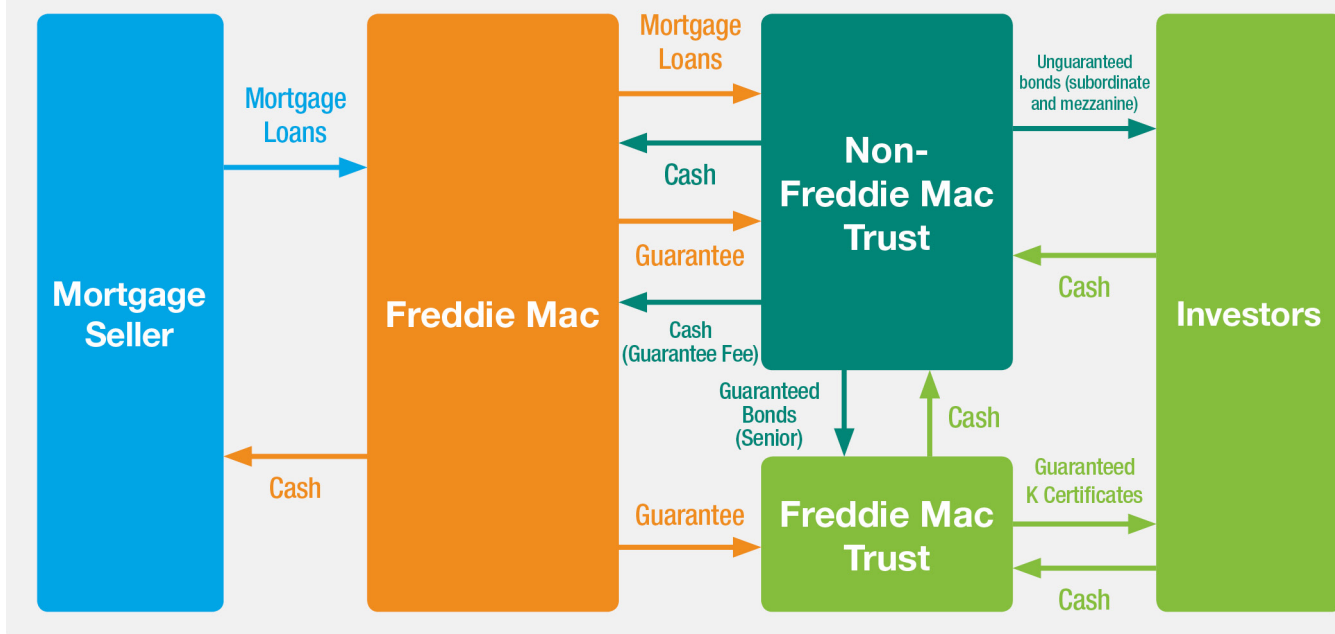
Our typical securitization structure and level of subordination are designed to achieve appropriate economic returns when we sell loans for securitization. Depending on the securitization product and subordination levels selected, we may realize a higher (lower) gain on sale, but recognize lower (higher) ongoing guarantee fee income.

The ERCF specifies substantial capital requirements and could affect our CRT business strategies, perhaps significantly. We are currently evaluating the impact to our business going forward. Additionally, our risk appetite limits are governed by FHFA and these limits may lead us to continue executing risk transfer transactions in a similar way as in the past despite not receiving as much capital relief under the ERCF. For additional information on ERCF, see **MD&A - Introduction - FHFA Enterprise Regulatory Capital Framework**.

Primary Securitization Products

Our primary securitization products are K Certificate and SB Certificate transactions, which transfer substantially all of the interest-rate risk, liquidity risk, and credit risk of the underlying collateral. The structures of these transactions typically involve the issuance of senior, mezzanine, and subordinated securities that represent undivided beneficial interests in trusts that hold pools of multifamily loans that we previously purchased. The volume of our primary securitizations is generally influenced by the product mix and size of our securitization pipeline, along with market demand for multifamily securities. As shown in the diagram below, in a typical K Certificate transaction, we sell multifamily loans to a non-Freddie Mac securitization trust that issues senior, mezzanine, and subordinated securities, and simultaneously purchase and place the senior securities into a Freddie Mac securitization trust that issues guaranteed K Certificates. In these transactions, we guarantee the senior securities, but do not issue or guarantee the mezzanine or subordinated securities. As a result, the interest-rate risk, liquidity risk, and a substantial amount of the expected and stressed credit risk is sold to third-party investors through securitization.

K Certificate Transactions



- **K Certificates** - Regularly issued structured pass-through securities backed by recently originated multifamily loans. This product offers investors a wide range of structural and collateral options that provide for stable cash flows and a structured credit enhancement. While the amount of guarantee fee we receive may vary by collateral type, it is generally fixed for those K Certificate series that we issue with regular frequency (e.g., 7- and 10-year fixed-rate K Certificates and our Floating Rate K Certificates). The guarantee fees received on recently issued standard K Certificates range between 30 basis points and 50 basis points.

The guarantee fee on K Certificates that we do not issue on a regular basis, such as our single-sponsor K Certificates, is determined based on the specific risks associated with the underlying collateral and the structure of the securitization, including tranche sizes and risk distribution.

- **SB Certificates** - Regularly issued securities typically backed by multifamily small balance loans that we underwrite at loan origination and purchase prior to securitization. Similar to our K Certificate transactions, a non-Freddie Mac trust will issue the senior classes of securities, which we guarantee, as well as the unguaranteed subordinated securities. However, unlike our K Certificate transactions, while we may purchase a portion of the senior securities, we generally do not place those securities into a Freddie Mac trust. The guarantee fee we receive in these transactions is generally 35 basis points.

From time to time, we may undertake certain activities to support the liquidity of K Certificates and SB Certificates. For more information, see **Risk Factors - Market Risk - The profitability of our multifamily business could be adversely affected by a significant decrease in demand for our K Certificates and SB Certificates**. Also, we may undertake certain actions to support the overall multifamily market, including the market's LIBOR transition efforts. In December 2019, we issued the first multifamily real estate securitization with securities indexed to SOFR and have cumulatively issued \$9.0 billion in floating rate K Certificates indexed to SOFR. These activities have added liquidity to the market and are intended to facilitate the transition to SOFR.

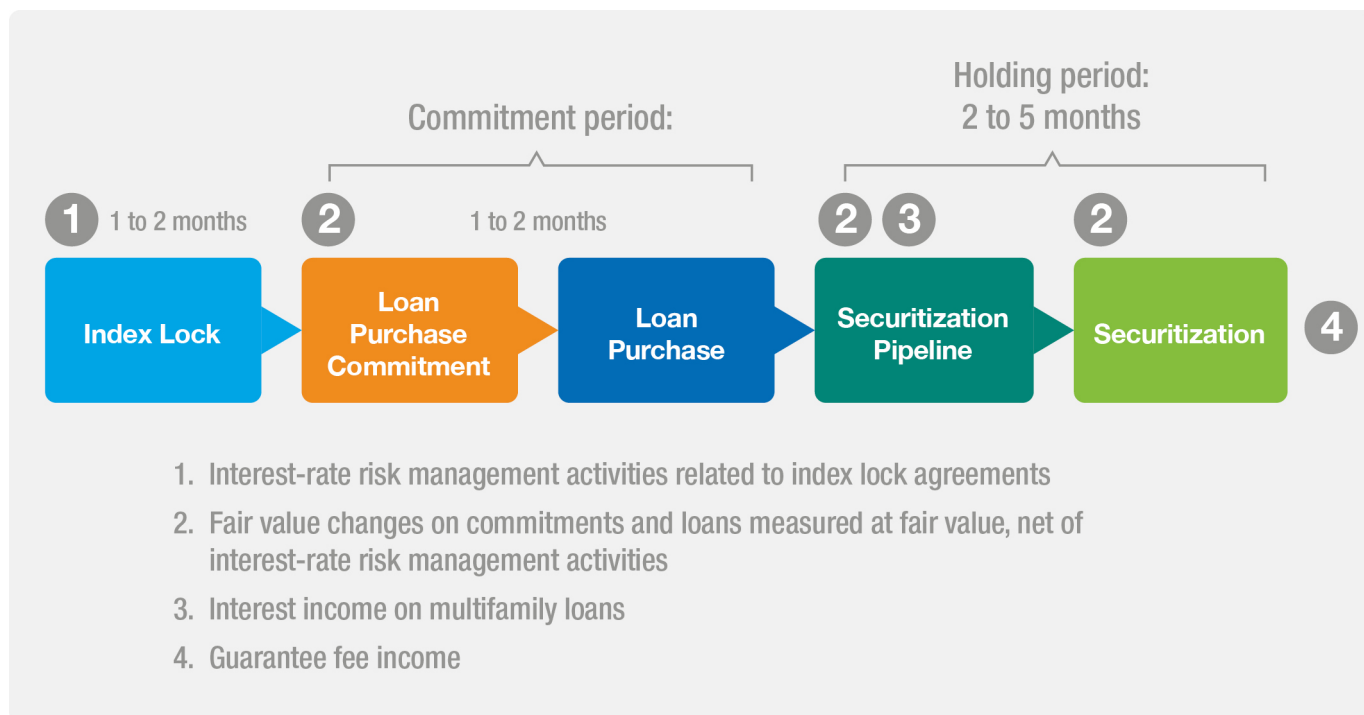
Other Securitization Products

Our other securitization products involve the issuance of pass-through securities that represent beneficial interests in trusts that hold pools of multifamily loans. The collateral for these securitizations may include loans underwritten and purchased by us at loan origination and loans we do not own prior to securitization and that we underwrite after (rather than at) origination.

Our largest other securitization product is PCs, which are fully guaranteed securities. In these transactions, we securitize multifamily loans into pass-through securities that are similar in structure to our Single-family Guarantee segment Level 1 Securitization Products. Since we guarantee the timely payment of scheduled principal and interest and direct loss mitigation activities, we consolidate the securitization trusts used in these transactions.

Summary of Our Primary Business Model and Its Impacts to Segment Earnings

The following diagram summarizes the activities included in our primary business model for fixed-rate loans measured at fair value and the corresponding impacts to our Segment Earnings.



Other Guarantee Products

- **Other mortgage-related guarantees** - We guarantee mortgage-related assets held by third parties in exchange for guarantee fee income, without securitizing those assets. For example, we provide guarantees on certain tax-exempt multifamily housing revenue bonds secured by low- and moderate-income multifamily loans.

Other CRT Products

For the multifamily assets for which we have not transferred credit risk through securitization, we may pursue other strategies to reduce our risk exposure. Our other CRT products include the following:

- **MCIP** - We purchase insurance coverage underwritten by a group of insurers and/or reinsurers that generally provide first loss and/or mezzanine loss credit protection. These transactions are similar in structure to the ACIS contracts purchased by the Single-family Guarantee segment, except the reference pool, in addition to loans, may include bonds underlying our other mortgage-related guarantees. When specific credit events occur, we receive compensation from the insurance policy up to an aggregate limit based on actual losses. We require our counterparties to partially collateralize their exposure to reduce the risk that we will not be reimbursed for our claims under the policies.
- **SCR debt notes** - Through the issuance of our SCR debt notes, which are unsecured and unguaranteed corporate debt obligations, we transfer to third parties a portion of the credit risk of the loans underlying certain of our consolidated other securitizations and certain of our other mortgage-related guarantees. The interest we pay on our SCR debt notes effectively reduces the income we would otherwise earn on the assets underlying the reference pool. SCR debt notes are generally similar in structure to our Single-family Guarantee segment's STACR debt notes.

In addition to our other CRT products, we engage in whole loan sales, including sales of loans to funds to which we may also provide secured financing, to eliminate our interest-rate risk, liquidity risk, and credit risk exposure to certain loans.

For additional information on multifamily credit enhancements, see **MD&A - Risk Management - Multifamily Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors**.

Investing Activities

- **Mortgage loans** - We hold a portfolio of multifamily loans as part of a buy-and-hold investment strategy or to use as collateral in our PC transactions. However, this strategy is not part of our primary business model.
- **Mortgage-related securities** - Depending on market conditions and our business strategy, we may purchase or sell guaranteed K Certificates or SB Certificates at issuance or in the secondary market, including interest-only securities. Through our ownership of the interest-only securities, we are exposed to the credit risk on the loans underlying our securitizations.

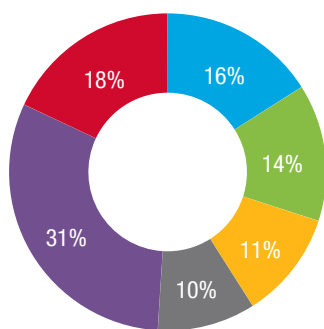
- **Other investments** - We invest in certain non-mortgage investments, including LIHTC partnerships and other secured lending activities.

Customers

Our multifamily loan activity is generally sourced through our Optigo network of approved lenders, who are primarily non-bank real estate finance companies and banks. We generally provide post-construction financing to apartment project operators with established performance records. The following charts show the concentration of our 2020 multifamily new business activity by our largest sellers and loan servicing by our largest servicers as of December 31, 2020. Any seller or servicer with a 10% or greater share is listed separately.

Percentage of New Business Activity⁽¹⁾

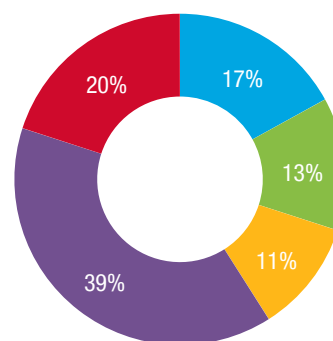
(Based on UPB of \$82.5 billion)



- CBRE Capital Markets, Inc.
- Berkadia Commercial Mortgage LLC
- JLL Real Estate Capital, LLC
- Walker & Dunlop, LLC
- Other top 10 sellers
- All other sellers

Percentage of Servicing Volume⁽²⁾

(Based on UPB of \$345.5 billion)



- CBRE Capital Markets, Inc.
- Berkadia Commercial Mortgage LLC
- JLL Real Estate Capital, LLC
- Other top 10 servicers
- All other servicers

(1) Excludes LIHTC new business activity.

(2) Percentage of servicing volume is based on the total multifamily mortgage portfolio, which includes loans where we do not exercise servicing control.

Competition

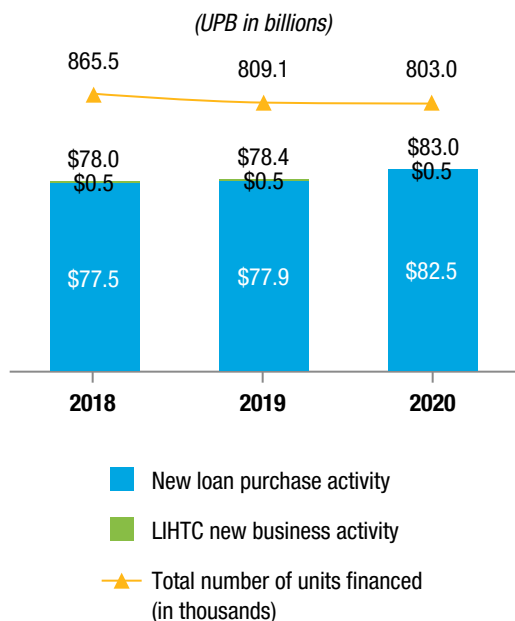
We compete on the basis of price, service and products, including our use of certain securitization structures. Our principal competitors in the multifamily market are Fannie Mae, FHA, commercial and investment banks, CMBS conduits, savings institutions, and life insurance companies.

Business Results

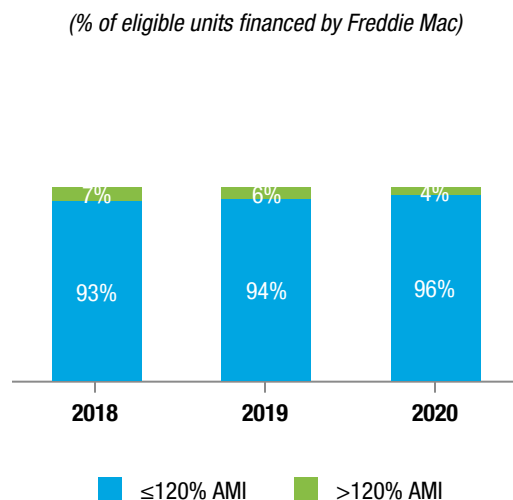
The graphs, tables, and related discussion below present the business results of our Multifamily segment.

New Business Activity

New Business Activity for the Year Ended December 31,



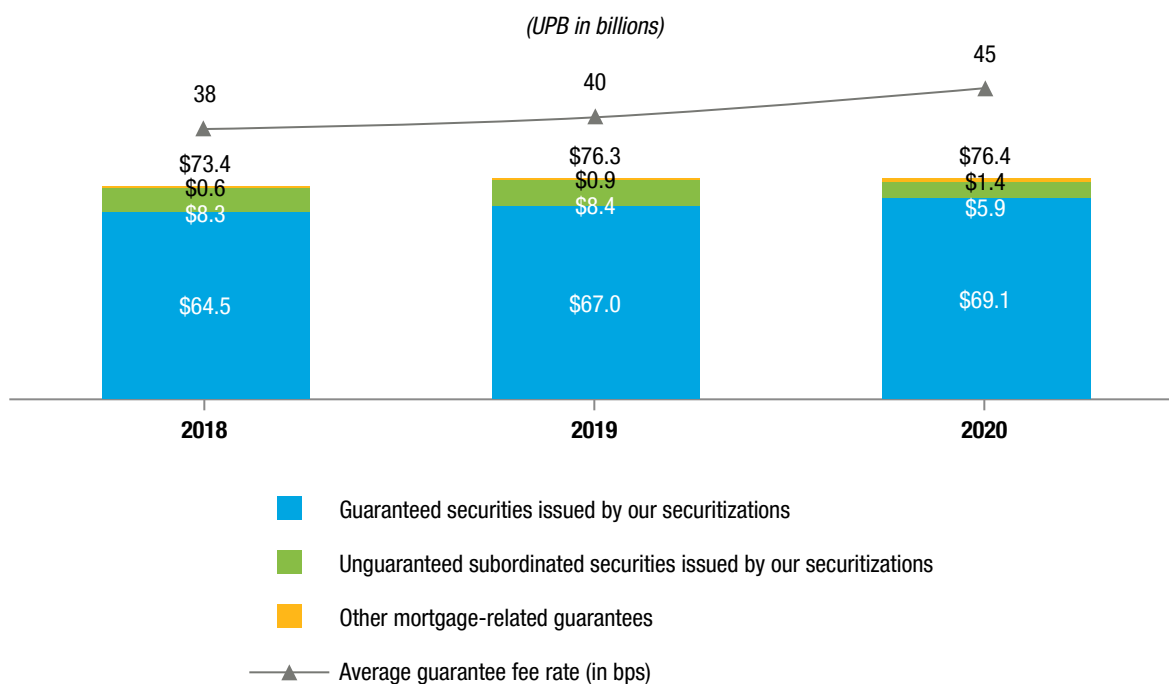
Acquisition of Units by AMI for the Year Ended December 31,



- As of December 31, 2020, our cumulative new business activity subject to the cap was \$100.0 billion. Approximately 39% of this activity was mission-driven, affordable housing. The 2021 purchase cap for the multifamily business will be \$70 billion as instructed by FHFA.
- Outstanding commitments, including index lock commitments and commitments to purchase or guarantee multifamily assets, were \$18.7 billion and \$14.6 billion as of December 31, 2020 and December 31, 2019, respectively.
- Our 2020 new business activity was slightly higher than 2019 due to ongoing demand for multifamily financing driven by the low interest-rate environment resulting in continued growth in overall multifamily mortgage debt outstanding.
- The portion of our new mortgage loan purchase activity that was classified as held-for-sale and intended for our securitization pipeline increased slightly to 88% in 2020 from 87% in 2019. The purchase activity that remained in our securitization pipeline as of December 31, 2020, combined with market demand for our securities, will be a driver for our primary securitizations in the first two quarters of 2021.

Securitization, Guarantee, and Risk Transfer Activity

Securitization and Guarantee Activities for the Year Ended December 31,



- Total securitization UPB for 2020 was flat compared to 2019, as the UPB increase attributable to greater PC issuance activity was mostly offset by a decline in deal size of our SB Certificate transactions, which was partially limited by the composition of our securitization pipeline.
- Approximately 88% and 90% of total securitization UPB related to our primary securitizations during 2020 and 2019, respectively.
- The average guarantee fee rate on new guarantee contracts increased during 2020 compared to 2019, primarily driven by higher guarantee fee rates on new K Certificate securitizations as we reduced subordination levels for certain of these transactions by issuing lower amounts of unguaranteed subordinated securities. The lower subordination levels are still expected to absorb a substantial amount of expected and stressed credit losses. Additionally, our average guarantee fee rate increased as we issued a higher volume of PC securitizations that have higher negotiated guarantee fee rates due to the lack of subordination.
- In addition to the credit risk we transferred to third parties through our securitizations, we obtained credit protection of up to \$0.3 billion and \$0.2 billion on \$4.2 billion and \$3.0 billion of UPB through our other CRT products and loss sharing arrangements during 2020 and 2019, respectively.

Multifamily Portfolio and Market Support

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

Table 14 - Multifamily Portfolio and Market Support

(In millions)	December 31, 2020	December 31, 2019
Guarantee portfolio:		
Primary securitizations	\$274,393	\$240,134
Other securitizations	26,967	20,205
Other mortgage-related guarantees	11,029	10,514
Total guarantee portfolio	312,389	270,853
Mortgage-related investments portfolio:		
Unsecuritized mortgage loans held-for-sale	23,789	18,954
Unsecuritized mortgage loans held-for-investment	9,618	10,831
Mortgage-related securities ⁽¹⁾	4,180	5,889
Total mortgage-related investments portfolio	37,587	35,674
Other investments ⁽²⁾	2,838	2,945
Total multifamily portfolio	352,814	309,472
Add: Unguaranteed securities ⁽³⁾	43,204	40,666
Less: Acquired mortgage-related securities ⁽⁴⁾	(4,055)	(5,709)
Total multifamily market support	\$391,963	\$344,429
Total units financed	4,597,597	4,305,480

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

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

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

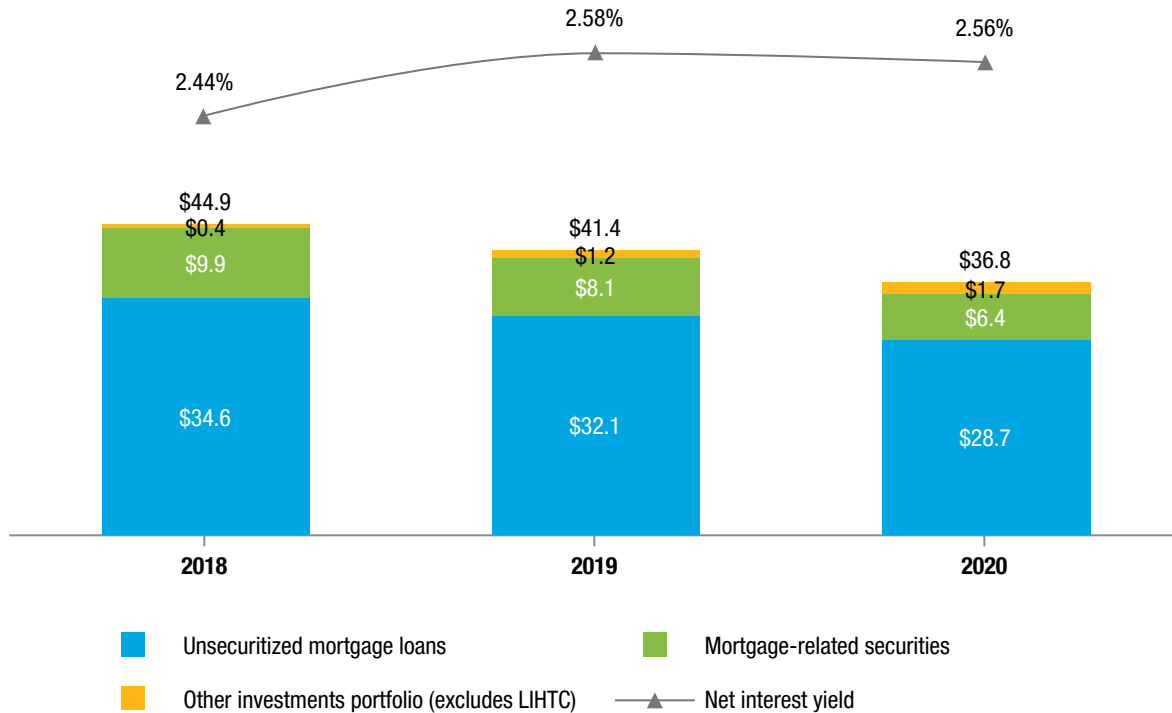
(4) Reflects the UPB of mortgage-related securities that were both issued as part of our securitizations and acquired by us. This UPB must be removed from the mortgage-related securities balance to avoid double-counting the exposure, as it is already reflected within the guarantee portfolio or unguaranteed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

- Our total multifamily portfolio increased during 2020, primarily due to our loan purchase and securitization activity. We expect continued growth in our total portfolio in 2021 as purchase and securitization activities should outpace run off.
- At December 31, 2020, approximately 58% of our held-for-sale loans were fixed-rate, while the remaining 42% were floating-rate.
- As of December 31, 2020, we had cumulatively transferred a substantial amount of the expected and stressed credit risk on the multifamily guarantee portfolio primarily through subordination in our securitizations. In addition, nearly all of our securitization activities shifted substantially all of the interest-rate and liquidity risk associated with the underlying collateral away from Freddie Mac to third-party investors.
- We earn guarantee fees in exchange for providing our guarantee of some or all of the securities we issue as part of our securitizations and for our other mortgage-related guarantees. The average guarantee fee rate on our guarantee portfolio was 38 basis points and 37 basis points as of December 31, 2020 and December 31, 2019, respectively, while the average remaining guarantee term was eight years as of both December 31, 2020 and December 31, 2019. While we expect to earn future guarantee fees at the average guarantee fee rate over the average remaining guarantee term, the actual amount earned will depend on the performance of the underlying collateral subject to our financial guarantee.

Net Interest Yield

Net Interest Yield & Average Investment Portfolio Balance

(Weighted average balance in billions)



■ **2020 vs. 2019**

- Net interest yield remained relatively flat.
- The weighted average investment portfolio balance of interest-earning assets was lower due to a decrease in the average balance of unsecuritized held-for-sale loans primarily driven by the timing of loan purchases and securitizations.

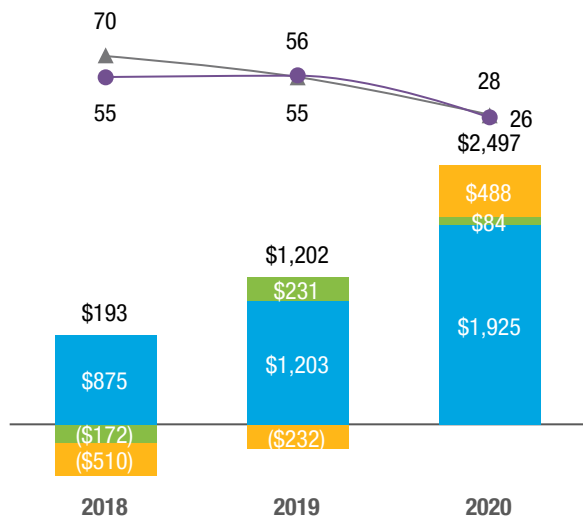
■ **2019 vs. 2018**

- Net interest yield increased primarily due to a higher yield and higher prepayment income received from mortgage-related securities, coupled with lower funding costs on our held-for-sale mortgage loans driven by lower interest rates.
- The weighted average investment portfolio balance of interest-earning assets decreased due to a reduction of our unsecuritized held-for-investment loans as we securitized more of these loans into PC securitizations.

Mortgage Loans Gains (Losses), Net and Initial Pricing Margin on Commitments

Multifamily Segment Mortgage Loans Gains (Losses), Net

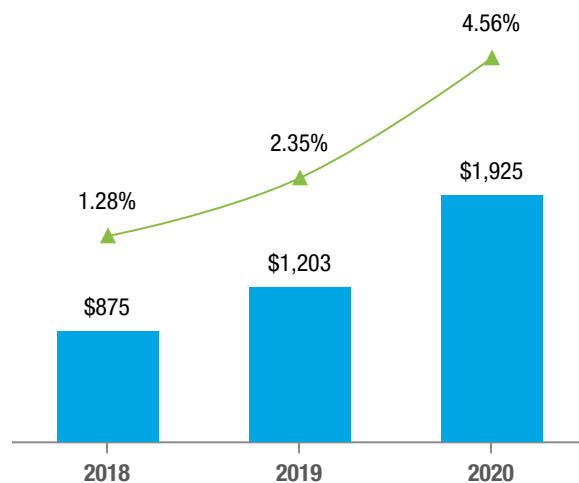
(In millions)



- Initial pricing margin on commitments
- Spread-related fair value changes
- Other
- ▲ 10-year fixed-rate spread (in bps)
- 7-year ARM spread (in bps)

Initial Pricing Margin on Commitments

(In millions)



- Initial pricing margin on commitments
- ▲ Initial pricing margin on commitments (%)

(Notional in millions)	2018	2019	2020
New loan commitments measured at fair value	\$68,439	\$51,253	\$42,227

Source of spread data in basis points: Independent Dealers

- We primarily recognize revenue from our mortgage loans as mortgage loans gains (losses), net, which is a component of investment gains (losses), net. The amount of mortgage loans gains (losses), net, shown above is net of gains and losses on derivative instruments we use to economically hedge the interest-rate risk of the loan commitments and mortgage loans.
- Mortgage loans gains (losses), net, consists of three components: (1) the initial pricing margin on new loan commitments, which we recognize at the commitment date for commitments we measure at fair value, (2) spread-related fair value changes during the commitment and loan holding periods for loan commitments and mortgage loans we measure at fair value, which are primarily driven by changes in benchmark spreads after the commitment date, and (3) other items, including realized gains on sales of mortgage loans we do not elect to measure at fair value.
- We recognized larger gains in mortgage loans gains (losses), net, during 2020 compared to 2019 primarily due to higher initial pricing margins on new loan commitments and greater realized gains from the sale of a higher volume of loans measured at the lower-of-cost-or-fair-value. While initial pricing margin remains at record levels, changes in market conditions and/or business strategy may reduce these margins in the future.

Financial Results

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

Table 15 - Multifamily Segment Financial Results

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
				\$	%	\$	%
Net interest income	\$943	\$1,069	\$1,096	(\$126)	(12)%	(\$27)	(2)%
Guarantee fee income	1,444	1,101	861	343	31	240	28
Mortgage loans gains (losses), net	2,497	1,202	193	1,295	108	1,009	523
Other investment gains (losses), net	(450)	(626)	(177)	176	28	(449)	(254)
Investment gains (losses), net	2,047	576	16	1,471	255	560	3,500
Other income (loss)	176	108	129	68	63	(21)	(16)
Net revenues	4,610	2,854	2,102	1,756	62	752	36
Credit-related expense	(136)	(18)	9	(118)	(656)	(27)	(300)
Administrative expense	(514)	(503)	(437)	(11)	(2)	(66)	(15)
Other expense	(37)	(41)	(36)	4	10	(5)	(14)
Operating expense	(551)	(544)	(473)	(7)	(1)	(71)	(15)
Segment Earnings (Losses) before income tax (expense) benefit	3,923	2,292	1,638	1,631	71	654	40
Income tax expense	(809)	(465)	(319)	(344)	(74)	(146)	(46)
Segment Earnings (Losses), net of taxes	3,114	1,827	1,319	1,287	70	508	39
Total other comprehensive income (loss), net of tax	101	101	(83)	—	—	184	222
Total comprehensive income (loss)	\$3,215	\$1,928	\$1,236	\$1,287	67 %	\$692	56 %

Key Drivers:

■ 2020 vs. 2019

- Decrease in net interest income driven by lower average loan and mortgage-related security balances, coupled with a decline in mortgage-related security prepayment income.
- Increase in guarantee fee income driven by continued growth in our guarantee portfolio, coupled with lower fair value losses on our multifamily guarantee assets due to lower interest rates.
- Higher investment gains (net of other comprehensive income) driven by strong initial pricing margins on new loan commitments, coupled with increased realized gains from the sale of a higher volume of loans measured at lower-of-cost-or-fair-value.
- Increase in credit-related expense due to higher expected credit losses as a result of the negative economic effects of the COVID-19 pandemic.

■ 2019 vs. 2018

- Net interest income remained relatively flat.
- Increase in guarantee fee income primarily driven by continued growth in our guarantee portfolio, coupled with lower fair value losses on our guarantee assets due to lower interest rates.
- Higher investment gains (net of other comprehensive income) driven by strong initial pricing margins on new loan commitments, coupled with spread-related fair value improvements.

Capital Markets

Business Overview

The Capital Markets segment is responsible for managing the majority of our mortgage-related investments portfolio, and providing company-wide treasury and interest-rate risk management functions. In addition, we are responsible for managing our securitization and resecuritization activities related to single-family loans, and supporting multifamily securitizations.

Our mortgage portfolio management activities primarily include single-family unsecuritized loans and purchases and sales of agency mortgage-related securities. In addition, we actively engage in the structuring of our agency mortgage-related securities. Our portfolio management activities also include responsibility for maintaining the other investments portfolio, which is primarily used for short-term liquidity management. However, certain portions of the mortgage-related investments portfolio are not managed by us, including the portions of the portfolio related to multifamily assets, single-family seriously delinquent loans, and the credit risk on single-family performing and reperforming loans.

We provide a company-wide treasury function, primarily managing our funding and liquidity needs on both a short- and long-term basis. The primary activities of the treasury function include issuing, calling, and repurchasing debt of Freddie Mac and maintaining a portfolio of non-mortgage investments.

Our interest-rate risk management function consolidates and manages the overall interest-rate risk of the company. We actively monitor and economically hedge this risk, primarily through the use of derivative instruments. In addition, we further reduce these interest-rate exposures through active management of our debt funding mix and through the structuring of our investments in mortgage-related securities. We use fair value hedge accounting to reduce the variability in our GAAP earnings due to changes in interest rates.

Finally, the Capital Markets segment is responsible for management of our securitization and resecuritization activities related to single-family loans, which are discussed in more detail in **MD&A - Our Business Segments - Single-Family Guarantee**.

Certain business activities are significantly constrained by limitations under the Purchase Agreement and limitations imposed by FHFA. These constraints reduce the size of our mortgage-related investments portfolio, limit investments used for liquidity and contingency, and constrain our future purchase volume through the cash window. These limitations increase our funding costs and negatively impact our results of operations. We may also forgo certain investment opportunities due to the risk that an accounting treatment may create earnings variability. For additional information on the limits on the mortgage-related investments portfolio established by the Purchase Agreement and by FHFA, see **MD&A - Conservatorship and Related Matters**. For additional information on the limits on the investments used for our liquidity and contingency portfolio established by FHFA, see **MD&A - Liquidity and Capital Resources**.

Products and Activities

Investing, Liquidity Management, and Related Activities

In our Capital Markets segment, our objectives are to make appropriate risk and capital management decisions, effectively execute our strategy and be responsive to market conditions. We manage the following types of products:

- **Agency mortgage-related securities** - We primarily invest in Freddie Mac mortgage-related securities and may also invest in Fannie Mae and Ginnie Mae mortgage-related securities from time to time. Our activities with respect to these products may include purchases and sales, dollar roll transactions, and structuring activities (e.g., resecuritizing existing agency securities into REMICs and selling some or all of the resulting REMIC tranches).
- **Single-family unsecuritized loans** - We acquire single-family unsecuritized loans in two primary ways:
 - **Loans acquired through our cash window that are awaiting securitization** - We securitize most of the loans acquired through our cash window into Freddie Mac mortgage-related securities, which may be sold to investors or retained in our mortgage-related investments portfolio; and
 - **Seriously delinquent or modified loans that we have removed from our consolidated trusts** - Certain of these loans may reperform, either on their own or through modification. Reperforming loans are managed by both the Capital Markets and Single-family Guarantee segments, but are included in the Capital Markets segment's financial results. Loans that remain seriously delinquent are also managed by both the Capital Markets and Single-family Guarantee segments, but are included in the Single-family Guarantee segment's financial results. We may continue to reduce the balance of our seriously delinquent and reperforming loans through a variety of methods, including loss mitigation and foreclosure activities and securitizations and sales. For more information on securitization and sales of seasoned loans, see **MD&A - Our Business Segments - Single-Family Guarantee - Business Overview - Products and Activities - Sales and Securitization of Certain Seasoned Loans**.

- **Other investments portfolio** - We invest in other investments, including: (i) the Liquidity and Contingency Operating Portfolio, primarily used for short-term liquidity management, (ii) cash and other investments held by consolidated trusts, (iii) investments used to pledge as collateral, and (iv) secured lending activities.

In our secured lending activities: (i) we provide funds to lenders for mortgage loans that they will subsequently either sell through our cash purchase program or securitize into securities that they will deliver to us, (ii) we enter into securities purchased under agreements to resell as a mechanism to provide financing to investors in Freddie Mac securities to increase liquidity and expand the investor base for those securities, and (iii) we provide secured term financing through revolving lines of credit collateralized by the value of contractual mortgage servicing rights on certain mortgages that we own. However, we no longer extend such lines of credit to new customers.

- **Non-agency mortgage-related securities** - We generally no longer purchase non-agency mortgage-related securities, and have minimal investments in such securities from our acquisitions in prior years. Our activities with respect to this product are primarily sales. However, we may acquire such securities in connection with our senior subordinate securitization structures backed by seasoned loans. In recent years, we and FHFA reached settlements with a number of institutions to mitigate or recover losses we recognized in prior years.

The primary impacts to Segment Earnings are:

- Interest income on agency and non-agency mortgage-related securities, unsecuritized loans, and our other investments portfolio;
- Fair value gains and losses due to changes in interest rate and market spreads on our agency and non-agency mortgage-related securities and on certain securities held within our other investments portfolio that are accounted for as investment securities. These amounts are recognized in Segment Earnings or total other comprehensive income (loss) depending upon their classification (trading or available-for-sale, respectively);
- Amortization of cost basis adjustments, such as net amortization of loans from our cash purchase program and related debt securities in consolidated trusts and hedge accounting related basis adjustments; and
- Gains and losses on the sale of unsecuritized loans.

We evaluate the liquidity of our mortgage-related assets based on three categories (in order of liquidity):

- **Liquid** - Single-class and multi-class agency securities, excluding certain structured agency securities collateralized by non-agency mortgage-related securities;
- **Securitization pipeline** - Performing single-family loans purchased for cash and primarily held for a short period until securitized, with the resulting Freddie Mac issued securities being sold or retained; and
- **Less liquid** - Assets that are less liquid than both agency securities and loans in the securitization pipeline (e.g., reperforming loans and non-agency mortgage-related securities).

We may undertake various activities to support our presence in the agency securities market or to support the liquidity of our securities, including their price performance relative to comparable Fannie Mae securities. These activities may include the purchase and sale of agency securities, dollar roll transactions, and structuring activities, such as resecuritization of existing agency securities and the sale of some or all of the resulting securities. Depending upon market conditions, there may be substantial variability in any period in the total amount of securities we purchase or sell. The purchase or sale of agency securities could, at times, adversely affect the price performance of our securities relative to comparable Fannie Mae securities.

We may incur costs to support our presence in the agency securities market and to support the liquidity and price performance of our securities. For more information, see **Risk Factors - Market Risks - A significant decline in the price performance of or demand for our UMBS could have an adverse effect on the volume and/or profitability of our new single-family guarantee business.**

Funding and Liquidity Management Activities

Our treasury function manages the funding needs of the company, including the Capital Markets segment, primarily through the issuance of unsecured debt of Freddie Mac. The type and term of debt issued is based on a variety of factors and is designed to meet our ongoing cash needs and to comply with our Liquidity Management Framework. This Framework provides a mechanism for us to sustain periods of market illiquidity, while being able to maintain certain business activities and remain current on our obligations. See **MD&A - Liquidity and Capital Resources - Liquidity Management Framework** for additional discussion of our Liquidity Management Framework.

We primarily use the following types of products as part of our funding and liquidity management activities:

- **Discount notes and Reference Bills[®]** - We issue short-term instruments with maturities of one year or less. These products are generally sold on a discounted basis, paying principal only at maturity. Reference Bills are auctioned to dealers on a regular schedule, while discount notes are issued in response to investor demand and our cash needs.
- **Medium-term notes** - We issue a variety of fixed-rate and variable-rate medium-term notes, including callable and non-callable securities, and zero-coupon securities, with various maturities.

- **Reference Notes® securities** - Reference Notes securities are non-callable fixed-rate securities, which we generally issue with original maturities greater than or equal to two years.
- **Securities sold under agreements to repurchase** - Collateralized short-term borrowings where we sell securities to a counterparty with an agreement to repurchase those securities at a future date.

In addition, proceeds from STACR debt notes, SCR debt notes, upfront fees and net worth are used to meet the funding needs of the company. We are no longer issuing STACR debt notes on a regular basis as STACR debt note transactions have been replaced with STACR Trust note transactions. For a description of STACR transactions, see **MD&A - Our Business Segments - Single-Family Guarantee - Business Overview - Products and Activities**, and for a description of SCR debt notes, see **MD&A - Our Business Segments - Multifamily - Business Overview - Products and Activities**.

The average life of our assets is longer than the average life of our liabilities, which creates liquidity risk. To manage short-term liquidity risk, we may hold a combination of cash, cash-equivalent, and non-mortgage-related investments in our Liquidity and Contingency Operating Portfolio. These instruments are limited to those we expect to be liquid or mature in the short term. We also lend available cash on a short-term basis through transactions where we purchase securities under agreements to resell. This portfolio is designed to allow us to meet all of our obligations in the event that we lose access to the unsecured debt markets for a period of time.

See **Liquidity and Capital Resources** for a further discussion of our funding and liquidity management activities.

The primary impacts to Segment Earnings are:

- Interest expense on our various funding products and
- Gains and losses on the early termination (call or repurchase) of our funding products.

Interest-Rate Risk Management Activities

We manage the economic interest-rate risk for the company and have management-approved limits for interest-rate risk, as measured by our models. See **MD&A - Risk Management - Market Risk** for additional information, including the measurement of the interest-rate sensitivity of our financial assets and liabilities.

There is a cash flow mismatch between our assets and liabilities that we use to fund those assets. This mismatch in cash flows not only leads to liquidity risk, but also results in interest-rate risk. We typically use interest-rate derivatives to reduce the economic risk exposure due to this mismatch. Using our risk management practices described in the **MD&A - Risk Management - Market Risk** section, we seek to reduce this impact to low levels. Additionally, assets that are likely to be sold prior to their final maturity may have a different debt and derivative mix than assets that we plan to hold for a longer period. As a result, interest-rate risk measurements for those assets may include additional assumptions (such as a view on expected changes in market spreads) concerning their price sensitivity rather than just a longer-term view of cash flows.

To manage our interest-rate risk, we primarily use interest rate swaps, options, swaptions, and futures. When we use derivatives to mitigate our risk exposures, we consider a number of factors, including cost, exposure to counterparty credit risk, and our overall risk management strategy.

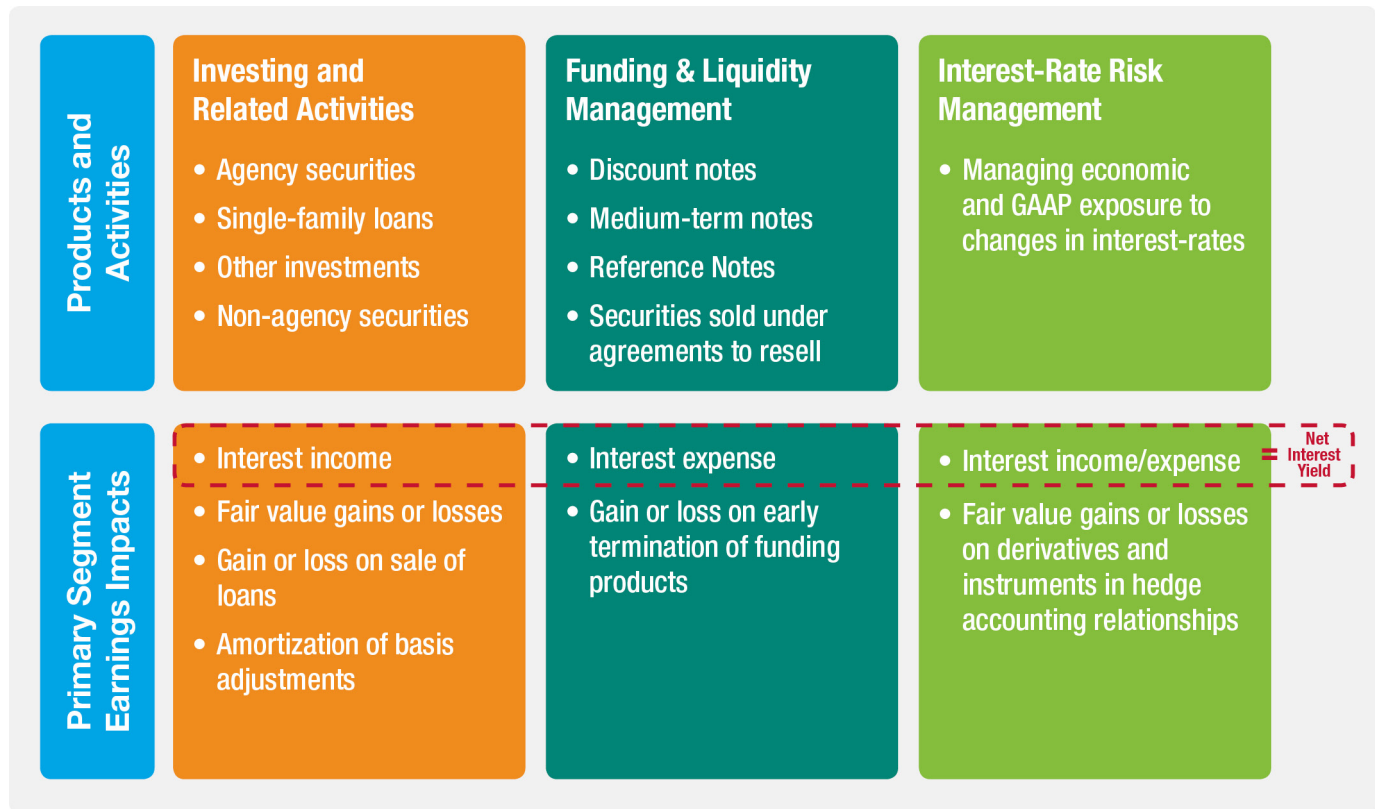
While our interest-rate risk management activities are primarily focused on reducing our economic interest-rate risk, we also use hedge accounting strategies to reduce our GAAP earnings variability. We use hedge accounting to better align our earnings with the economics of our business. After dedesignation of a fair value hedging relationship, the amount of amortization of the fair value hedging basis adjustment associated with the previously designated hedged item that we recognize in a period may differ from the change in fair value of the previously designated hedging instrument during that period, which may create variability in our earnings. Hedge accounting is not intended to change the investment and portfolio management decisions that our segment would otherwise make. For more information on our use of hedge accounting see **MD&A - Risk Management - Market Risk - Earnings Sensitivity to Market Risk** and **Note 10**.

We have participated in transactions that support the development of the Secured Overnight Financing Rate (SOFR) as an alternative rate to LIBOR and expect to continue to do so for the foreseeable future. These transactions include investment in and issuance of SOFR indexed floating-rate debt securities and securitizations and execution of SOFR indexed derivatives. For additional details on SOFR see **Risk Factors - Market Risks - The expected discontinuance of LIBOR could negatively affect the fair value of our financial assets and liabilities, results of operations, and net worth. A transition to an alternative reference interest rate could present operational problems and subject us to possible litigation risk. We may be unable to take a consistent approach across our financial products.**

The primary impacts to Segment Earnings are:

- Fair value gains and losses on derivatives not designated in qualifying hedge relationships;
- Interest income/expense on derivatives; and
- Differences between changes in the fair value of the hedged item attributable to the risk being hedged and changes in the fair value of the hedging instrument for derivatives designated in qualifying fair value hedge accounting relationships.

Summary of our Primary Business Model and Its Impacts to Segment Earnings



Securitization Activities

We manage the company's securitization and resecuritization activities related to single-family loans. See **MD&A - Our Business Segments - Single-Family Guarantee** for a discussion of our single-family securitization and guarantee products.

Customers

Our customers include banks and other depository institutions, insurance companies, money managers, central banks, pension funds, state and local governments, REITs, brokers and dealers, and a variety of lenders as discussed in **MD&A - Our Business Segments - Single-Family Guarantee - Business Overview - Customers**. Our unsecured debt securities and structured mortgage-related securities are initially purchased by dealers and redistributed to their customers.

Competition

Our competitors in the Capital Markets segment are firms that invest in loans and mortgage-related assets and issue corporate debt, including Fannie Mae, REITs, supranationals (international institutions that provide development financing for member countries), commercial and investment banks, dealers, savings institutions, insurance companies, the Federal Farm Credit Banks, the FHLBs, and non-bank loan aggregators, who are both our customers and competitors.

Business Results

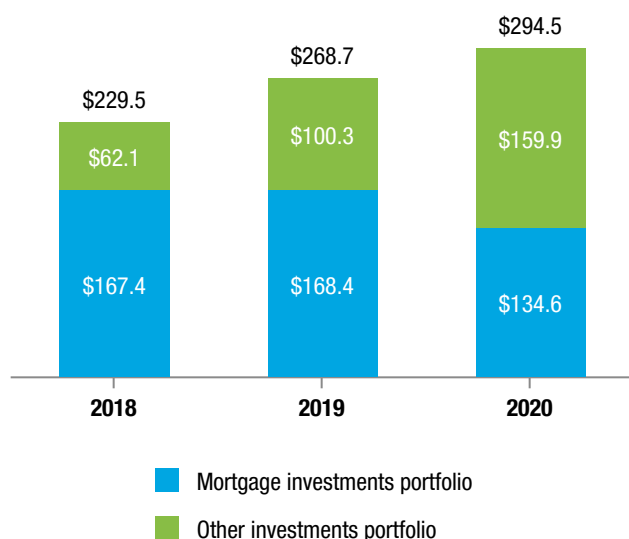
The graphs and related discussion below present the business results of our Capital Markets segment.

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.

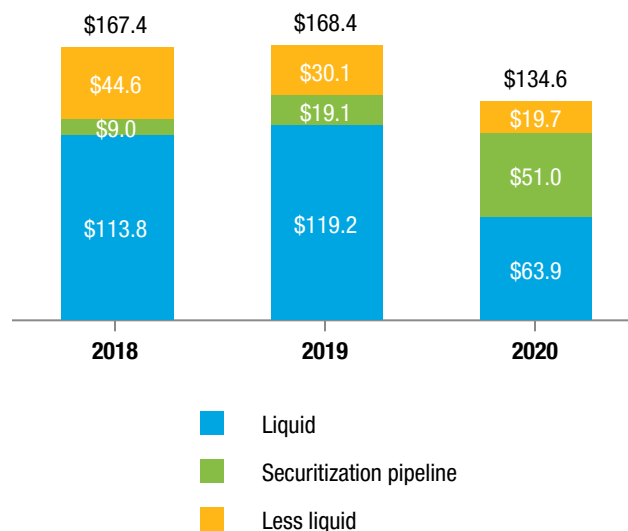
Investments Portfolio as of December 31,

(UPB in billions)



Mortgage Investments Portfolio as of December 31,

(UPB in billions)

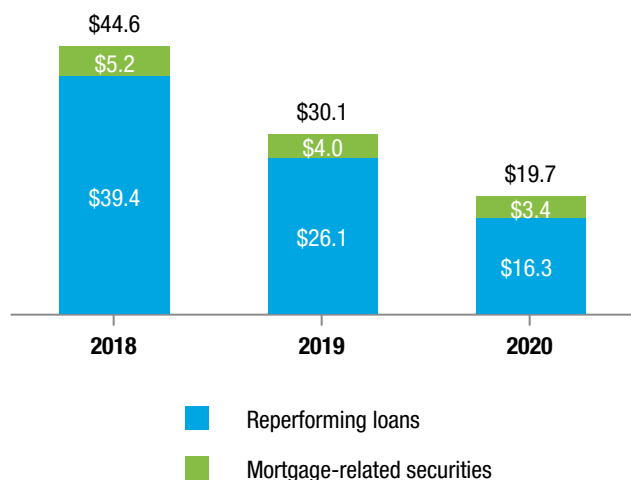


- The balance of our mortgage investments portfolio decreased by \$33.8 billion from December 31, 2019 to December 31, 2020 primarily due to mortgage-related investments portfolio constraints imposed by the Purchase Agreement and FHFA, coupled with higher single-family loan purchase volume. See **MD&A - Conservatorship and Related Matters** for additional details.
- The balance of our other investments portfolio increased 59.4% from \$100.3 billion as of December 31, 2019 to \$159.9 billion as of December 31, 2020, primarily due to higher near-term cash needs driven by a higher expected single-family cash window loan purchase forecast, coupled with a larger liquidity and contingency operating portfolio as we transitioned to comply with the updated minimum liquidity requirements established by FHFA. In addition, our custodial trust account balance increased due to higher loan prepayments.
- The overall liquidity of our mortgage investments portfolio continued to improve as our less liquid assets decreased during 2020. The percentage of less liquid assets relative to our total mortgage investments portfolio declined from 17.9% at December 31, 2019 to 14.6% at December 31, 2020, primarily due to securitizations and sales.

Reduction in Less Liquid Assets

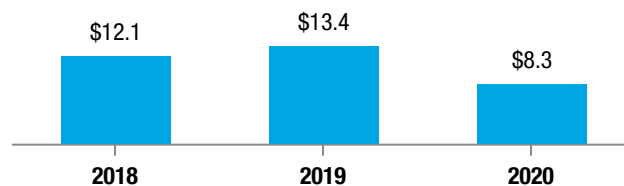
Less Liquid Assets as of December 31,

(UPB in billions)



Sales of Less Liquid Assets for the Year Ended December 31,

(UPB in billions)

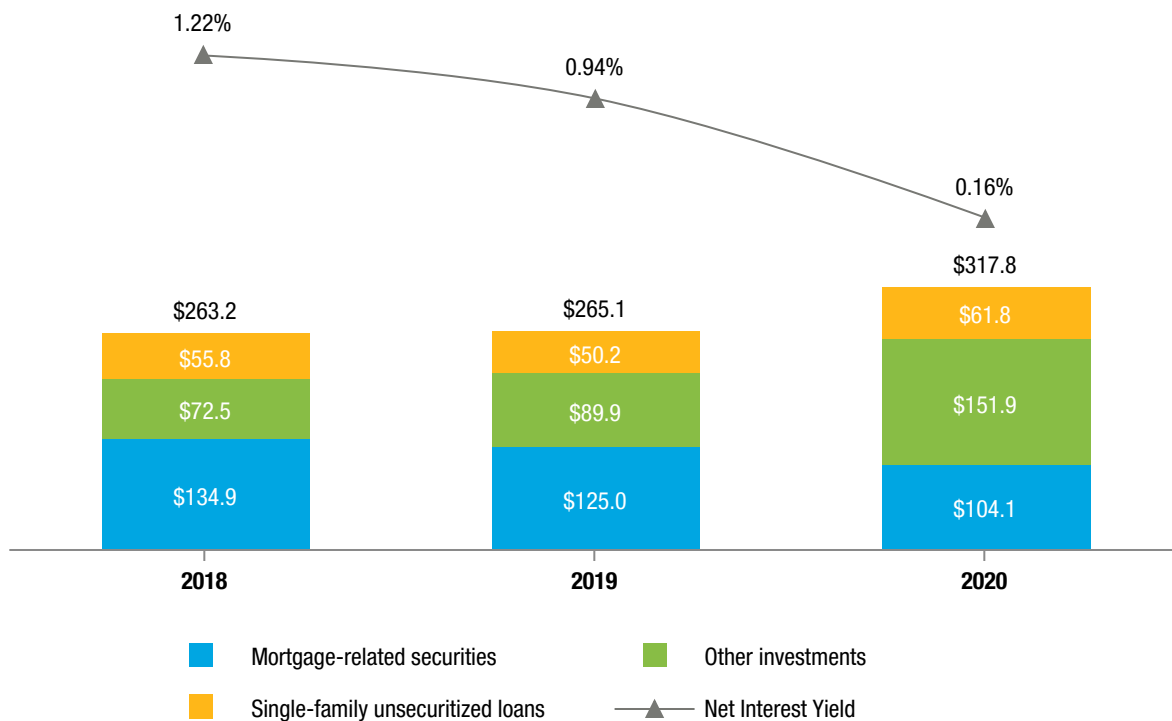


- Since 2013, we have focused on reducing, in an economically sensible manner, our holdings of certain less liquid assets, including single-family reperforming loans and non-agency mortgage-related securities. Our disposition strategies for our less liquid assets include securitizations and sales.
- During 2020, our sales of less liquid assets included \$8.3 billion in UPB of reperforming loans using our senior subordinate securitization structures. As part of these transactions, we retained certain of the guaranteed senior securities for our mortgage-related investments portfolio.
- One of our strategies is to securitize reperforming loans into Level 1 Securitization Products. In 2020, we securitized \$1.4 billion of single-family reperforming loans into 55-day MBS. We initially retained the resulting mortgage-related securities and may resecuritize or sell them to third parties.
- Our less liquid assets are likely to increase in future periods due to the effects of the COVID-19 pandemic as we will likely purchase a higher amount of delinquent and modified loans from securities after borrowers exit forbearance plans.

Net Interest Yield and Average Balances

Net Interest Yield & Average Investments Portfolio Balances

(Weighted average balance in billions)



- **2020 vs. 2019** - Net interest yield decreased primarily due to higher liquidation rates, driven by lower interest rates, resulting in an increase in amortization expense and additional expense due to payments to security holders of the full monthly coupon rate when loans pay off mid-month. In addition, our custodial trust account balance increased due to higher prepayments and earned a minimal yield due to historically low interest rates.
- **2019 vs. 2018** - Net interest yield decreased primarily due to the lower and flatter interest rate environment, coupled with a change in our investment mix, as the other investments portfolio represented a larger percentage of our total investments portfolio, and an increase in amortization expense resulting from higher loan liquidation rates.
- 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 17** for more information.

Financial Results

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

Table 16 - Capital Markets Segment Financial Results

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
				\$	%	\$	%
Net interest income	\$522	\$2,486	\$3,217	(\$1,964)	(79)%	(\$731)	(23)%
Investment gains (losses), net	(231)	(36)	1,803	(195)	(542)	(1,839)	(102)
Other income (loss)	(266)	(700)	340	434	62	(1,040)	(306)
Net revenues	25	1,750	5,360	(1,725)	(99)	(3,610)	(67)
Administrative expense	(412)	(414)	(365)	2	—	(49)	(13)
Other expense	(21)	(54)	(11)	33	61	(43)	(391)
Operating expense	(433)	(468)	(376)	35	7	(92)	(24)
Segment Earnings (Losses) before income tax (expense) benefit	(408)	1,282	4,984	(1,690)	(132)	(3,702)	(74)
Income tax (expense) benefit	84	(260)	(976)	344	132	716	73
Segment Earnings (Losses), net of taxes	(324)	1,022	4,008	(1,346)	(132)	(2,986)	(75)
Total other comprehensive income (loss), net of tax	120	494	(527)	(374)	(76)	1,021	194
Total comprehensive income (loss)	(\$204)	\$1,516	\$3,481	(\$1,720)	(113)%	(\$1,965)	(56)%

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

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

(Dollars in millions)	Year Ended December 31,			Year Over Year Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
				\$	%	\$	%
Interest rate-related	\$0.6	(\$0.4)	(\$0.3)	\$1.0	250 %	(\$0.1)	(33)%
Market spread-related	(0.7)	0.2	0.4	(0.9)	(450)	(0.2)	(50)

Key Drivers:

■ 2020 vs. 2019

- Net interest income decreased primarily due to higher liquidation rates, driven by lower interest rates, resulting in an increase in amortization expense and additional expense due to payments to security holders of the full monthly coupon rate when loans pay off mid-month. In addition, our custodial trust account balance increased due to higher prepayments and earned a minimal yield due to historically low interest rates.
- Decrease in investment gains (losses), net, primarily due to losses on commitments to sell mortgage-related securities as prices increased due to spread tightening, partially offset by gains on commitments to purchase mortgage loans. In addition, we recognized interest rate-related fair value gains as long-term interest rates further declined. The decrease in long-term interest rates resulted in fair value gains on many of our investments in securities (some of which are recorded in other comprehensive income), partially offset by derivative losses and amortization expense from previously deferred fair value hedge accounting basis adjustments related to hedging company-wide interest-rate risk. See **MD&A - Risk Management - Market Risk** for additional information on the effect of market-related items on our comprehensive income.
- Increase in other income primarily due to higher net amortization of certain basis adjustments on loans and debt securities of consolidated trusts.

■ 2019 vs. 2018

- Net interest income decreased primarily due to the lower and flatter interest rate environment, which also resulted in an increase in amortization expense due to higher loan liquidation rates and a change in our investment mix, as the other investments portfolio represented a larger percentage of our total investments portfolio.
- Decrease in investment gains (losses), net of \$1.8 billion, partially offset by an increase of \$1.0 billion in other comprehensive income. The remaining decline in investment gains (losses) was primarily due to a decline of

approximately \$0.5 billion in gains from debt repurchase activity and the \$0.3 billion increase in interest rate-related and market spread-related fair value losses shown in the table above. Both of these declines were primarily attributable to the decrease in long-term interest rates. 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 recorded in the single-family segment. This increase in derivative volume introduced additional volatility in our financial results that primarily drove our interest rate-related fair value losses. See **MD&A - Risk Management - Market Risk** for additional information on the effect of market-related items on our comprehensive income.

- Decrease in other 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 loans from our cash purchase program. For further discussion on timing differences in amortization, see **MD&A - Consolidated Results of Operations**.

RISK MANAGEMENT

Overview

To achieve our mission of providing liquidity, stability, and affordability to the U.S. housing market, we take risks as an integral part of our business activities. Risk is the possibility that events will adversely affect the achievement of our mission, strategy, and business objectives. Risk can manifest itself in many ways and the responsibility for risk management resides at all levels of the company. We seek to take risks in a safe and sound, well-controlled manner to earn acceptable risk-adjusted returns on both a corporate-wide and, where applicable, transaction basis. Our goal is to maintain a strong risk culture where employees are risk aware, collaborative, and transparent, individually accountable for their decisions, and conduct business in an effective, legal, and ethical manner.

We utilize a risk taxonomy to define and classify risks that we face in operating our business. These risks have the potential to adversely affect our current or projected financial and operational resilience. The risk taxonomy is also the basis for aligning corporate risk policies and standards. Risks are classified into the following categories:

- Credit Risk;
- Operational Risk;
- Market Risk;
- Liquidity Risk;
- Strategic Risk; and
- Reputation Risk.

Strategic and reputation risks are factored into business decisions and are a shared responsibility of senior management. For more discussion of these and other risks facing our business, see **Risk Factors**. See **Liquidity and Capital Resources** for a discussion of liquidity risk.

Enterprise Risk Framework

The enterprise risk framework is a key component for how we manage risk to achieve our mission, strategy, and business objectives. The enterprise risk framework:

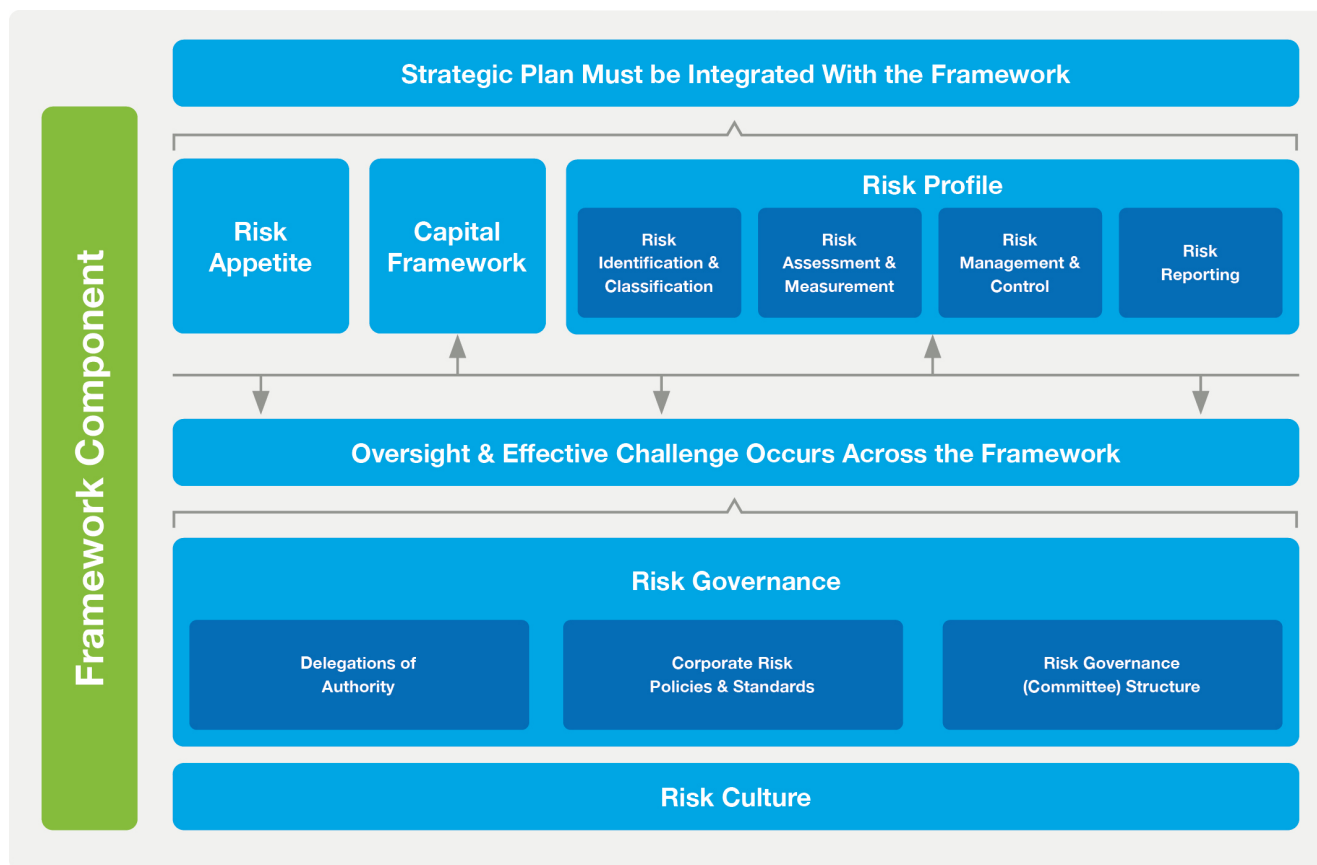
- Defines risk roles and responsibilities across the three lines of defense and
- Promotes accountability and transparency in risk management decisions and execution.

The framework includes the following components:

- **Risk Appetite** - The risk appetite is the level of risk, both in aggregate and by risk type, within the company's risk capacity that the Board and management are willing to assume to achieve the company's strategic goals. The risk appetite is influenced by our available capital, and integrated and aligned with the strategic plans for the company and each business segment. The risk appetite is approved by the Board of Directors and then by FHFA as Conservator, who may change our risk appetite or risk limits.
- **Capital Framework** - We have historically used FHFA's CCF, and internal capital methodologies, where available, to measure risk for making economically effective decisions. FHFA issued a new capital rule, the ERCF, under which we will be required to report regulatory capital consistent with the new rule beginning January 1, 2022. We are transitioning to ERCF and may begin implementing sooner, upon the direction of FHFA.
- **Risk Profile** - The risk profile is a point-in-time assessment and measurement of inherent and/or residual risk for a specific risk type, measured at a divisional or enterprise level for the relevant risk types. The risk profile considers risk trends, elevated, emerging, and top risks, control performance, and risk indicators. The risk profile also incorporates results from, and may inform, stress testing or scenario analysis, judgmental evaluation of external and internal risk drivers, and any development that may affect performance relative to the company's strategy and business objectives.
- **Risk Governance** - Risk governance defines the way in which we manage risk across the company by articulating specific roles and responsibilities across the three lines of defense, including escalation and reporting. It is formalized through the delegations of authority, corporate risk policies and standards, and the risk governance structure at the division, enterprise, and Board levels.
 - **Delegations of Authority** - The Board of Directors delegates authority to the CEO (and while that office is vacant, to the President), who then delegates to members of executive management.
 - **Issuance of Corporate Risk Policies and Standards** - Corporate risk policies and standards define roles and responsibilities with respect to risk management, establish risk approval requirements, and set forth escalation and reporting requirements.

- **Risk Governance Structure** - The risk governance structure consists of management- and Board-level committees and their roles and responsibilities are formalized in their charters.

The diagram below illustrates the components of the enterprise risk framework.



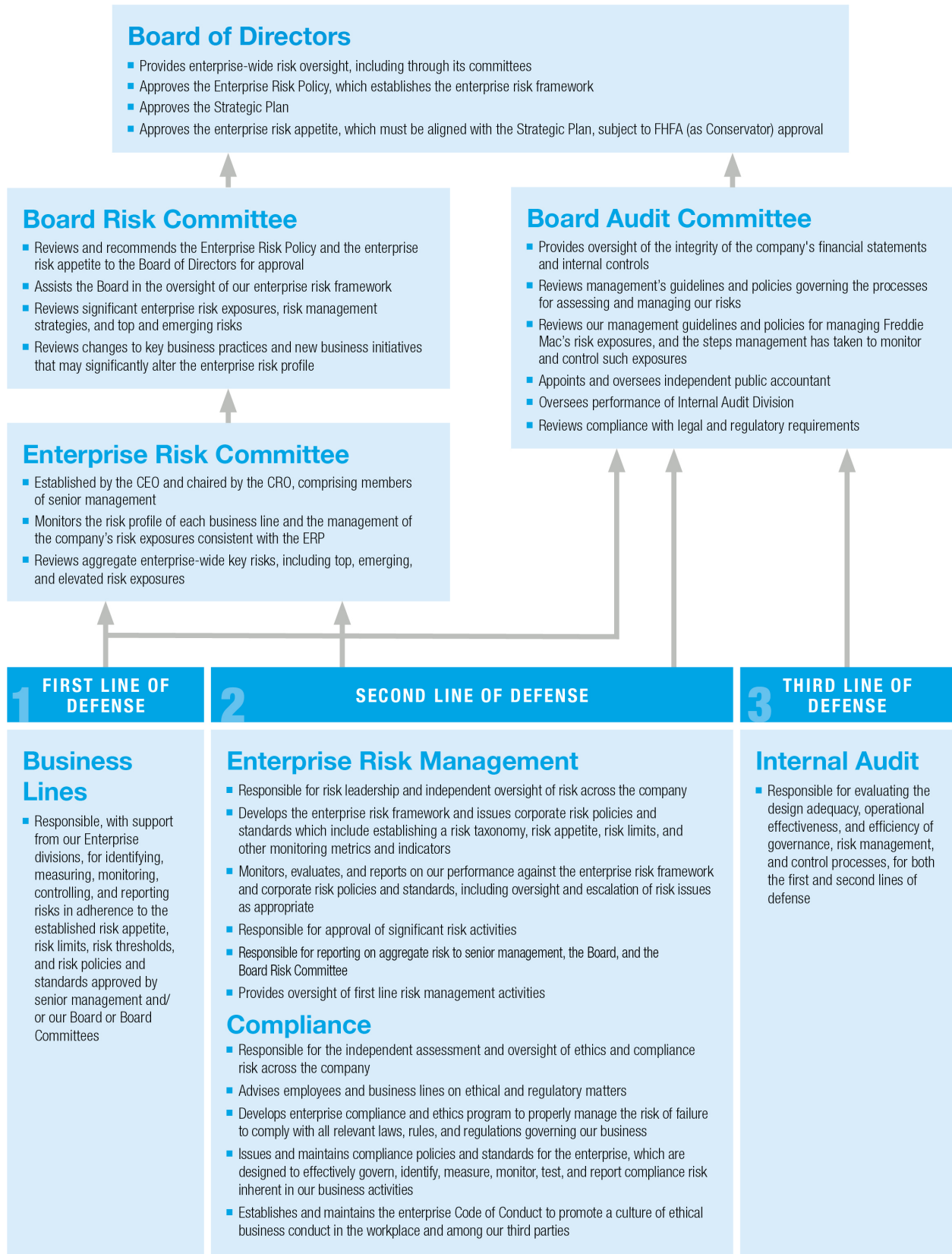
FHFA has increased supervisory expectations related to how risk is managed and overseen by management and the Board, and specifically the role of ERM to provide independent risk oversight and effective challenge. As a result, we must continue to invest in our risk management practices to meet these expectations.

Enterprise Risk Governance Structure

We manage risk using a three-lines-of-defense risk management model and governance structure that includes enterprise-wide oversight by the Board and its committees, the CRO, and the CCO.

The information and diagram below present the responsibilities associated with our three-lines-of-defense risk management model and our risk governance structure. The risk governance structure also includes division risk committees to actively discuss and monitor business-specific risk profiles, risk decisions, and risk appetite metrics, limits and thresholds, and risk type committees to oversee specific risk types that are present in and span across business lines.

For more information on the role of the Board and its committees, see **Directors, Corporate Governance, and Executive Officers - Corporate Governance - Board and Committee Information**.



Credit Risk

Overview

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

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

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

Counterparty credit risk is the risk associated with the inability or failure of a counterparty to meet its contractual obligations.

On January 1, 2020, we adopted CECL, which changed our methodology for accounting for credit losses on financial assets measured at amortized cost and off-balance sheet credit exposures. See **Note 1** for additional information on our adoption of CECL. See **Note 4**, **Note 5**, and **Note 7** for additional information on the changes in our significant accounting policies that affect the accounting for credit losses on our single-family and multifamily credit risk exposures as a result of our adoption of CECL.

In the sections below, we provide a general discussion of our enterprise risk framework and current risk environment for mortgage credit risk and for counterparty credit risk.

Single-Family Mortgage Credit Risk

We manage our exposure to single-family mortgage credit risk, which is a type of consumer credit risk, using the following principal strategies:

- Maintaining prudent underwriting standards and quality control practices and managing seller/servicer performance;
- Transferring credit risk to third-party investors;
- Monitoring loan performance and characteristics;
- Engaging in loss mitigation activities; and
- Managing foreclosure and REO activities.

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

We employ multiple strategies to maintain loan quality and data transparency:

- Underwriting standards, as published in our Guide and incorporated in Freddie Mac Loan AdvisorSM, establish the requirements for eligibility, documentation, and representations and warranties;
- Loan quality control practices, including post-close credit review and the underwriting defects repurchase process, help to validate that the loan origination process is in compliance with our Guide and that loans perform at or above expected levels; and
- Seller/servicer management, including in-house quality control and performance monitoring, helps to maintain quality control for loans sold and/or serviced by third parties.

Underwriting Standards

We use a delegated underwriting process in connection with our acquisition of single-family loans whereby we set eligibility and underwriting standards, and sellers represent and warrant to us that loans they sell to us meet these standards. Our eligibility and underwriting standards are used to assess loans based on a number of characteristics.

Limits are established on the purchase of loans with certain higher risk characteristics. These limits are designed to balance our credit risk exposure while supporting affordable housing in a responsible manner. Our purchase guidelines generally provide for a maximum original LTV ratio of 97% for creditworthy first-time homebuyers and for a targeted segment of creditworthy borrowers meeting certain AMI requirements under our affordable housing initiatives, a maximum original LTV ratio of 95% for all other home purchase and no cash out refinance loans, a maximum original LTV ratio of 80% for cash-out refinance loans, no maximum LTV ratio for fixed-rate loans, and a 105% maximum LTV ratio for ARMs in our relief refinance programs.

Loan Advisor is our main tool for assessing loan eligibility and documentation. Loan Advisor is a set of integrated software applications and services designed to give lenders access to our view of risk, loan quality, and eligibility during the origination process, which promotes efficient commerce between lenders and Freddie Mac. As a key component of Loan Advisor, Loan Product Advisor® ("LPA") takes advantage of proprietary data models and intelligent automation to help validate all loans meet our underwriting standards. LPA features innovative tools and offerings leveraging algorithms to enhance the origination process and generates an assessment of a loan's credit risk and overall quality.

Historically, the majority of our purchase volume was assessed using either LPA, Fannie Mae's comparable software Desktop Underwriter (DU), or the seller's proprietary automated underwriting system. We have implemented steps to require the loans we purchase to be assessed by one of Freddie Mac's proprietary underwriting software tools, LPA or Loan Quality Advisor®, prior to purchase. By the end of 2020, substantially all of the loans we purchase are now assessed by Freddie Mac proprietary software, helping validate their compatibility with our risk appetite and reducing the volume of loans we acquire with layered risk.

With Loan Advisor, lenders can actively monitor representation and warranty relief earlier in the mortgage loan production process. Loan Advisor offers limited representation and warranty relief for certain loan components that satisfy automated data analytics related to appraisal quality, valuation, borrower assets, and borrower income. In general, limited representation and warranty relief is only offered when information provided by lenders is validated through the use of independent data sources.

If we discover that the representations or warranties related to a loan were breached (i.e., that contractual standards were not followed), we can exercise certain contractual remedies to mitigate our actual or potential credit losses. These contractual remedies include the ability to require the seller or servicer to repurchase the loan at its current UPB, reimburse us for losses realized with respect to the loan after consideration of any other recoveries, and/or indemnify us. Our current remedies framework provides for the categorization of loan origination defects for loans with settlement dates on or after January 1, 2016. Among other items, the framework provides that "significant defects" will result in a repurchase request or a repurchase alternative, such as recourse or indemnification.

Under our current selling and servicing representation and warranty framework for our mortgage loans, we relieve sellers of repurchase obligations for breaches of certain selling representations and warranties for certain types of loans, including:

- Loans that have established an acceptable payment history for 36 months (12 months for relief refinance loans) of consecutive, on-time payments after purchase, subject to certain exclusions and
- Loans that have satisfactorily completed a quality control review.

An independent dispute resolution process for alleged breaches of selling or servicing representations and warranties on our loans allows for a neutral third party to render a decision on demands that remain unresolved after the existing appeal and escalation processes have been exhausted.

Quality Control Practices

We employ a quality control process to review loan underwriting documentation for compliance with our standards using both random and targeted samples. We also perform quality control reviews of many delinquent loans and review loans that have resulted in credit losses before the representations and warranties are relieved. Sellers may appeal our ineligible loan determinations prior to repurchase of the loan.

We use a standard quality control process that facilitates more timely reviews and is designed to identify breaches of representations and warranties early in the life of the loan. Proprietary tools, such as Quality Control Advisor®, provide greater transparency into our customer quality control reviews.

Appraisal Waivers

Since June 2017, Freddie Mac has permitted sellers to originate certain eligible loans without a traditional appraisal by leveraging our proprietary models, along with historical data and public records through our Loan Product Advisor® Automated Collateral Evaluator (ACE). For mortgaged properties meeting certain qualifications as specified in the Guide, the property value (purchase price for purchase transactions and borrower provided estimated value for refinances) along with condition are assessed using ACE. ACE uses our in-house automated valuation model, Home Value Explorer® (HVE). HVE was built and is periodically enhanced for the express purpose of managing collateral risk at Freddie Mac. ACE leverages statistically based, empirically derived confidence scores to assess collateral risk.

In response to the COVID-19 pandemic, in March 2020 we introduced expanded eligibility of ACE waivers to include no cash-out refinance with LTV up to 90% and cash-out refinances for primary residences up to 70% LTV and second homes up to 60% LTV. During the pandemic, homeowners and appraisers expressed concerns with entering properties which potentially could stall the process of closing loans. As a result of this expansion combined with a historically high refinance market (ACE waivers are granted more often for refinanced loans), ACE waiver usage increased substantially during 2020. We monitor the size of ACE waivers relative to Fannie Mae's appraisal waivers to reduce prepayment misalignment risk in UMBS.

Managing Seller/Servicer Performance

We actively monitor seller and servicer performance, including compliance with our standards. We maintain approval standards for our seller/servicers, which include requiring our sellers to maintain an in-house quality control program with written procedures that operates independently of the seller's underwriting and origination functions. We monitor servicer performance using our Servicer Success Scorecard and periodically review our seller/servicers' operational processes. We also periodically change seller/servicer guidelines based on the results of our mortgage portfolio monitoring, if warranted.

Temporary Underwriting Changes Due to COVID-19 Pandemic

We have announced temporary changes in our underwriting standards due to the COVID-19 pandemic, which may negatively affect the expected performance of purchased loans that were underwritten under these temporary changes.

In March and May 2020, we introduced a number of temporary measures to help provide sellers with the clarity and flexibility to continue to lend in a prudent and responsible manner during the COVID-19 pandemic. Certain measures have been revised and the application date windows for these measures have been extended as outlined below. These temporary measures include:

- Allowing flexibility in demonstrating a borrower's current employment status for applications received through February 28, 2021.

The following temporary measures are in effect until further notice:

- Requiring income and asset documentation, including that associated with self-employed borrowers, to be dated closer to the loan closing date in order to verify the most up-to-date information is being used to support the borrower's ability to repay;
- Providing additional document requirements and guidance for borrowers whose income is derived from self-employment. These requirements were revised and became effective for applications dated on or after December 14, 2020;
- Requiring mortgages to be sold to Freddie Mac within six months of the note date;
- Establishing underwriting restrictions applicable to a borrower's accounts containing stocks, stock options, and mutual funds due to current market volatility; and
- Verifying that any mortgage that a borrower has is current or is brought current via reinstatement or by making at least three consecutive timely payments under a loss mitigation program.

In March and April 2020, we announced loan processing flexibilities to expedite loan closings and help keep homebuyers, sellers, and appraisers safe during the COVID-19 pandemic. These flexibilities have also been extended to include loans with applications dated on or before February 28, 2021. They include:

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

The measures related to use of powers of attorney and remote online notarization have been incorporated into our Guide and are therefore no longer temporary. Some of these changes in our underwriting standards due to the COVID-19 pandemic may negatively affect the expected performance of loans purchased while these changes are in effect. The pandemic may also strain sellers' ability to increase their operational capacity to handle the historically high volume of refinance mortgages while maintaining proper quality control, which may further impact the credit quality of the loans we purchase during the affected periods. In addition, the CARES Act requires creditors to report to credit bureaus that loans in relief programs, such as forbearance plans, repayment plans, and loan modification programs, are current as long as the loans were current prior to entering into the relief programs and the borrowers remain in compliance with the programs. This credit reporting requirement applies to all mortgage relief programs entered into between January 31, 2020 and the date that is 120 days after the declaration of the national emergency related to the COVID-19 pandemic ends. As a result, our ability to evaluate purchases of new loans may be adversely affected as credit scores may not fully reflect the impact of relief programs, offered by us or other creditors, into which borrowers may have entered.

We announced in April 2020 that we would temporarily purchase certain single-family mortgage loans that have entered into forbearance as a result of borrower hardship caused by the COVID-19 pandemic in order to help provide liquidity to the mortgage market and allow originators to keep lending. This temporary measure was extended to include mortgage loans with note dates on or after April 1, 2020 and on or before December 31, 2020 and with settlement dates on or before February 28, 2021. The purchases of such loans have been insignificant. We also temporarily halted the purchase of negotiated bulk transactions and the purchase of flow loans with more than six months seasoning in May 2020.

We have also announced that, at the instruction of FHFA and in alignment with Fannie Mae, a 50 basis point adverse market refinance fee was implemented for refinance mortgages, excluding those with low balances and certain product types, with settlement dates on or after December 1, 2020 in response to projected credit losses related to the COVID-19 pandemic.

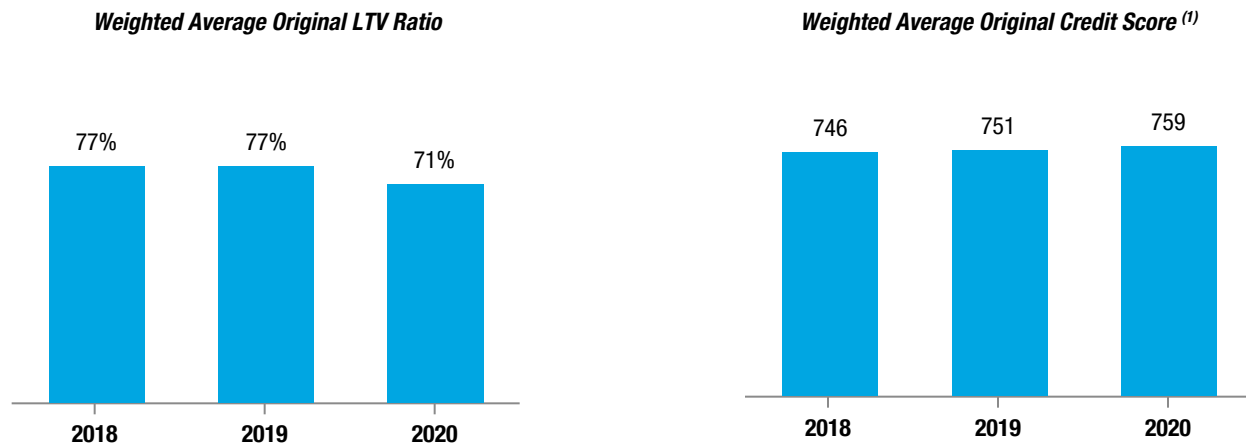
Underwriting Restrictions Related to January 2021 Letter Agreement

The January 2021 Letter Agreement requires us to limit our acquisition of certain single-family mortgage loans.

- A maximum of 6% of purchase money mortgages and 3% of refinance mortgages over the preceding 52-week period can have two or more of the following characteristics at origination: combined LTV ratio greater than 90%; debt-to-income ratio greater than 45%; and FICO or equivalent credit score less than 680.
- Acquisitions of single-family mortgage loans secured by either second homes or investment properties will be limited to 7% of the single-family mortgage loan acquisitions over the preceding 52-week period.
- Subject to such exceptions as FHFA may prescribe to permit us to acquire single-family mortgage loans that are currently eligible for acquisition, we will be required to implement by July 1, 2021 a program reasonably designed to ensure that each single-family mortgage loan acquired is: (i) a qualified mortgage; (ii) exempt from the CFPB's ability-to-repay requirements; (iii) secured by an investment property, subject to the restrictions above; (iv) a refinancing with streamlined underwriting for high LTV ratios; (v) a loan with temporary underwriting flexibilities due to exigent circumstances, as determined in consultation with FHFA; or (vi) secured by manufactured housing.

Loan Purchase Credit Characteristics

We monitor and evaluate market conditions that could affect the credit quality of our single-family loan purchases. The credit quality of our single-family loan purchases improved during 2020. The graphs below show the credit profile of the single-family loans we purchased or guaranteed.



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

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

Table 18 - Single-Family New Business Activity

(Dollars in millions)	Year Ended December 31,					
	2020		2019		2018	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
30-year or more amortizing fixed-rate	\$866,075	80 %	\$389,515	86 %	\$266,995	87 %
20-year amortizing fixed-rate	53,094	5	15,381	3	8,373	3
15-year amortizing fixed-rate	166,814	15	43,164	10	28,878	9
Adjustable-rate	3,788	—	5,257	1	3,848	1
FHA/VA and other governmental	296	—	164	—	103	—
Total	\$1,090,067	100 %	\$453,481	100 %	\$308,197	100 %
Percentage of purchases						
DTI ratio > 45%		10 %		14 %		18 %
Original LTV ratio > 90%		11		19		22
Original credit score < 680		4		7		9
Property type:						
Detached single-family houses		63		61		60
Townhouse		30		31		32
Condominium or co-op		7		8		8
Occupancy type:						
Primary residence		94		92		90
Second home		3		4		4
Investment property		3		4		6
Loan purpose:						
Purchase		30		55		69
Cash-out refinance		18		18		19
Other refinance		52		27		12

Transferring Credit Risk to Third-Party Investors

Types of Credit Enhancements

Our Charter requires coverage by specified credit enhancements or participation interests on single-family loans with LTV ratios above 80% at the time of purchase. Most of our loans with LTV ratios above 80% are protected by primary mortgage insurance, which provides loan-level protection against loss up to a specified amount, the premium for which is typically paid by the borrower. Generally, an insured loan must be in default and the borrower's interest in the underlying property must have been extinguished, such as through a short sale or foreclosure sale, before a claim can be filed under a primary mortgage insurance policy. The mortgage insurer has a prescribed period of time within which to process a claim and make a determination as to its validity and amount.

In addition to obtaining credit enhancements required by our Charter, we also enter into various CRT transactions in which we transfer mortgage credit risk to third parties. The table below contains a summary of the types of credit enhancements we use to transfer credit risk on our single-family loans. See **MD&A - Our Business Segments - Single-Family Guarantee - Business Overview - Products and Activities** for more information on our CRT transactions.

Category	Products	CRT	Coverage type	Accounting treatment
Primary mortgage insurance	Primary mortgage insurance	No	Front-end	Attached
STACR	STACR Trust notes	Yes	Back-end	Freestanding
	STACR debt notes	Yes	Back-end	Debt
Insurance/reinsurance	ACIS	Yes	Back-end	Freestanding
	AFRM	Yes	Front-end	Freestanding
	IMAGIN	Yes	Front-end	Freestanding
Subordination	Senior subordinate securitization structures backed by seasoned loans (nonconsolidated)	Yes	Back-end	Guarantee
	Senior subordinate securitization structures backed by recently originated loans (consolidated)	Yes	Back-end	Debt
Lender risk sharing	Lender risk sharing	Yes	Front-end	Freestanding

Single-Family Credit Guarantee Portfolio CRT Issuance

The table below provides the issuance amounts during the applicable periods, including the protected UPB and maximum coverage, associated with CRT transactions for loans in our single-family credit guarantee portfolio. We have enhanced our methodology to identify UPB with more than one type of CRT activity and, as a result, certain prior period amounts have been revised to conform to the current period presentation. Although the COVID-19 pandemic has caused significant volatility in the single-family CRT markets, our CRT issuance amounts increased during 2020 due to our ability to shorten the loan acquisition to CRT issuance timeline from approximately three quarters to two quarters and significant increases in loan purchase and guarantee activity. These issuances were supported by solid investor demand and subscription levels even though our ability to execute these transactions was negatively impacted by the effects of the COVID-19 pandemic during 2Q 2020. However, the COVID-19 pandemic continues to impose uncertainties and may continue to adversely impact our transactions going forward. See **Introduction - About Freddie Mac - COVID-19 Pandemic Response Efforts - Business Outlook** for additional information.

Table 19 - Single-Family Credit Guarantee Portfolio CRT Issuance

(In millions)	Year Ended December 31,					
	2020		2019		2018	
	Protected UPB ⁽¹⁾	Maximum Coverage ⁽²⁾	Protected UPB ⁽¹⁾	Maximum Coverage ⁽²⁾	Protected UPB ⁽¹⁾	Maximum Coverage ⁽²⁾
STACR	\$427,155	\$11,141	\$203,239	\$6,671	\$243,007	\$6,935
Insurance/reinsurance	422,719	4,181	210,650	2,687	270,084	3,140
Subordination	7,016	1,254	11,197	1,666	30,911	1,984
Lender risk sharing	7,293	1,125	31,025	1,860	10,940	345
Less: UPB with more than one type of CRT activity	(388,340)	(769)	(203,239)	(723)	(219,072)	—
Total CRT Activities	\$475,843	\$16,932	\$252,872	\$12,161	\$335,870	\$12,404

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

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

Single-Family Credit Guarantee Portfolio Credit Enhancement Coverage Outstanding

The tables below provide information on the total protected UPB and maximum coverage associated with credit enhanced loans in our single-family credit guarantee portfolio as of December 31, 2020 and December 31, 2019, respectively. The percentage of loans in single-family credit guarantee portfolio covered by credit enhancement decreased in 2020 compared to 2019 primarily due to increased number of recently acquired loans that are targeted to be included in future on-the-run CRT transactions and have not been included in a reference pool, as well as improved credit quality of recently acquired loans, which results in a lower targeted loan population for on-the-run CRT transactions.

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

(Dollars in millions)	December 31, 2020		
	Protected UPB ⁽¹⁾	% of Single-Family Credit Guarantee Portfolio	Maximum Coverage ⁽²⁾
Primary mortgage insurance	\$472,881	20%	\$116,973
STACR	853,733	37	29,665
Insurance/reinsurance	876,815	38	11,586
Subordination	38,074	2	6,182
Lender risk sharing	5,731	—	4,831
Other	374	—	371
Less: UPB with multiple CRT and/or other credit enhancements	(1,069,281)	(46)	—
Single-family credit guarantee portfolio - covered by credit enhancement	1,178,327	51	169,608
Single-family credit guarantee portfolio - other	1,148,099	49	—
Total	\$2,326,426	100%	\$169,608

(Dollars in millions)	December 31, 2019		
	Protected UPB ⁽¹⁾	% of Single-Family Credit Guarantee Portfolio	Maximum Coverage ⁽²⁾
Primary mortgage insurance	\$421,870	21%	\$107,690
STACR	824,359	41	25,112
Insurance/reinsurance	863,149	43	10,157
Subordination	44,941	2	5,399
Lender risk sharing	24,078	1	5,657
Other	1,056	—	1,051
Less: UPB with multiple CRT and/or other credit enhancements	(1,058,402)	(52)	—
Single-family credit guarantee portfolio - covered by credit enhancement	1,121,051	56	155,066
Single-family credit guarantee portfolio - other	873,398	44	—
Total	\$1,994,449	100%	\$155,066

- (1) For STACR and certain insurance/reinsurance transactions (e.g., ACIS), represents the UPB of the assets included in the reference pool of the transactions. For other insurance/reinsurance transactions, represents the UPB of the assets covered by the insurance policy. For subordination, represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust, net of the protection provided by the subordinated securities. For certain transactions, protected UPB may be different from the UPB of the underlying loans due to timing differences in reporting cycles between the transactions and the loans.
- (2) For STACR transactions, represents the outstanding balance held by third parties. For insurance/reinsurance transactions, represents the remaining aggregate limit of insurance purchased from third parties. For subordination, represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

Credit Enhancement Coverage Characteristics

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

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

(% of portfolio based on UPB) ⁽¹⁾⁽²⁾	December 31, 2020		December 31, 2019	
	% of Portfolio	SDQ Rate	% of Portfolio	SDQ Rate
Credit-enhanced				
Primary mortgage insurance	21 %	3.77 %	21 %	0.79 %
CRT and other	41	3.22	55	0.40
Non-credit-enhanced	50	2.13	45	0.70
Total	N/A	2.64	N/A	0.63

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

(2) Based on loan UPB, which may be different from the protected UPB of the associated credit enhancement transaction due to timing differences in reporting cycles between the transactions and the loans.

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

Table 22 - Credit Enhancement Coverage by Year of Origination

(Dollars in millions)	December 31, 2020		December 31, 2019	
	UPB ⁽¹⁾⁽²⁾	% of UPB with Credit Enhancement	UPB ⁽¹⁾⁽²⁾	% of UPB with Credit Enhancement
Year of Loan Origination				
2020	\$971,136	36 %	N/A	N/A
2019	276,315	73	\$383,003	40 %
2018	118,673	80	221,712	81
2017	147,863	75	242,605	77
2016	187,085	69	277,762	71
2015 and prior	624,956	43	869,043	44
Total	\$2,326,028	50	\$1,994,125	55

(1) Excludes \$505 million and \$555 million UPB of loans underlying certain securitization products for which loan-level data was not available as of December 31, 2020 and December 31, 2019, respectively.

(2) Based on loan UPB, which may be different from the protected UPB of the associated credit enhancement transaction due to timing differences in reporting cycles between the transactions and the loans.

The following table provides information on the characteristics of the loans in our single-family credit guarantee portfolio currently without credit enhancement.

Table 23 - Single-Family Credit Guarantee Portfolio Without Credit Enhancement⁽¹⁾

(Dollars in millions)	December 31, 2020		December 31, 2019	
	UPB	% of Total	UPB	% of Total
Low current LTV ratio ⁽¹⁾⁽²⁾	\$784,150	66 %	\$671,882	75 %
Short-term ⁽¹⁾⁽³⁾	81,681	7	39,220	4
Pre-CRT program inception ⁽¹⁾⁽⁴⁾	11,327	1	31,091	3
CRT pipeline ⁽¹⁾⁽⁵⁾	276,611	24	134,332	15
Other ⁽¹⁾⁽⁶⁾	20,414	2	23,616	3
Total	\$1,174,183	100 %	\$900,141	100 %

(1) Loans with multiple characteristics are assigned to categories in this table based on the following order: low current LTV ratio, short-term, pre-CRT program inception, and CRT pipeline.

(2) Represents loans with current LTV ratio less than or equal to 60%.

(3) Represents loans with an original maturity of 20 years or less.

(4) Represents Relief Refinance loans and loans that were acquired before the inception of our CRT programs in 2013.

(5) Represents recently acquired loans that are targeted to be included in the on-the-run CRT transactions and have not been included in a reference pool.

(6) Primarily includes government guaranteed loans, ARM loans, loans with a current LTV ratio greater than 97%, and loans that fail the delinquency requirements for CRT transactions.

Credit Enhancement Expenses and Recoveries

The recognition of expenses and recoveries associated with credit enhancements in our consolidated financial statements depends on the type of credit enhancement as follows:

- **Attached credit enhancements** - Attached credit enhancements are obtained contemporaneously with, and in contemplation of, the origination of a financial instrument, and effectively travel with the financial instrument upon sale. Attached credit enhancements are accounted for on a net basis with the associated financial instrument. As a result, we do not explicitly recognize a separate expense in our consolidated statements of comprehensive income for attached credit enhancements. Rather, the cost of attached credit enhancements is reflected as lower revenue. For example, we charge a lower guarantee fee for a loan with primary mortgage insurance than we otherwise would for the same loan without primary mortgage insurance. Similarly, credit losses on loans with attached credit enhancements are accounted for on a net basis. We do not recognize a provision for credit losses on loans with attached credit enhancements unless the expected credit loss exceeds the amount of credit protection provided by the attached credit enhancement and do not separately recognize a recovery asset until we derecognize the related loans. For additional information on the effect of attached credit enhancements on our credit losses, see the **Monitoring Loan Performance and Characteristics - Credit Losses and Recoveries** section below.
- **Freestanding credit enhancements** - Freestanding credit enhancements are contracts that are entered into separately and apart from any other financial instruments or entered into in conjunction with some other transaction and are legally detachable and separately exercisable. Freestanding credit enhancements are accounted for on a gross basis separately from the associated financial instrument. We recognize the payments we make to transfer credit risk under freestanding credit enhancements as credit enhancement expense. We recognize expected recoveries from freestanding credit enhancements separately in other assets on our consolidated balance sheets, with an offsetting reduction to non-interest expense, at the same time that we recognize an allowance for credit losses on the covered loans, measured on the same basis as the allowance for credit losses on the covered loans.
- **Guarantee Credit Enhancements** - We obtain credit enhancements for certain of our guarantees through the issuance of subordinated securities that absorb losses prior to our guarantee. The benefit from this type of credit enhancement is considered when measuring the allowance for credit losses for off-balance sheet credit exposures and we recognize an allowance for credit losses only if expected credit losses exceed the amount of subordination. We recognize the guarantee fee income we receive from the guarantee and there is no explicitly recognized separate credit enhancement expense or expected credit enhancement recovery.
- **Credit-linked debt** - Credit enhancements that are structured as debt issuances are accounted for on a gross basis separately from the associated mortgage loan. We primarily recognize expenses associated with credit-linked debt as interest expense. We recognize recoveries from credit-linked debt as debt extinguishment gains within investment gains (losses) when the loss confirming event occurs and we are legally released from our debt obligation, which typically occurs after we recognize a provision for credit losses on the associated loan. Such recoveries have not been significant. We no longer issue credit-linked debt as part of our primary CRT strategy and therefore expect the effect of these transactions on our financial results to become less significant over time.

Certain of our credit enhancements are accounted for at fair value, with changes in fair value recognized in earnings as a component of investment gains (losses), net. See **Note 8** for additional information on our credit enhancements.

The table below contains details on the expenses and recoveries associated with our single-family credit enhancements.

Table 24 - Details of Single-Family Credit Enhancement Expenses and Recoveries

(In millions)	Year Ended December 31,		
	2020	2019	2018
Credit enhancement expenses: ⁽¹⁾			
Credit enhancement expense	(\$1,036)	(\$734)	(\$394)
Interest expense related to CRT debt	(736)	(1,060)	(1,047)
Estimated reinvestment income from proceeds of CRT debt issuance	76	360	372
Single-family credit enhancement expenses	(\$1,696)	(\$1,434)	(\$1,069)
Single-family benefit for (decrease in) credit enhancement recoveries	\$305	\$41	(\$8)

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

The table below presents the details of the credit enhancement recovery receivables we have recognized within other assets on our consolidated balance sheet.

Table 25 - Single-Family Credit Enhancement Receivables

(In millions)	December 31, 2020	December 31, 2019
Freestanding credit enhancement expected recovery receivables, net of allowance	\$653	\$71
Primary mortgage insurance receivables ⁽¹⁾ , net of allowance	74	76
Total credit enhancement assets	\$727	\$147

(1) Excludes \$444 million and \$464 million of deferred payment obligations associated with unpaid claim amounts as of December 31, 2020 and December 31, 2019, respectively. We have reserved substantially all these unpaid amounts as collectability is uncertain.

Monitoring Loan Performance and Characteristics

We review loan performance, including delinquency statistics and related loan characteristics in conjunction with housing market and economic conditions, including economic impacts associated with the COVID-19 pandemic, to assess credit risk when estimating our allowance for credit losses and to determine if our pricing and eligibility standards reflect the risk associated with the loans we purchase and guarantee. We review the payment performance of our loans to facilitate early identification of potential problem loans, which could inform our loss mitigation strategies. We also review performance metrics for additional loan characteristics that may expose us to concentrations of credit risk, including:

- Higher risk loan attributes and attribute combinations;
- Higher risk loan product types; and
- Geographic concentrations.

Loans in COVID-19 Related Forbearance Plans

Pursuant to FHFA guidance and the CARES Act, we offer mortgage relief options for borrowers affected by the COVID-19 pandemic. Among other things, we have been offering forbearance of up to 12 months to single-family borrowers experiencing a financial hardship, either directly or indirectly, related to COVID-19. Under FHFA's guidance, we are extending COVID-19 forbearances up to 15 months for eligible borrowers, and this forbearance term may be further extended by FHFA in the future. The CARES Act requires our servicers to report to credit bureaus that loans in mortgage relief programs, such as forbearance plans, repayment plans, and loan modification programs, are current as long as the loans were current prior to entering into the mortgage relief programs and the borrowers remain in compliance with the programs. This credit reporting requirement applies to all mortgage relief programs entered into between January 31, 2020 and the date that is 120 days after the declaration of the national emergency related to the COVID-19 pandemic ends. Our ability to monitor the credit quality of loans in our single-family credit guarantee portfolio may be adversely affected as credit scores may not reflect the impact of relief programs, offered by us or other creditors, into which borrowers may have entered.

The table below contains details on the characteristics of our single-family loans in forbearance that are past due based on the loan's original contractual terms.

Table 26 - Credit Quality Characteristics of Our Single-Family Loans in Forbearance

(Dollars in billions)	December 31, 2020		December 31, 2019	
	UPB	As a % of Total	UPB	As a % of Total
Current LTV ratio:				
≤ 60	\$29.4	49 %	\$0.2	33 %
> 60 to 80	23.7	39	0.3	50
> 80 to 100	6.9	11	0.1	17
> 100	0.3	1	—	NM
Total	\$60.3	100 %	\$0.6	100 %

(1) NM - not meaningful due to the UPB rounding to zero.

Beginning in 4Q 2020, we required single-family servicers to report to us all alternatives to foreclosure, which include forbearance plans on all mortgages, including those where the borrower has continued to make payments in accordance with the loan's original contractual terms and remains in current status. The forbearance data we reported in prior periods was generally limited to loans in forbearance that were past due based on the loan's original contractual terms. For the purpose of reporting delinquency rates, we report single-family loans in forbearance as delinquent during the forbearance period to the extent that payments are past due based on the loan's original contractual terms, irrespective of the forbearance plan.

The table below presents payment status information of our single-family loans in forbearance.

Table 27 - Single-Family Loans in Forbearance by Payment Status

(Dollars in millions)	December 31, 2020						December 31, 2019			
	Current	One Month Past Due	Two Months Past Due	Three Months to Six Months Past Due ⁽¹⁾	Greater Than Six Months Past Due ⁽¹⁾	Total	One Month Past Due	Two Months Past Due	Three Months or More Past Due	Total
UPB	\$8,907	\$5,443	\$4,372	\$15,366	\$35,144	\$69,232	\$131	\$85	\$362	\$578
Number of loans (in thousands)	44	28	22	75	155	324	1	—	2	3
As a percentage of our single-family credit guarantee portfolio ⁽²⁾	0.37 %	0.23 %	0.18 %	0.63 %	1.29 %	2.70 %	0.01 %	— %	0.02 %	0.03 %

(1) The UPB of loans in forbearance that were three months to six months past due and accruing and that were greater than six months past due and accruing was \$13.1 billion and \$29.1 billion, respectively, as of December 31, 2020.

(2) Based on loan count.

The CARES Act, as amended by the Consolidated Appropriations Act, 2021, provides temporary relief from the accounting requirements for TDRs for certain loan modifications that are the result of a hardship that is related, either directly or indirectly, to the COVID-19 pandemic. We have elected to apply this temporary relief and therefore do not account for qualifying loan modifications as TDRs. In addition, interpretive guidance issued by federal banking regulators and endorsed by the FASB staff has indicated that government-mandated modification or deferral programs related to the COVID-19 pandemic are not TDRs as the lender did not choose to grant a concession to the borrower. As a result, we expect that substantially all of the forbearance and other relief programs we are offering because of COVID-19 will not be accounted for as TDRs.

We generally place single-family loans on non-accrual status when the loan becomes three monthly payments past due. For loans in active forbearance plans that were current prior to receiving forbearance, we continue to accrue interest income while the loan is in forbearance and is three or more monthly payments past due when we believe the available evidence indicates that collectability of principal and interest is reasonably assured based on management judgment, taking into consideration additional factors, the most important of which is current LTV ratio. When we accrue interest on loans that are three or more monthly payments past due, we measure an allowance for expected credit losses on unpaid accrued interest receivable balances such that the balance sheet reflects the net amount of interest we expect to collect. See **Note 4** for additional information on our accounting policies for forbearance programs related to the COVID-19 pandemic.

The table below provides the amount of accrued interest receivable, net of the allowance for credit losses, related to our single-family loans in forbearance. Prior period accrued interest receivable balances related to single-family loans in forbearance are not material.

Table 28 - Single-Family Loans in Forbearance⁽¹⁾

(In millions)	December 31, 2020
Accrued interest receivable:	
Less than three months past due	\$74
Three months to six months past due	235
Greater than six months past due ⁽²⁾	911
Accrued interest receivable, gross	1,220
Allowance for credit losses	(138)
Accrued interest receivable, net	\$1,082

(1) Excludes loans in certain legacy securitization products.

(2) 90% of the accrued interest receivable greater than six months past due is related to loans with current LTV ratios that are less than or equal to 80%.

Prior to expiration of a borrower's forbearance plan, servicers are required to contact the borrower to determine how the payments missed during the forbearance period will be repaid. Freddie Mac requires servicers to follow a defined loss mitigation hierarchy to determine which options to offer to borrowers. This hierarchy is determined based on certain factors, such as the borrowers' delinquency status, reasons for delinquency, loan types, and types of hardships. Borrowers are not required to repay all past due amounts in a single lump sum. Upon expiration of the forbearance plan, borrowers may reinstate the loan or enter into either a repayment plan, a payment deferral, or a trial period plan pursuant to a loan modification. If the borrower is not eligible for any of the home retention options, we may seek to pursue a foreclosure alternative or foreclosure. As a result of loans exiting COVID-19 related forbearance plans through payment deferrals or loan modifications during 2020, we deferred \$432 million of delinquent interest into non-interest-bearing principal balances that are due at the earlier of the payoff date, maturity date, or sale of the property.

For additional information on actions we have taken in response to the COVID-19 pandemic and on our loss mitigation activities, see **Introduction - About Freddie Mac - COVID-19 Pandemic Response Efforts** and **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Engaging in Loss Mitigation Activities**.

The table below presents a summary of single-family loans that received forbearance during 2020 and were past due based on the loans' original contractual terms at some point during the forbearance period.

Table 29 - Status of Single-Family Loans That Received Forbearance

(Loan count in thousands)	2020
Active forbearance plan as of December 31, 2020	280
Active forbearance plan exits:	
Reinstatement ⁽¹⁾	228
Payment deferral	166
Other ⁽²⁾	43
Total forbearance plan exits	437
Total single-family loans that received forbearance during 2020⁽³⁾	717

(1) Includes forbearance plans where the borrower brought the mortgage current during forbearance or paid the mortgage in full.

(2) Primarily includes forbearance plans where the borrowers remained delinquent and the exit paths were not determined at the end of the forbearance periods. Also includes other exit paths such as repayment plans, modifications, and foreclosure alternatives.

(3) Based on number of forbearance plans. A loan can receive more than one forbearance plan during the period.

Allowance for Credit Losses

Upon the adoption of CECL on January 1, 2020, we recognized an increase to the opening balance of the allowance for credit losses on single-family loans classified as held-for-investment. Under CECL, we recognize an allowance for credit losses before a loss event has been incurred, which results in earlier recognition of credit losses compared to the previous incurred loss impairment methodology. Under CECL, we estimate the allowance for credit losses for loans on a pooled basis using a discounted cash flow model that evaluates a variety of factors to estimate the cash flows we expect to collect. The discounted cash flow model forecasts cash flows over the loan's remaining contractual life, adjusted for expectations of prepayments and TDRs we reasonably expect will occur, and using our historical experience, adjusted for current and future economic forecasts. These projections require significant management judgment and we face uncertainties and risks related to the models we use

for financial accounting and reporting purposes. In particular, the length and severity of the economic downturn caused by the COVID-19 pandemic and its impact on house prices and the housing market, the number of borrowers that require assistance under the COVID-19 forbearance programs we are offering, and the ultimate success of those programs in resolving borrower hardships are all subject to significant uncertainty and may have a material effect on our allowance for credit losses in future periods. For further information on our accounting policies and methods for estimating our allowance for credit losses and related management judgments, see **MD&A - Critical Accounting Policies and Estimates**.

Under CECL, upon reclassification from held-for-investment to held-for-sale, we perform a collectability assessment. When we determine that a loan to be reclassified has experienced more-than-insignificant deterioration in credit quality since origination, the excess of the loan's amortized cost basis over its fair value is written off against the allowance for credit losses prior to the reclassification.

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

Table 30 - Single-Family Allowance for Credit Losses Activity

(Dollars in millions)	Year Ended December 31,				
	2020	2019	2018	2017	2016
Beginning balance ⁽¹⁾	\$5,233	\$6,176	\$8,979	\$13,463	\$15,348
(Benefit) provision for credit losses	1,320	(749)	(712)	(97)	(781)
Charge-offs ⁽²⁾	(592)	(1,737)	(2,885)	(5,051)	(1,938)
Recoveries collected	210	452	475	425	497
Other	182	126	319	239	337
Ending balance	\$6,353	\$4,268	\$6,176	\$8,979	\$13,463
Components of ending balance of allowance for credit losses:					
Mortgage loans held-for-investment	\$5,628	\$4,222	\$6,130	\$8,931	\$13,411
Advances of pre-foreclosure costs	536	N/A	N/A	N/A	N/A
Accrued interest receivable	140	N/A	N/A	N/A	N/A
Off-balance sheet credit exposures	49	46	46	48	52
Total	\$6,353	\$4,268	\$6,176	\$8,979	\$13,463
As a percentage of our single-family credit guarantee portfolio	0.27%	0.21%	0.33%	0.49%	0.77%

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

(2) 2016 does not include lower-of-cost-or-fair-value adjustments recognized when we transfer loans from held-for-investment to held-for-sale, which totaled \$1.2 billion. 2020, 2019, 2018 and 2017 include charge-offs of \$0.3 billion, \$1.3 billion, \$2.1 billion and \$3.8 billion, respectively, related to the transfer of loans from held-for-investment to held-for-sale.

Credit Losses and Recoveries

The table below contains certain credit performance metrics of our single-family credit guarantee portfolio. Credit losses declined during 2020 as charge-offs related to reclassification of single-family loans from held-for-investment to held-for-sale decreased as a result of a lower volume of reclassifications. Other credit losses also declined as a result of the foreclosure moratorium that is in effect until at least March 31, 2021. It is likely that we will incur additional costs in future periods, such as higher property preservation and maintenance expenses, due to the foreclosure moratorium as the affected borrowers may remain delinquent for an extended period of time.

Table 31 - Single-Family Credit Guarantee Portfolio Credit Performance Metrics

(Dollars in millions)	Year Ended December 31,		
	2020	2019	2018
Charge-offs ⁽¹⁾	\$592	\$1,737	\$2,885
Recoveries collected ⁽²⁾	(210)	(452)	(475)
Charge-offs, net	382	1,285	2,410
REO operations expense	149	229	170
Total credit losses	\$531	\$1,514	\$2,580
Total credit losses ⁽¹⁾ (in bps)	2.5	7.7	13.7
Recoveries from (gains) losses on sales of seriously delinquent loans ⁽³⁾	(\$54)	(\$33)	(\$88)
Recoveries collected under freestanding credit enhancements and write-offs of CRT debt	(13)	(14)	22

(1) 2020, 2019, and 2018 include charge-offs of \$0.3 billion, \$1.3 billion, and \$2.1 billion, respectively, related to the transfer of loans from held-for-investment to held-for-sale.

(2) Includes cash, REO, or other assets such as receivables from primary mortgage insurance.

(3) Excludes (gains) losses on securitization of reperforming loans.

Our credit losses are concentrated in the legacy and relief refinance single-family loan portfolio. In addition, our credit losses are also concentrated within loans having certain characteristics, as shown in the table below. These categories are not mutually exclusive; for example, an Alt-A loan can be associated with a property located in a judicial foreclosure state and/or have a CLTV ratio of greater than 100%. Additional detail on loans in judicial foreclosure states is presented in the **Managing Foreclosure and REO Activities** section below.

Table 32 - Credit Characteristics of Certain Single-Family Loan Categories

	2020			2019		
	December 31		Year Ended December 31	December 31		Year Ended December 31
	% of Portfolio	SDQ Rate	% of Credit Losses ⁽¹⁾	% of Portfolio	SDQ Rate	% of Credit Losses
CLTV > 100%	0.1 %	18.11 %	5 %	0.4 %	8.22 %	16 %
Alt-A loans	1	10.66	9	1	3.75	12
Judicial foreclosure states	37	2.93	70	38	0.81	61

(1) Excludes credit losses related to charge-offs of accrued interest receivables.

TDRs and Non-Accrual Loan Activity

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

- As of December 31, 2020, 23% of the allowance for credit losses for single-family loans related to interest-rate concessions provided to borrowers as part of loan modifications.
- Most of our modified single-family loans, including TDRs, were current and performing at December 31, 2020.
- In general, we expect our allowance for credit losses associated with existing single-family TDRs to decline over time as borrowers continue to make monthly payments under the modified terms and interest-rate concessions are amortized into earnings. However, the COVID-19 pandemic is likely to cause some borrowers to have difficulty making their monthly payments under the modified terms. In addition, our sales of reperforming loans will decrease these allowances for credit losses. While our ability to sell these loans was negatively affected by the COVID-19 pandemic during the first half of 2020, sales of reperforming loans resumed during the second half of 2020.

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

Table 33 - Single-Family TDR and Non-Accrual Loans

(Dollars in millions)	December 31,								
	2020			2019			2018	2017	2016
	Mortgage Loans Held-for-Investment	Mortgage Loans Held-for-Sale	Total	Mortgage Loans Held-for-Investment	Mortgage Loans Held-for-Sale	Total	Total	Total	Total
UPB:									
TDRs on accrual status ⁽¹⁾	\$28,547	\$4,293	\$32,840	\$32,188	\$11,576	\$43,764	\$41,839	\$51,644	\$77,122
Non-accrual loans	13,679	5,020	18,699	6,529	4,654	11,183	11,197	17,748	16,164
Total TDRs and non-accrual loans	\$42,226	\$9,313	\$51,539	\$38,717	\$16,230	\$54,947	\$53,036	\$69,392	\$93,286
Allowance for credit losses associated with:									
TDRs on accrual status	\$1,249	\$3	\$1,252	\$2,452	\$—	\$2,452	\$3,612	\$5,257	\$10,295
Non-accrual loans	631	228	859	597	—	597	1,003	1,883	2,290
Total	\$1,880	\$231	\$2,111	\$3,049	\$—	\$3,049	\$4,615	\$7,140	\$12,585
Allowance as % of UPB:									
TDRs on accrual status	4%	—%	4%	8%	—%	6%	9%	10%	13%
Non-accrual loans	5	5	5	9	—	5	9	11	14
Total	4	2	4	8	—	6	9	10	13

(In millions)	Year Ended December 31,					
	2020 ⁽³⁾			2019 ⁽³⁾		
	Mortgage Loans Held-for-Investment	Mortgage Loans Held-for-Sale	Total	Mortgage Loans Held-for-Investment	Mortgage Loans Held-for-Sale	Total
Interest on TDRs and non-accrual loans:						
At original contractual rates	\$1,905	\$504	\$2,409	\$1,903	\$867	\$2,770
Recognized	(1,318)	(239)	(1,557)	(1,444)	(536)	(1,980)
Foregone interest income on TDRs and non-accrual loans⁽²⁾	\$587	\$265	\$852	\$459	\$331	\$790

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

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

(3) Represents the interest income at original contractual rates, interest income recognized, and foregone interest income based on TDRs and non-accrual loans at the end of each period.

Foregone interest income on TDRs and non-accrual loans was \$1,122 million, \$1,604 million, and \$2,109 million during 2018, 2017, and 2016, respectively.

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

Table 34 - Single-Family TDR Loan Activity

(Dollars in millions)	Year Ended December 31,					
	2020		2019 ⁽¹⁾		2018 ⁽¹⁾	
	Loan Count	Amount	Loan Count	Amount	Loan Count	Amount
Beginning balance, as of January 1	249,182	\$35,623	290,255	\$42,254	364,704	\$54,415
New additions ⁽²⁾	26,689	4,624	30,568	4,871	52,300	8,115
Repayments and reclassifications to held-for-sale	(44,614)	(7,248)	(85,181)	(14,016)	(119,366)	(19,285)
Foreclosure sales and foreclosure alternatives	(1,980)	(323)	(4,502)	(605)	(7,383)	(991)
Ending balance, as of December 31	229,277	32,676	231,140	32,504	290,255	42,254
Loans impaired upon purchase	—	—	1,600	102	2,555	170
Total impaired loans with an allowance recorded	—	—	232,740	32,606	292,810	42,424
Allowance for credit losses		(1,585)		(2,872)		(4,369)
Net investment, at December 31		\$31,091		\$29,734		\$38,055

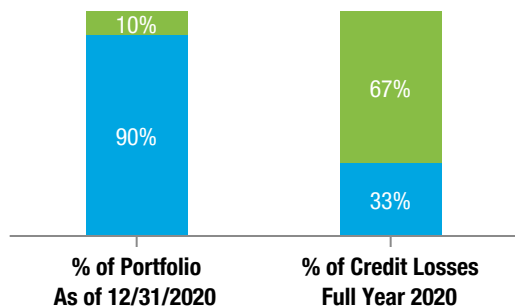
(1) Excludes held-for-investment TDRs with no allowance for credit losses based on the individual impairment assessment according to the previous incurred loss impairment methodology.

(2) Includes certain bankruptcy events and forbearance plans, repayment plans, payment deferrals, and modification activities that do not qualify the temporary relief related to TDR provided by the CARES Act based on servicer reporting at the time of TDR event.

Delinquency Rates

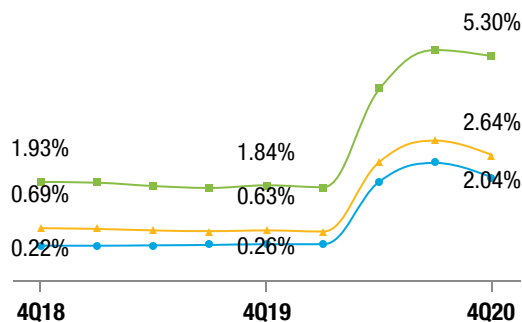
We report single-family delinquency rates based on the number of loans in our single-family guarantee portfolio that are past due as reported to us by our servicers as a percentage of the total number of loans in our single-family guarantee portfolio. The charts below show the credit losses and serious delinquency rates for each of our single-family loan portfolios.

Portfolio Composition and Credit Losses



■ Core single-family loan portfolio
 ■ Legacy and relief refinance single-family loan portfolio

Serious Delinquency Rates



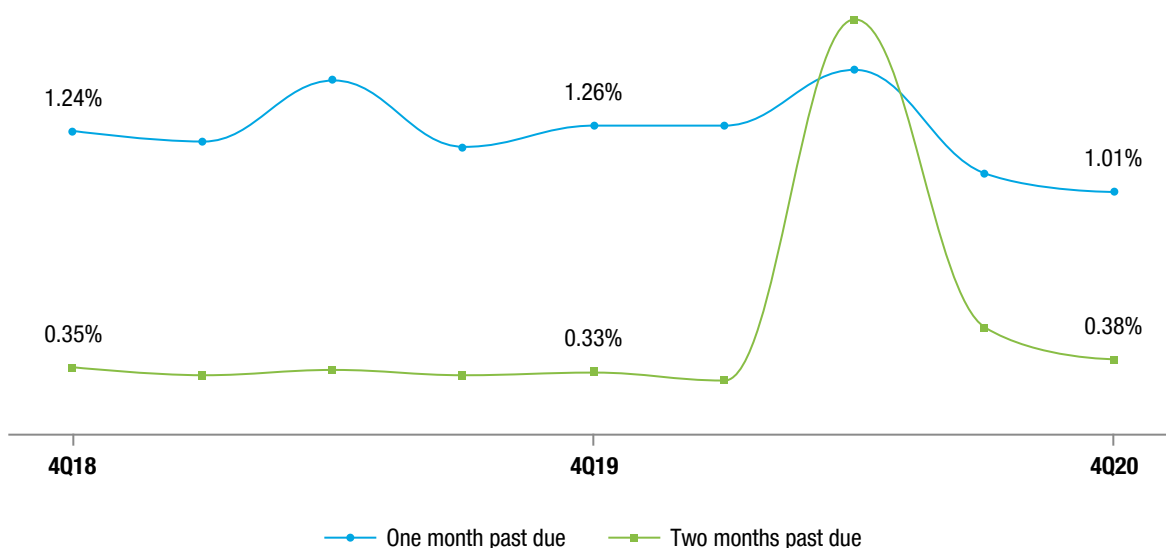
— Core single-family loan portfolio
 — Legacy and relief refinance single-family loan portfolio
 — Total

The total serious delinquency rate on our single-family credit guarantee portfolio increased to 2.64% as of December 31, 2020, compared to 0.63% as of December 31, 2019, driven by an increase in the number of loans in forbearance related to the COVID-19 pandemic. However, 55% of the seriously delinquent loans at December 31, 2020 were covered by credit enhancements that may partially reduce our credit risk exposure. Despite the increase in the serious delinquency rate, our core single-family loan portfolio continued to perform well through December 31, 2020 and accounted for a relatively low percentage of our credit losses. Our legacy and relief refinance single-family loan portfolio continued to decline but also continued to account for the majority of our credit losses. See **Note 4** for additional information on the payment status of our single-family mortgage loans.

The ongoing COVID-19 pandemic has caused delinquencies to increase significantly in the mortgage market. We expect the serious delinquency rates for our single-family loan portfolio to remain elevated as a result of the pandemic and the forbearance programs we are offering in response.

The chart below shows the percentage of mortgage loans in our single-family credit guarantee portfolio that are one month and two months past due. Both of these percentages increased during 2020 compared to December 31, 2019 due to the increase in the number of loans that were in forbearance plans related to the COVID-19 pandemic, but generally fell back to pre-pandemic levels by the end of the year as the impact of the pandemic on early-stage delinquencies started to stabilize. The percentage of loans one month past due can be volatile due to servicer reporting methodologies, seasonality, and other factors that may not be indicative 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 up slightly from 2019 to 2020 but has also generally returned to pre-pandemic levels.

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



Loan Characteristics

The table below contains a description of some of the loan characteristics in our single-family credit guarantee portfolio.

Characteristic	Description	Impact on Credit Quality
LTV ratio	Ratio of the UPB of the loan to the value of the underlying property collateralizing the loan. Original LTV ratio is measured at loan origination, while CLTV ratio is defined as the ratio of the current loan UPB to the estimated current property value.	<ul style="list-style-type: none"> Measures ability of the underlying property to cover our exposure on the loan Higher LTV ratios indicate higher risk, as proceeds from sale of the property may not cover our exposure on the loan Lower LTV ratios indicate borrowers are more likely to repay
Credit score	Statistically-derived number used by lenders to assess a borrower's likelihood to repay debt. We use FICO scores, which are currently the most commonly used credit scores for mortgages. Original credit score represents each borrower's FICO score at the time of origination or our purchase, while current credit score represents each borrower's most recent FICO score, which is obtained by Freddie Mac as of the first month of the most recent quarter	<ul style="list-style-type: none"> Borrowers with higher credit scores are generally more likely to repay or have the ability to refinance their loans than those with lower scores
Loan purpose	Indicates how the borrower intends to use the proceeds from a loan (i.e., purchase, cash-out refinance, or other refinance)	<ul style="list-style-type: none"> Cash-out refinancings, which increase the LTV ratios, generally have a higher risk of default than loans originated in purchase or other refinance transactions
Property type	Indicates whether the property is a detached single-family house, townhouse, condominium, or co-op	<ul style="list-style-type: none"> Detached single-family houses and townhouses are the predominant type of single-family property Condominiums historically have experienced greater volatility in house prices than detached single-family houses, which may expose us to more risk
Occupancy type	Indicates whether the borrower intends to use the property as a primary residence, second home, or investment property	<ul style="list-style-type: none"> Loans on primary residence properties tend to have lower credit risk than loans on second homes or investment properties
Product type	Indicates the type of loan based on key loan terms, such as the contractual maturity, type of interest rate, and payment characteristics of the loan	<ul style="list-style-type: none"> Loan products that contain terms which result in scheduled changes in monthly payments may result in higher risk Shorter loan terms result in faster repayment of principal and may indicate lower risk
Second liens	Indicates whether the underlying property is covered by more than one loan at the time of origination	<ul style="list-style-type: none"> Second liens can increase the risk of default Borrowers are free to obtain second-lien financing after origination, and we are not entitled to receive notification when a borrower does so
DTI ratio	Ratio of the borrowers' total monthly debt payments to gross monthly income. One indicator of the creditworthiness of the borrowers, as it measures borrowers' ability to manage monthly payments and repay debts	<ul style="list-style-type: none"> Borrowers with lower DTI ratios are generally more likely to repay their loans than those with higher DTI ratios, holding all other factors equal DTI ratios are at the time of origination and may not be indicative of the borrowers' current credit worthiness

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

Table 35 - Credit Quality Characteristics of Our Single-Family Credit Guarantee Portfolio

(Dollars in billions)	December 31, 2020						
	UPB	Original Credit Score ⁽¹⁾	Current Credit Score ⁽¹⁾⁽²⁾	Original LTV Ratio	Current LTV Ratio	Current LTV Ratio >100%	Alt-A %
Core single-family loan portfolio year of origination:							
2020	\$971	760	758	71 %	68 %	— %	— %
2019	276	747	754	77	67	—	—
2018	117	739	739	77	62	—	—
2017	143	743	748	76	56	—	—
2016	180	750	758	73	49	—	—
2015 and prior	406	753	764	71	39	—	—
Total core single-family loan portfolio	2,093	753	757	73	59	—	—
Legacy and relief refinance single-family loan portfolio	233	708	725	82	46	1	8
Total	\$2,326	749	754	74	58	—	1

(Dollars in billions)	December 31, 2019						
	UPB	Original Credit Score ⁽¹⁾	Current Credit Score ⁽¹⁾⁽²⁾	Original LTV Ratio	Current LTV Ratio	Current LTV Ratio >100%	Alt-A %
Core single-family loan portfolio year of origination:							
2019	\$383	750	746	77 %	76 %	— %	— %
2018	220	744	745	78	71	—	—
2017	237	746	748	76	64	—	—
2016	269	751	756	74	57	—	—
2015 and prior	592	754	762	72	45	—	—
Total core single-family loan portfolio	1,701	750	752	75	60	—	—
Legacy and relief refinance single-family loan portfolio	293	712	692	83	52	2	7
Total	\$1,994	745	749	76	59	—	1

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

(2) Credit scores for certain recently acquired loans may not have been updated by the credit bureau since the loan acquisition and therefore the original credit scores also represented the current credit scores.

Table 36 - Characteristics of the Loans in Our Single-Family Credit Guarantee Portfolio

(% of portfolio based on UPB)	Year Ended December 31,		
	2020	2019	2018
Original LTV ratio range			
60% and below	22 %	18 %	19 %
Above 60% to 80%	51	52	52
Above 80% to 100%	25	28	26
Above 100%	2	2	3
Portfolio weighted average original LTV ratio	74	76	76
Current LTV ratio range			
60% and below	51	51	51
Above 60% to 80%	37	35	36
Above 80% to 100%	12	14	12
Above 100%	—	—	1
Portfolio weighted average current LTV ratio	58	59	58
Original credit score ⁽¹⁾			
740 and above	64	61	60
700 to 739	20	21	22
660 to 699	11	12	12
620 to 659	4	4	4
Less than 620	1	2	2
Portfolio weighted average original credit score	749	745	743
Current credit score ⁽¹⁾⁽²⁾			
740 and above	70	66	66
700 to 739	15	16	16
660 to 699	8	9	9
620 to 659	4	4	4
Less than 620	3	5	5
Portfolio weighted average current credit score	754	749	748
DTI ratio			
Above 45%	14	15	15
Portfolio weighted average DTI ratio	35	35	35
Loan purpose			
Purchase	38	46	45
Cash-out refinance	19	20	20
Other refinance	43	34	35

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

(2) Credit scores for certain recently acquired loans may not have been updated by the credit bureau since the loan acquisition and therefore the original credit scores also represented the current credit scores.

In addition, at December 31, 2020, December 31, 2019, and December 31, 2018:

- More than 90% of our loans were secured by detached homes or townhomes;
- Approximately 90% of our loans were secured by properties used as the borrower's primary residence at origination; and
- More than 90% of our loans were fixed-rate.

At December 31, 2020, approximately 5% of our loans had second-lien financing by the originator or other third party at origination, and these loans comprised approximately 10% of our seriously delinquent loan population. It is likely that additional borrowers have post-origination second-lien financing.

Higher Risk Loan Attributes and Attribute Combinations

Certain of the loan attributes shown above may indicate a higher risk of default. For example, loans with original LTV ratios over 90% and/or credit scores below 620 at origination may be higher risk. The tables below provide information on loans in our portfolio with these characteristics. The tables include a presentation of each higher risk category in isolation. A single loan may fall within more than one category.

Table 37 - Single-Family Credit Guarantee Portfolio Higher Risk Loan Data

(Dollars in billions)	December 31, 2020			
	UPB	CLTV	% Modified ⁽¹⁾	SDQ Rate
Original LTV ratio greater than 90%, HARP loans	\$53.3	57 %	1.9 %	4.26 %
Original LTV ratio greater than 90%, all other loans	295.4	77	2.4	4.25
Loans with credit scores below 620 at origination	30.9	54	10.2	11.00

(Dollars in billions)	December 31, 2019			
	UPB	CLTV	% Modified ⁽¹⁾	SDQ Rate
Original LTV ratio greater than 90%, HARP loans	\$71.5	65 %	2.3 %	0.89 %
Original LTV ratio greater than 90%, all other loans	286.0	79	3.0	0.98
Loans with credit scores below 620 at origination	33.1	60	13.8	4.52

(1) Primarily includes loans modified through Freddie Mac Flex Modification® program. In prior periods, the percentage included loans in the payment deferrals program. Prior periods have been revised to conform to the current period presentation.

In addition, certain combinations of loan attributes can indicate an even higher degree of credit risk, such as loans with both higher LTV ratios and lower credit scores. Under the January 2021 Letter Agreement, we are required to limit our acquisition of single-family loans with such attributes, including loans with the following characteristics at origination: current LTV ratio over 90%, DTI above 45%, and FICO or equivalent credit score below 680. For additional information on the January 2021 Letter Agreement, see **MD&A - Conservatorship and Related Matters**.

The following tables show the combination of credit score and CLTV ratio attributes of loans in our single-family credit guarantee portfolio.

Table 38 - Single-Family Credit Guarantee Portfolio Attribute Combinations

(Original Credit score)	December 31, 2020										
	CLTV ≤ 60		CLTV > 60 to 80		CLTV > 80 to 100		CLTV > 100		All Loans		
	% Portfolio	SDQ Rate ⁽¹⁾	% Portfolio	SDQ Rate ⁽¹⁾	% Portfolio	SDQ Rate ⁽¹⁾	% Portfolio	SDQ Rate ⁽¹⁾	% Portfolio	SDQ Rate	% Modified ⁽²⁾
Core single-family loan portfolio:											
< 620	0.2 %	9.34 %	0.1 %	13.76 %	— %	NM	— %	NM	0.3 %	11.00 %	2.8 %
620 to 659	1.2	5.88	0.9	7.54	0.2	6.80 %	—	NM	2.3	6.51	1.6
≥ 660	41.4	1.64	34.6	2.21	11.4	1.90	—	NM	87.4	1.86	0.3
Not available	—	NM	—	NM	—	NM	—	NM	—	NM	NM
Total	42.8 %	1.82	35.6 %	2.43	11.6 %	2.06	— %	NM	90.0 %	2.04	0.3
Legacy and relief refinance single-family loan portfolio:											
< 620	0.7 %	9.26	0.2 %	15.39	0.1 %	20.77	— %	NM	1.0 %	11.01	11.8
620 to 659	0.8	7.14	0.3	13.40	0.1	19.05	—	NM	1.2	8.58	11.8
≥ 660	6.2	3.35	1.2	8.08	0.2	12.59	0.1	15.35 %	7.7	4.03	4.7
Not available	0.1	8.53	—	NM	—	NM	—	NM	0.1	9.43	20.1
Total	7.8 %	4.35	1.7 %	10.07	0.4 %	15.25	0.1 %	19.38	10.0 %	5.30	6.4

(Original Credit score)	December 31, 2019										
	CLTV ≤ 60		CLTV > 60 to 80		CLTV > 80 to 100		CLTV > 100		All Loans		
	% of Portfolio	SDQ Rate	% of Portfolio	SDQ Rate ⁽¹⁾	% of Portfolio	SDQ Rate ⁽¹⁾	% of Portfolio	SDQ Rate ⁽¹⁾	% of Portfolio	SDQ Rate	% Modified ⁽²⁾
Core single-family loan portfolio:											
< 620	0.2 %	2.40 %	0.1 %	3.11 %	— %	NM	— %	NM	0.3 %	2.87 %	3.1 %
620 to 659	1.1	1.15	1.0	1.42	0.4	1.59 %	—	NM	2.5	1.30	1.8
≥ 660	39.6	0.16	30.2	0.26	12.6	0.26	—	NM	82.4	0.20	0.3
Not available	0.1	1.32	—	NM	—	NM	—	NM	0.1	1.96	3.5
Total	41.0 %	0.20	31.3 %	0.32	13.0 %	0.33	— %	NM	85.3 %	0.26	0.4
Legacy and relief refinance single-family loan portfolio:											
< 620	0.7 %	3.56	0.4 %	5.95	0.2 %	9.33	0.1 %	15.03 %	1.4 %	4.83	15.8
620 to 659	1.0	2.53	0.5	4.67	0.2	7.91	0.1	12.84	1.8	3.52	14.8
≥ 660	7.9	0.86	2.6	2.09	0.7	3.91	0.2	6.32	11.4	1.23	5.5
Not available	0.1	3.93	—	NM	—	NM	—	NM	0.1	4.68	19.1
Total	9.7 %	1.28	3.5 %	2.95	1.1 %	5.39	0.4 %	8.96	14.7 %	1.84	7.7

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

(2) Primarily includes loans modified through the Freddie Mac Flex Modification program. In prior periods, the percentage included loans in the payment deferrals program. Prior periods have been revised to conform to the current period presentation.

Higher Risk Loan Product Types

There are several types of loan products that contain terms which result in scheduled changes in the borrower's monthly payments after specified initial periods, such as interest-only and option ARM loans. These products may result in higher credit risk because the payment changes may increase the borrower's monthly payment, resulting in a higher risk of default. The majority of these loans are in our legacy and relief refinance single-family loan portfolio. Only a small percentage of our core single-family loan portfolio consists of ARM loans. We fully discontinued purchases of option ARM loans in 2007, Alt-A loans in 2009, and interest-only loans in 2010.

The balance of our interest-only and option ARM loans has continued to decline in recent years as many of these borrowers have repaid or refinanced their loans, received loan modifications, or completed foreclosure alternatives or foreclosure sales.

While we have not categorized option ARM loans as either subprime or Alt-A for presentation in this Form 10-K and elsewhere in our reporting, they could exhibit similar credit performance to collateral sometimes referred to as subprime or Alt-A by market participants. For reporting purposes, loans within the option ARM category continue to be presented in that category following a modification of the loan, even though the modified loan no longer provides for optional payment provisions.

The tables below provide credit characteristic information on higher risk loan product types.

Table 39 - Higher Risk Single-Family Loan Credit Characteristics

(Dollars in billions)	December 31, 2020			
	UPB	CLTV	% Modified	SDQ Rate
Amortizing ARM and option ARM ⁽¹⁾	\$28.3	44 %	3.0 %	3.99 %
Interest-only	9.8	59	—	9.88
Step-rate modified	5.5	52	100	16.02

(Dollars in billions)	December 31, 2019			
	UPB	CLTV	% Modified	SDQ Rate
Amortizing ARM and option ARM ⁽¹⁾	\$40.1	49 %	2.2 %	0.84 %
Interest-only	10.9	64	—	2.72
Step-rate modified	8.7	59	100	6.27

(1) Includes \$2.1 billion and \$2.5 billion in UPB of option ARM loans as of December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020 and December 31, 2019, the option ARM loans had: (a) current LTV ratios of 46% and 51%, (b) loan modification percentages of 25.0% and 20.4%, and (c) serious delinquency rates of 9.46% and 2.94%, respectively.

The table below shows the timing of scheduled payment changes for certain types of loans within our single-family credit guarantee portfolio. The amounts in the table below are aggregated by product type and categorized by the year in which the loan will experience a payment change. The timing of the actual payment change may differ from that presented in the table due to a number of factors, including if the borrower refinances the loan. Loans where the year of first payment change is 2020 or prior have already had one or more payment changes as of December 31, 2020; loans where the year of first payment change is 2021 or later have not had a payment change as of December 31, 2020 and will not experience a payment change until a future period. Step-rate modified loans are shown in each year that the borrower will experience a scheduled interest-rate increase; therefore, a single loan may be included in multiple periods. However, the total of step-rate loans in the table reflects the ending UPB of such loans as of December 31, 2020.

Table 40 - Timing of Scheduled Payment Changes for Certain Single-Family Loan Types

(In millions)	December 31, 2020							Total ⁽¹⁾
	2020 and Prior	2021	2022	2023	2024	2025	Thereafter	
ARM/amortizing	\$8,446	\$2,176	\$3,020	\$2,472	\$2,712	\$1,625	\$5,548	\$25,999
ARM/interest-only	3,572	—	—	—	—	—	—	3,572
Fixed/interest-only	393	9	23	1	—	—	—	426
Step-rate modified	5,420	542	121	31	14	—	—	5,538
Total	\$17,831	\$2,727	\$3,164	\$2,504	\$2,726	\$1,625	\$5,548	\$35,535

(1) Excludes loans underlying certain other securitization products since the payment change information is not available to us for these loans.

We believe that the performance of these types of loans has been affected by prior adverse macroeconomic conditions, such as unemployment rates and house price declines in many geographic areas, in addition to the increase in the borrower's monthly payment. However, we continue to monitor the performance of these loans as many have experienced a payment change or are scheduled to have a payment change in 2021 or thereafter, which is likely to subject the borrowers to higher monthly payments. Since a substantial portion of these loans were originated in 2005 through 2008 and are located in geographic areas that were most affected by declines in house prices that began in 2006, we believe that the serious delinquency rate for these types of loans will remain high in 2021.

Other Higher Risk Loans - 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-K, there is no universally accepted definition of subprime or Alt-A, and the classification of such loans may differ from company to company. We do not rely on these loan classifications to evaluate the credit risk exposure relating to such loans in our single-family credit guarantee portfolio.

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

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

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

Table 41 - Alt-A Loans in Our Single-Family Credit Guarantee Portfolio

(Dollars in billions)	December 31, 2020				December 31, 2019			
	UPB	CLTV	% Modified	SDQ Rate	UPB	CLTV	% Modified ⁽¹⁾	SDQ Rate
Alt-A	\$18.4	55 %	14.7 %	10.66 %	\$21.1	61 %	17.8 %	3.75 %

(1) Primarily includes loans modified through the Freddie Mac Flex Modification program. In prior periods, the percentage included loans in the payment deferrals program. Prior periods have been revised to conform to the current period presentation.

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

Geographic Concentrations

We purchase mortgage loans from across the U.S. However, local economic conditions can affect the borrower's ability to repay and the value of the underlying collateral, leading to concentrations of credit risk in certain geographic areas. In addition, certain states and municipalities may pass laws that limit our ability to foreclose or evict and make it more difficult and costly to manage our risk.

The table below summarizes the concentration by geographic area of our single-family credit guarantee portfolio as of December 31, 2020 and December 31, 2019, respectively. While our portfolio is diversified geographically, the economic effects of the COVID-19 pandemic may be disproportionately concentrated in certain geographic regions or areas. See **Note 18** for more information about credit risk associated with loans that we hold or guarantee.

Table 42 - Concentration of Credit Risk of Our Single-Family Credit Guarantee Portfolio

(Dollars in billions)	December 31, 2020			December 31, 2019			2020 ⁽¹⁾		2019	
	Portfolio UPB	% of Portfolio	Serious Delinquency Rate	Portfolio UPB	% of Portfolio	Serious Delinquency Rate	Credit Losses Amount	% of Credit Losses	Credit Losses Amount	% of Credit Losses
Region:⁽²⁾										
West	\$720	31 %	2.41 %	\$595	30 %	0.36 %	\$—	5 %	\$0.2	12 %
Northeast	549	24	3.16	475	24	0.87	0.2	40	0.5	37
North Central	357	15	2.06	319	16	0.61	0.1	27	0.3	19
Southeast	375	16	2.95	326	16	0.73	0.1	18	0.4	24
Southwest	325	14	2.59	279	14	0.54	—	10	0.1	8
Total	\$2,326	100 %	2.64	\$1,994	100 %	0.63	\$0.4	100 %	\$1.5	100 %
State:										
California	\$424	18 %	2.64	\$347	17 %	0.34	\$—	4 %	\$0.1	8 %
Texas	145	6	3.11	123	6	0.54	—	3	—	3
Florida	135	6	3.70	116	6	0.77	—	9	0.2	14
New York	103	4	4.56	94	5	1.21	0.1	13	0.1	7
Illinois	96	4	2.96	88	4	0.85	0.1	14	0.2	10
All other	1,423	62	2.34	1,226	62	0.61	0.2	57	0.9	58
Total	\$2,326	100 %	2.64	\$1,994	100 %	0.63	\$0.4	100 %	\$1.5	100 %

(1) Excludes credit losses related to charge-offs of accrued interest receivables.

(2) 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).

Engaging in Loss Mitigation Activities

Servicers perform loss mitigation activities as well as foreclosures on loans that they service for us. Our loss mitigation strategy emphasizes early intervention by servicers in delinquent loans and offers alternatives to foreclosure by providing servicers with default management programs designed to manage non-performing loans and to assist borrowers in maintaining home ownership or to facilitate foreclosure alternatives.

We offer a variety of borrower assistance programs, including refinance programs for certain eligible loans and loan workout activities for struggling borrowers. Our loan workouts include both home retention options and foreclosure alternatives. We also engage in transfers of servicing for and sales of certain seriously delinquent and reperforming loans.

Relief Refinance Program

Our relief refinance initiative allows eligible homeowners whose loans we already own or guarantee to refinance with more favorable terms (such as reduction in payment, reduction in interest rate or movement to a more stable loan product) and without the need to obtain additional mortgage insurance.

The relief refinance initiative includes the Enhanced Relief Refinance program, which provides liquidity for borrowers who are current on their mortgages but are unable to refinance because their LTV ratios exceed our standard refinance limits.

The following table includes information about the performance of our relief refinance mortgage portfolio.

Table 43 - Single-Family Relief Refinance Loans

(Dollars in millions)	December 31,					
	2020			2019		
	UPB	Loan Count	SDQ Rate	UPB	Loan Count	SDQ Rate
Above 125% Original LTV	\$11,972	83,439	4.41 %	\$15,906	103,401	0.93 %
Above 100% to 125% Original LTV	23,064	159,542	4.33	31,072	200,227	0.96
Above 80% to 100% Original LTV	38,994	293,582	3.88	52,020	362,647	0.76
80% and below Original LTV	55,291	575,708	2.70	70,752	681,232	0.43
Total	\$129,321	1,112,271	3.38	\$169,750	1,347,507	0.64

Loan Workout Activities

Home Retention Options

When refinancing is not practicable, we require our servicers first to evaluate the loan for a forbearance plan, repayment plan, payment deferral, or loan modification, because our level of recovery on a loan that reperfoms is often higher than for a loan that proceeds to a foreclosure alternative or foreclosure. Although workout options are often less costly than a foreclosure, we incur costs as a result of our loss mitigation activities. Specifically, payment deferrals result in non-interest-bearing balances we have to finance for the life of the mortgage, resulting in economic costs as a result of this program. Additionally, we incur economic losses on loan modifications that involve an interest rate reduction or principal forbearance, and we incur expenses related to incentive fees we pay to servicers for certain successfully completed loan workouts.

We offer the following types of home retention options:

- **Forbearance plans** - Arrangements that require reduced or no payments during a defined period, generally less than one year, to allow borrowers to return to compliance with the original mortgage terms or to implement another loan workout. For agreements completed in 2020, the average time period for reduced or suspended payments was between four and five months.
- **Repayment plans** - Contractual plans that allow borrowers a specific period of time to return to current status by paying the normal monthly payment plus additional agreed upon delinquent amounts. Repayment plans must have a term greater than one month and less than or equal to 12 months and the monthly repayment plan payment amount must not exceed 150% of the contractual mortgage payment. Servicers are paid incentive fees for repayment plans that are paid in full and loans brought to current status. For plans completed in 2020, the average time period to repay past due amounts was approximately four months.
- **Payment deferrals** - Arrangements that allow borrowers to return to current status by deferring delinquent principal and interest into a non-interest-bearing principal balance that is due at the earlier of the payoff date, maturity date, or sale of the property. The remaining mortgage term, interest rate, payment schedule, and maturity date remain unchanged and no trial period plan is required. The number of months of payments deferred varies based upon the type of hardship the borrower is experiencing.
- **Loan modifications** - Contractual plans that may involve changing the terms of the loan, adding outstanding indebtedness, such as delinquent interest, to the UPB of the loan, or a combination of both, including principal forbearance. Our modification programs generally require completion of a trial period of at least three months prior to receiving the modification. If a borrower fails to complete the trial period, the loan is considered for our other workout activities. These modification programs offer eligible borrowers extension of the loan's term up to 480 months and a fixed interest rate. Servicers are paid incentive fees for each completed modification, and there are limits on the number of times a loan may be modified. Our primary loan modification program is the Freddie Mac Flex Modification® program, which targets a 20% payment reduction through interest rate reduction, term extension, and principal forbearance. Under the Freddie Mac Flex Modification program, borrowers must complete a 90-day trial period plan prior to permanent modification.

The level of our loan workout activity increased significantly in 2020 compared to 2019 due to the COVID-19 pandemic. Pursuant to FHFA guidance and the CARES Act, we have been offering mortgage relief options for borrowers affected by the COVID-19 pandemic, including forbearance of up to 12 months to single-family borrowers experiencing a related financial

hardship, either directly or indirectly, and a payment deferral option for eligible homeowners who have the financial capacity to resume making their monthly payments, but who are unable to afford the additional monthly contributions required by a repayment plan. Under FHFA's guidance, we are extending COVID-19 forbearances up to 15 months for eligible borrowers, and this forbearance term may be further extended by FHFA in the future.

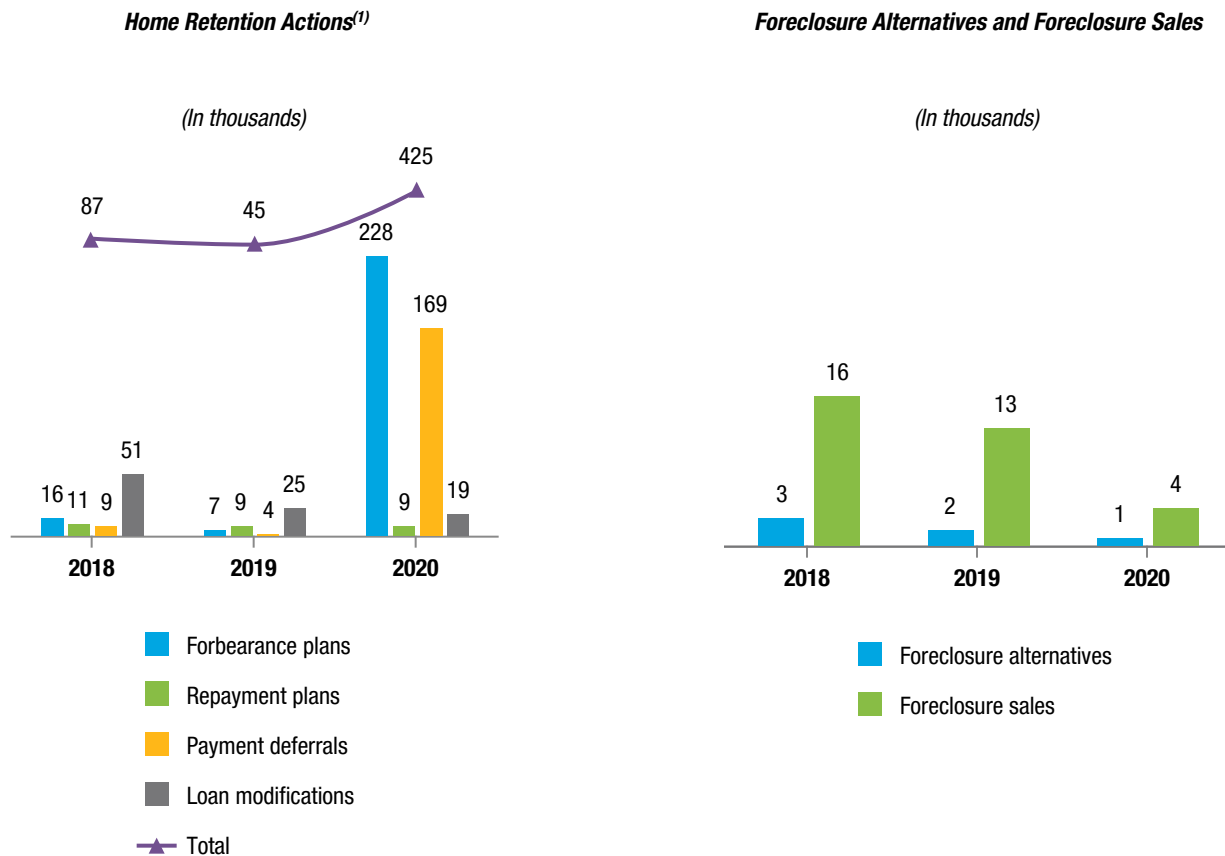
Foreclosure Alternatives

When a seriously delinquent single-family loan cannot be resolved through an economically sensible home retention option, we typically seek to pursue a foreclosure alternative before we pursue a foreclosure sale. We pay servicers incentive fees for each completed foreclosure alternative. In some cases, we provide cash relocation assistance to the borrower, while allowing the borrower to exit the home in an orderly manner. We offer the following types of foreclosure alternatives:

- **Short sale** - The borrower sells the property for less than the total amount owed under the terms of the loan. A short sale is preferable to a borrower because we provide limited relief to the borrower from repaying the entire amount owed on the loan. A short sale allows us to avoid the costs we would otherwise incur to complete the foreclosure and subsequently sell the property.
- **Deed in lieu of foreclosure** - The borrower voluntarily agrees to transfer title of the property to us without going through formal foreclosure proceedings.

The volume of foreclosures declined significantly in 2020, primarily due to the foreclosure moratorium that will remain in effect until at least March 31, 2021. The volume of our short sale transactions declined in 2020 compared to 2019, continuing the trend in recent periods. Similarly, the volume of short sales in the overall market also declined in recent periods as house prices have continued to increase.

The following graphs provide details about our single-family loan workout activities and foreclosure sales. In prior periods, the loan modifications included loans in the payment deferrals program. Prior periods have been revised to conform to the current period presentation.



(1) Forbearance plans in this graph only include those where borrowers fully reinstated the loan to current status during or at the end of forbearance period.

The tables below contain credit characteristic data on our single-family modified loans.

Table 44 - Credit Characteristics of Single-Family Modified Loans

(Dollars in billions)	December 31, 2020			
	UPB	% of Portfolio	CLTV Ratio	SDQ Rate
Loan Modifications ⁽¹⁾	\$27.6	1 %	58 %	22.39 %

(Dollars in billions)	December 31, 2019			
	UPB	% of Portfolio	CLTV Ratio	SDQ Rate
Loan Modifications ⁽¹⁾	\$38.3	2 %	65 %	10.67 %

(1) Primarily includes loans modified through the Freddie Mac Flex Modification program. In prior periods, the percentage included loans in the payment deferrals program. Prior periods have been revised to conform to the current period presentation.

The table below contains information about the payment performance of modified loans in our single-family credit guarantee portfolio, based on the number of loans that were current, sold or paid off one year and, if applicable, two years after modification.

Table 45 - Payment Performance of Single-Family Modified Loans⁽¹⁾

	Quarter of Loan Modification Completion							
	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Current, sold or paid off one year after modification:	58 %	59 %	58 %	67 %	67 %	78 %	78 %	65 %
Current, sold or paid off two years after modification:	N/A	N/A	N/A	N/A	71	72	74	73

(1) Primarily includes loans modified through the Freddie Mac Flex Modification program. In prior periods, the percentage included loans in the payment deferrals program. Prior periods have been revised to conform to the current period presentation.

Servicing Transfers and Sales and Securitization of Certain Seasoned Loans

From time to time, we facilitate the transfer of servicing for certain groups of loans that are delinquent or are deemed at risk of default to servicers that we believe have capabilities and resources necessary to improve the loss mitigation associated with the loans. See **Sellers and Servicers** in **Counterparty Credit Risk** for additional information on these activities.

We pursue sales of certain seriously delinquent loans when we believe the sale of these loans provides better economic returns than continuing to hold them. The FHFA requirements guiding these transactions include bidder qualifications, loan modifications, and performance reporting. Certain seriously delinquent loans may reperform, either on their own or through modification. In addition to sales of seriously delinquent loans, we sell certain reperforming loans, which typically involves securitization of the loans using our senior subordinate securitization structures or Level 1 Securitization Products, depending on market conditions, business strategy, credit risk considerations, and operational efficiency. Of the \$10.7 billion in UPB of single-family loans classified as held-for-sale at December 31, 2020, \$4.8 billion related to loans that were seriously delinquent.

While our ability to sell these seasoned loans was negatively affected by the COVID-19 pandemic during the first half of 2020, the market for certain loans improved during the second half of 2020. We sold \$8.3 billion in UPB of reperforming loans through securitization during 2020, compared to \$12.9 billion during 2019. We completed sales of \$0.7 billion in UPB of seriously delinquent loans during 2020, compared to sales of \$0.2 billion in UPB of such loans during 2019.

Managing Foreclosure and REO Activities

In a foreclosure, we may acquire the underlying property and later sell it, using the proceeds of the sale to reduce our losses.

We typically acquire properties as a result of borrower defaults and subsequent foreclosures or deeds in lieu of foreclosure on loans that we own or guarantee. We evaluate the condition of, and market for, newly acquired REO properties, determine if repairs will be performed, determine occupancy status and whether there are legal or other issues to be addressed, and determine our sale or disposition strategy. When we sell REO properties, we typically provide an initial period where we consider offers by owner occupants and entities engaged in community stabilization activities before offers by investors. We also consider disposition strategies, such as auctions, as appropriate to improve collateral recoveries and/or when traditional sales strategies (i.e., marketing via Multiple Listing Service and a real estate agent) may not be as effective.

We are subject to various state and local laws that affect the foreclosure process. The pace and volume of REO acquisitions are affected not only by the delinquent loan population but also by when we can initiate the foreclosure process and the length of the process, which extends the time it takes for loans to be foreclosed upon and the underlying properties to transition to REO.

Pursuant to FHFA guidance and the CARES Act, we are required to suspend foreclosures, other than for vacant or abandoned

properties, and evictions due to the COVID-19 pandemic until March 31, 2021, and this suspension period may be extended by FHFA, if necessary.

Delays in Foreclosure Process and Average Length of Foreclosure Process

Our serious delinquency rates and credit losses may be adversely affected by delays in the foreclosure process, particularly in states where a judicial foreclosure process is required. Foreclosures generally take longer to complete in such states, resulting in concentrations of delinquent loans in those states, as shown in the table below. At December 31, 2020, loans in states with a judicial foreclosure process comprised 37% of our single-family credit guarantee portfolio.

The table below presents the length of time our loans have been seriously delinquent, by jurisdiction type.

Table 46 - Seriously Delinquent Single-Family Loans by Jurisdiction

Aging, by locality	Year Ended December 31,					
	2020		2019		2018	
	Loan Count	%	Loan Count	%	Loan Count	%
Judicial states						
<= 1 year	132,103	42 %	26,063	37 %	27,811	37 %
> 1 year and <= 2 years	9,627	3	7,416	11	8,268	11
> 2 years	6,072	2	5,336	8	6,871	9
Non-judicial states						
<= 1 year	158,563	50	24,997	36	25,675	34
> 1 year and <= 2 years	6,659	2	3,928	5	4,133	6
> 2 years	2,283	1	1,981	3	2,382	3
Combined						
<= 1 year	290,666	92	51,060	73	53,486	71
> 1 year and <= 2 years	16,286	5	11,344	16	12,401	17
> 2 years	8,355	3	7,317	11	9,253	12
Total	315,307	100 %	69,721	100 %	75,140	100 %

The longer a loan remains delinquent, the greater the associated costs we incur. Loans that remain delinquent for more than one year are more challenging to resolve as many of these borrowers may not be in contact with the servicer, may not be eligible for loan modifications, or may determine that it is not economically beneficial for them to enter into a loan modification due to the amount of costs incurred on their behalf while the loan was delinquent. We expect the portion of our credit losses related to loans in states with judicial foreclosure processes will remain high as loans awaiting court proceedings in those states transition to REO or other loss events. The number of our single-family loans delinquent for more than one year increased 32% during 2020.

Our servicing guidelines do not allow initiation of the foreclosure process on a primary residence until a loan is at least 121 days delinquent, regardless of where the property is located. However, we evaluate the timeliness of foreclosure completion by our servicers based on the state where the property is located. Our servicing guide provides for instances of allowable foreclosure delays in excess of the expected timelines for specific situations involving delinquent loans, such as when the borrower files for bankruptcy or appeals a denial of a loan modification.

The table below presents average completion times for foreclosures of our single-family loans.

Table 47 - Average Length of Foreclosure Process for Single-Family Loans

(Average days)	Year Ended December 31,		
	2020	2019	2018
Judicial states			
Florida	1,037	1,143	1,173
New Jersey	983	1,089	1,343
New York	1,800	1,765	1,790
All other judicial states	669	692	710
Judicial states, in aggregate	802	872	926
Non-judicial states, in aggregate	537	520	530
Total	690	730	766

As indicated in the table above, the average length of the foreclosure process for our single-family loans has been trending downward in recent years for some jurisdictions but it has remained elevated in others, particularly in states with a judicial foreclosure process, such as Florida and New York.

Our REO inventory continued to decline in 2020, and the rate of decline significantly increased primarily due to FHFA guidance and the CARES Act, which required us to suspend certain foreclosures and evictions due to the COVID-19 pandemic. In addition to significantly slower new REO inflows, increased buyer demand resulting from low interest rates and a housing shortage kept REO dispositions at a steady pace. Therefore, our REO inventory declined significantly in 2020 as compared to 2019. Even in the absence of these unique circumstances, the decline of our REO inventory continued to be driven by the improved credit quality of our portfolio, effective loss mitigation and REO disposition strategies, and a large proportion of property sales to third parties at foreclosure. Third-party sales at foreclosure auction allow us to avoid the REO property expenses that we would have otherwise incurred if we held the property in our REO inventory until disposition.

We expect the rate of decline in our REO inventory to slow as long as the aforementioned foreclosure and eviction suspensions remain in effect and inventory available for sale begins to plateau.

The table below shows our single-family REO activity.

Table 48 - Single-Family REO Activity

(Dollars in millions)	Year Ended December 31,					
	2020		2019		2018	
	Number of Properties	Amount	Number of Properties	Amount	Number of Properties	Amount
Beginning balance - REO	4,989	\$565	7,100	\$780	8,299	\$900
Additions	2,361	214	7,910	786	10,442	1,012
Dispositions	(5,584)	(580)	(10,021)	(1,001)	(11,641)	(1,132)
Ending balance - REO	1,766	199	4,989	565	7,100	780
Beginning balance, valuation allowance		(10)		(11)		(14)
Change in valuation allowance		9		1		3
Ending balance, valuation allowance		(1)		(10)		(11)
Ending balance - REO, net		\$198		\$555		\$769

Severity Ratios

Severity ratios are the percentages of our realized losses when loans are resolved by the completion of REO dispositions and third-party foreclosure sales or short sales. Severity ratios are calculated as the amount of our recognized losses divided by the aggregate UPB of the related loans. The amount of recognized losses is equal to the amount by which the UPB of the loans exceeds the amount of sales proceeds from disposition of the properties, net of capitalized repair and selling expenses, if applicable. Loss severity excludes the cost of funding the loans after they are repurchased from the associated security pool.

The table below presents single-family severity ratios.

Table 49 - Single-Family Severity Ratios

	Year Ended December 31,		
	2020	2019	2018
REO dispositions and third-party foreclosure sales	20.4 %	21.7 %	24.2 %
Short sales	22.6	24.5	26.6

Our severity ratios declined during 2020 compared to 2019, primarily driven by house price appreciation as well as effective cost control and disposition strategies.

REO Property Status

A significant portion of our REO portfolio is unable to be marketed at any given time because the properties are occupied, involved in legal matters (e.g., bankruptcy, litigation, etc.), or subject to a redemption period, which is a post-foreclosure period during which borrowers may reclaim a foreclosed property. Redemption periods increase the average holding period of our inventory by as much as 10% or more. As of December 31, 2020, approximately 48% of our REO properties were unable to be marketed because the properties were occupied, located in states with a redemption period or subject to other legal matters. Another 18% of the properties were being prepared for sale (i.e., valued, marketing strategies determined, and repaired). The percentage of REO properties available for sale has declined significantly as new foreclosure inflows have significantly slowed due to the foreclosure and eviction suspensions that have been in place since March 2020 and sales have remained steady. Thus, as of December 31, 2020, approximately 19% of our REO properties were listed and available for sale, and 15% of our inventory was pending the settlement of sales. Though it varied significantly by state, the average holding period of our single-family REO properties, excluding any redemption period, was 250 days and 234 days for our REO dispositions during 2020 and 2019, respectively.

Multifamily Mortgage Credit Risk

We manage our exposure to multifamily mortgage credit risk, which is a type of commercial real estate credit risk, using the following principal strategies:

- Maintaining policies and procedures for new business activity, including prudent underwriting standards;
- Managing our portfolio, including loss mitigation activities; and
- Transferring credit risk to third-party investors.

Maintaining Policies and Procedures for New Business Activity, Including Prudent Underwriting Standards

We use a prior approval underwriting approach for multifamily loans, in contrast to the delegated underwriting approach used in our Single-family Guarantee segment and Fannie Mae's DUS program. Under this approach, we maintain credit discipline by completing our own underwriting and credit review for each new loan prior to issuing a loan purchase commitment, including reviewing third-party appraisals and performing cash flow analysis. Our underwriting standards focus on the LTV ratio and DSCR, which estimates a borrower's ability to repay the loan using the secured property's cash flows, after expenses. A higher DSCR indicates lower credit risk. Our standards require maximum LTV ratios and minimum DSCRs that vary based on the characteristics and features of the loan. Loans are generally underwritten with a maximum original LTV ratio of 80% and a DSCR of greater than 1.25, assuming monthly payments that reflect amortization of principal. However, certain loans may have a higher LTV ratio and/or a lower DSCR, typically where this will serve our mission and contribute to achieving our affordable housing goals.

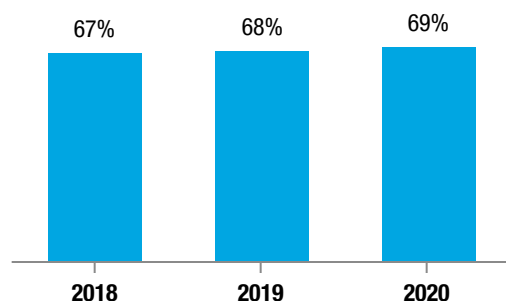
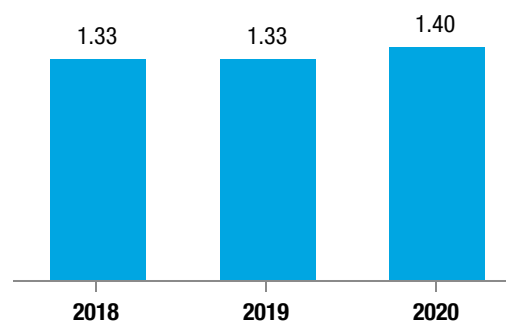
Consideration is also given to other qualitative factors, such as borrower experience, the type of loan, location of the property, and the strength of the local market. Sellers provide certain representations and warranties regarding the loans they sell to us, and are required to repurchase loans for which there has been a breach of representation or warranty. These representations and warranties are made as of the date the loan is sold to Freddie Mac and unless Freddie Mac agrees to an exception to the representation and warranty at purchase, the repurchase remedy may be implemented upon proof of the breach. However, repurchases of multifamily loans have been rare due to our underwriting approach, which is completed prior to issuance of a loan purchase commitment.

Multifamily loans may be amortizing or interest-only (for the full term or a portion thereof) and have a fixed or variable rate of interest. Multifamily loans generally amortize over a thirty-year period, but have shorter contractual maturity terms than single-family loans, typically ranging from five to ten years. As a result, most multifamily loans require a balloon payment at maturity, making a borrower's ability to refinance or pay off the loan at maturity a key attribute. Some borrowers may be unable to refinance during periods of rising interest rates or adverse market conditions, increasing the likelihood of borrower default.

Occasionally, we securitize loans or bonds contributed by third parties that are underwritten by us after origination. Prior to securitization, we are not exposed to the credit risk of these underlying loans or bonds. However, as we may guarantee some or all of the securities issued by the trusts used in these transactions, we effectively assume credit risk equal to the guaranteed UPB. Similar to our primary securitizations, these other securitizations generally provide for structural credit enhancements (e.g., subordination or other loss sharing arrangements) that allocate first loss exposure to third parties.

Notwithstanding the effects of the COVID-19 pandemic on the multifamily market and broader economic environment, the credit quality of our multifamily loan purchases and guarantees remained consistent with prior periods.

The graphs below show the original credit profile of the multifamily loans we purchased or guaranteed.

Weighted Average Original LTV Ratio**Weighted Average Original DSCR**

The table below presents the percentage of our multifamily new business activity that had certain characteristics that may be considered higher risk.

Table 50 - Percentage of Multifamily New Business Activity With Higher Risk Characteristics

	Year Ended December 31,		
	2020	2019	2018
Original LTV ratio greater than 80% ⁽¹⁾	1 %	2 %	1 %
Original DSCR less than or equal to 1.10 ⁽¹⁾	1	1	1

(1) Shown as a percentage of multifamily new business activity.

Managing Our Portfolio, Including Loss Mitigation Activities

To help mitigate our potential losses, we generally require sellers to act as the primary servicer for loans they have sold to us, including property monitoring tasks beyond those typically performed by single-family servicers. We typically transfer the role of master servicer in our K Certificate transactions to third parties, while retaining that role in our SB Certificate transactions. Servicers for unsecuritized loans over \$1 million must generally provide us with an assessment of the mortgaged property at least annually based on the servicer's analysis of the property as well as the borrower's financial statements. In situations where a borrower or property is in distress, the frequency of communications with the borrower may be increased. We rate servicing performance on a regular basis, and we may conduct on-site reviews to confirm compliance with our standards.

Substantially all of our guarantees have first loss credit protection provided by subordination. As a result, our primary credit risk exposure stems from unsecuritized loans and consolidated loans underlying our PC securitizations. By their nature, loans awaiting securitization that we hold for sale remain on our balance sheet for a shorter period than loans we hold for investment and are generally covered by general seller representations and warranties. For unsecuritized loans, we may offer a workout option to give the borrower an opportunity to bring the loan current and retain ownership of the property, such as providing a short-term extension of up to 12 months. These arrangements are entered into with the expectation that we will recover our initial investment or minimize our losses. We do not enter into these arrangements in situations where we believe we would experience a loss in the future that is greater than or equal to the loss we would experience if we foreclosed on the property at the time of the agreement. Our multifamily loan modification and other workout activities have been minimal in the last three years.

For consolidated loans underlying our PC securitizations, we generally retain full credit risk exposure through our guarantee, although we may subsequently transfer a portion of that credit risk using other credit risk transfer products.

Various federal, state, and local laws may affect our business processes and financial results. Future changes in these laws may adversely impact our borrowers or make it more difficult and costly for us to manage our credit risk. Rent restrictions and eviction moratoriums may adversely impact the cash flows generated by the underlying properties, while foreclosure moratoriums may limit our ability to pursue certain loss mitigation actions (e.g., foreclosure) upon a borrower default.

Loans in COVID-19 Related Forbearance Plans

Pursuant to FHFA guidance and the CARES Act, Freddie Mac and Fannie Mae offer multifamily borrowers mortgage forbearance with the condition that they suspend all evictions during the forbearance period for renters unable to pay rent. Under our forbearance program, multifamily borrowers with a fully performing loan as of February 1, 2020 can defer their loan payments for up to 90 days by showing hardship as a consequence of the COVID-19 pandemic and by gaining lender approval. After the forbearance period, the borrower is required to repay the forbore loan amounts in no more than 12 equal monthly installments.

In June 2020, in coordination with FHFA, we announced three supplemental forbearance relief options that servicers may use to assist borrowers with a forbearance plan who continue to be affected by the COVID-19 pandemic. These supplemental relief options added to the original tenant protections by providing flexibility to tenants to repay past due rent over time and not in a lump sum, and extended the prohibition on charging tenants fees and penalties for past due rent through both the forbearance and repayment periods. The three supplemental relief options include: (i) the option to delay the start of the repayment period following the initial forbearance period, (ii) an extension of the repayment period, and (iii) an extension of the forbearance period with an optional extended repayment period. Borrower requests for supplemental forbearance relief will be reviewed by the applicable servicer to confirm that COVID-19 continues to be the underlying cause of the impairment of the property's performance. If so, the servicer will determine whether any of the three supplemental relief options can reasonably be expected to return the property's performance to its pre-pandemic levels. If none of the options seem appropriate, the loan will be transferred to the appropriate asset resolution group. The selection of the appropriate supplemental relief option is at the discretion of the servicer and will not be an election of the borrower. In December 2020, we extended the deadline for borrowers whose loans have not been more than 30 days past due to request a new COVID-19 forbearance agreement or supplemental relief to March 31, 2021. The forbearance program was initially set to terminate at the end of 2020.

In coordination with FHFA, we have implemented numerous protections for tenants as part of our forbearance program. In May 2020, pursuant to FHFA guidance, we introduced an online multifamily property lookup tool to help renters determine if they are temporarily protected from eviction due to nonpayment of rent during the COVID-19 national health emergency. In August, we modified our forbearance program to introduce requirements for borrowers with a forbearance plan to provide notification to tenants of certain protections available to those tenants. For additional information on our responses to the COVID-19 pandemic, see **Introduction - COVID-19 Pandemic Response Efforts**.

We report multifamily delinquency rates based on the UPB of loans in our multifamily mortgage portfolio that are two monthly payments or more past due based on the loan's current contractual terms, or in the process of foreclosure, as reported by our servicers. Loans in forbearance are not considered delinquent as long as the borrower is in compliance with the forbearance agreement, including the agreed upon repayment plan.

The following table summarizes the current credit quality of loans under a forbearance program, which includes both the forbearance period and the repayment period.

Table 51 - Current Credit Quality of Multifamily Loans Under a Forbearance Program

(Dollars in millions)	December 31, 2020		
	UPB ⁽¹⁾	LTV > 80% ⁽²⁾	DSCR < 1.25 ⁽²⁾
Forbearance period	\$367	\$53	\$309
Repayment period	6,678	393	3,699
Credit-enhanced	7,045	446	4,008
Forbearance period	3	3	3
Repayment period	767	78	197
Non-credit-enhanced	770	81	200
Total	\$7,815	\$527	\$4,208
Weighted average LTV ⁽²⁾	64%		
Weighted average DSCR ⁽²⁾	1.40		

(1) Represents the entire loan UPB underlying our multifamily mortgage portfolio.

(2) Based on the most recent borrower financial information submissions received from the servicers.

Of the loans in forbearance, 82.1% based on UPB are in securitizations with first loss credit protection provided by subordination, with forbearance requests related to loans underlying our SB Certificate securitizations being the most common. The weighted average subordination level of securitizations with subordination that have loans in forbearance was 14.5% as of December 31, 2020. 17.5% of loans in forbearance are scheduled to mature prior to 2024. In addition, as of December 31, 2020, we have approved supplemental forbearance relief requests totaling \$1.2 billion in UPB.

Allowance for Credit Losses

Upon the adoption of CECL on January 1, 2020, we recognized an increase to the opening balance of the allowance for credit losses on multifamily loans classified as held-for-investment and certain other off-balance sheet credit exposures. Under CECL, we recognize an allowance for credit losses before a loss event has been incurred, which results in earlier recognition of credit losses compared to the previous incurred loss impairment methodology.

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

While our estimate of credit losses increased during 2020 due to the effects of the COVID-19 pandemic, a significant portion of the credit risk exposure of our multifamily mortgage portfolio is reduced by first loss credit protection provided by subordination from our securitizations.

The following table summarizes the allowance for credit losses on our multifamily mortgage portfolio including our off-balance sheet credit exposures.

Table 52 - Multifamily Allowance for Credit Losses Activity

(Dollars in millions)	2020	2019	2018	2017	2016
Beginning balance ⁽¹⁾	\$68	\$15	\$44	\$35	\$59
(Benefit) provision for credit losses	132	3	(24)	13	(22)
Charge-offs	—	—	(8)	(4)	(2)
Recoveries collected	—	—	3	—	—
Ending balance	\$200	\$18	\$15	\$44	\$35
Components of ending balance of allowance for credit losses:					
Mortgage loans held-for-investment	\$104	\$12	\$9	\$35	\$20
Off-balance sheet credit exposures	96	6	6	9	15
Total	\$200	\$18	\$15	\$44	\$35

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

Our multifamily credit losses remain low due to the property performance of the loans underlying our multifamily mortgage portfolio. See **Note 7** for additional information regarding multifamily credit losses and allowance for credit losses.

Transferring Credit Risk to Third-Party Investors

Types of Credit Enhancements

In connection with the acquisition, guarantee, or securitization of a loan or group of loans, we may obtain various forms of credit protection that reduce our credit risk exposure to the underlying mortgage borrower and reduce our required conservatorship capital. For example, at the time of loan acquisition or guarantee, we may obtain recourse and/or indemnification protection from our lenders or sellers. After acquisition, we primarily reduce our credit risk exposure to the underlying borrower by using one or more of our securitization products.

The following table summarizes our principal types of credit enhancements. See **Our Business Segments - Multifamily - Business Overview - Products and Activities** for additional information on our securitization and credit risk transfer products.

Category	Products	CRT	Coverage Type	Accounting Treatment
Subordination	Primary securitization products	Yes	Back-end	Guarantee
	Other securitization products:			
	• Securitizations of purchased collateral	Yes	Back-end	Guarantee/Debt
	• Securitizations of collateral contributed by third parties	No	Front-end	Guarantee
Lender risk-sharing	Securitizations in which we issue fully guaranteed securities and simultaneously enter into a separate loss sharing agreement.	Yes	Front-end	Freestanding
Insurance/reinsurance	MCIP	Yes	Back-end	Freestanding
SCR	SCR debt notes	Yes	Back-end	Debt

Credit Enhancement Coverage for Multifamily Mortgage Portfolio

The table below presents the UPB, delinquency rates, and forbearance rates for both credit-enhanced and non-credit enhanced loans underlying our multifamily mortgage portfolio.

Table 53 - Credit-Enhanced and Non-Credit-Enhanced Loans Underlying Our Multifamily Mortgage Portfolio

(Dollars in millions)	December 31,					
	2020			2019		
	UPB	Delinquency Rate	Forbearance Rate ⁽¹⁾	UPB	Delinquency Rate	Forbearance Rate ⁽¹⁾
Credit-enhanced:						
Subordination ⁽²⁾	\$286,092	0.18 %	1.99 %	\$251,008	0.09 %	— %
Other ⁽³⁾	17,353	0.17	2.73	16,069	0.06	—
Total credit-enhanced	303,445	0.18	2.03	267,077	0.09	—
Non-credit-enhanced	42,098	0.02	1.83	33,091	—	—
Total	\$345,543	0.16	2.01	\$300,168	0.08	—

(1) Forbearance rate includes loans in our forbearance program including loans in their repayment period. Forbearance loans that fail to comply with the terms of the forbearance agreement are reported in our delinquency rate.

(2) 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.

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

Our securitizations remain our principal risk transfer mechanism. Through securitizations, we have transferred a substantial amount of the expected and stressed credit risk on the multifamily guarantee portfolio, thereby reducing our overall credit risk exposure and required conservatorship capital. Since 2009, we have transferred a portion of the credit risk related to \$460.0 billion in UPB of multifamily loans through our securitizations, primarily K Certificates and SB Certificates, and other credit risk transfer products.

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

Table 54 - Level of Subordination Outstanding

(Dollars in millions)	December 31,					
	2020			2019		
	UPB	Delinquency Rate	Forbearance Rate	UPB	Delinquency Rate	Forbearance Rate
Less than 10%	\$49,227	0.04 %	0.14 %	\$2,094	0.04 %	— %
10% or greater	236,865	0.21	2.38	248,914	0.09	—
Total	\$286,092	0.18	1.99	\$251,008	0.09	—
Weighted average subordination level	13%			14%		

The increase in the "Less than 10%" level of subordination outstanding was primarily driven by a reduction in subordination levels for new issuances of our typical K Certificate securitizations. The lower subordination levels are still expected to absorb a substantial amount of expected and stressed credit losses. We have not experienced significant credit losses associated with our guarantees on our primary securitizations.

In addition to the credit enhancements listed above, we have various other credit enhancements related to our multifamily unsecuritized loans, securitizations, and other mortgage-related guarantees, in the form of collateral posting requirements, pool insurance, bond insurance, loss sharing agreements, and other similar arrangements, that along with the proceeds received

from the sale of the underlying mortgage collateral, are designed to enable us 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 paid under our guarantee contracts and related recoveries pursuant to these agreements have not been significant. See **Note 8** for more information on the total current and protected UPB of our multifamily mortgage portfolio that is credit-enhanced and the associated maximum coverage.

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

Table 55 - Credit Quality of Our Multifamily Mortgage Portfolio Without Credit Enhancement

(Dollars in millions)	December 31,					
	2020			2019		
	UPB	Delinquency Rate	Forbearance Rate	UPB	Delinquency Rate	Forbearance Rate
Unsecured loans:						
Held-for-sale	\$21,794	0.04 %	0.85 %	\$15,930	0.01 %	— %
Held-for-investment	8,655	—	1.40	9,408	—	—
Securitization-related products	6,711	—	6.84	3,656	—	—
Other mortgage-related guarantees	4,938	—	0.07	4,097	—	—
Total	\$42,098	0.02	1.83	\$33,091	—	—

REO Activity

Our REO activity has remained low in the past several years as a result of the strong property performance of our multifamily mortgage portfolio. As of December 31, 2020, we had no REO properties.

Counterparty Credit Risk

We are exposed to counterparty credit risk, which is a type of institutional credit risk, as a result of our contracts with sellers and servicers, credit enhancement providers (mortgage insurers, investors, etc.), guarantees of Fannie Mae securities underlying commingled resecuritization transactions, financial intermediaries, clearinghouses, and other counterparties. We manage our exposure to counterparty credit risk using the following principal strategies:

- Maintaining eligibility standards;
- Evaluating creditworthiness and monitoring performance; and
- Working with underperforming counterparties and limiting our losses from their nonperformance of obligations, when possible.

In the sections below, we discuss our management of counterparty credit risk for each type of counterparty to which we have significant exposure.

Sellers and Servicers

Overview

In our single-family guarantee business, we do not originate loans or have our own loan servicing operation. Instead, our sellers and servicers perform the primary loan origination and loan servicing functions on our behalf. We establish underwriting and servicing standards for our sellers and servicers to follow and have contractual arrangements with them under which they represent and warrant that the loans they sell to us meet our standards and that they will service loans in accordance with our standards. If we discover that the representations or warranties related to a loan were breached (i.e., that contractual standards were not followed), we can exercise certain contractual remedies to mitigate our actual or potential credit losses. If our sellers or servicers lack appropriate controls, experience a failure in their controls, or experience an operating disruption, including as a result of financial pressure, legal or regulatory actions or ratings downgrades, we could experience a decline in mortgage servicing quality and/or be less likely to recover losses through lender repurchases, recourse agreements, or other credit enhancements, where applicable.

In our multifamily business, we are exposed to the risk that multifamily sellers and servicers could come under financial pressure, which could potentially cause degradation in the quality of the servicing they provide us, including their monitoring of each property's financial performance and physical condition. This could also, in certain cases, reduce the likelihood that we could recover losses through lender repurchases, recourse agreements, or other credit enhancements, where applicable. This risk primarily relates to multifamily loans that we hold on our consolidated balance sheets where we retain all of the related credit risk.

In addition, our single-family guarantee business is exposed to settlement risk on the non-performance of sellers and servicers as a result of our forward settlement loan purchase programs. For additional details, see the **Financial Intermediaries, Clearinghouses, and Other Counterparties - Other Counterparties - Forward Settlement Counterparties** section below.

Maintaining Eligibility Standards

Our eligibility standards for sellers and servicers require the following: a demonstrated operating history in residential mortgage origination and servicing, or an eligible agent acceptable to us; adequate insurance coverage; a quality control program that meets our standards; and sufficient net worth, capital, liquidity, and funding sources. We and Fannie Mae are coordinating with FHFA to establish new eligibility rules.

Evaluating Counterparty Creditworthiness and Monitoring Performance

We perform ongoing monitoring and review of our exposure to individual sellers or servicers in accordance with our institutional credit risk management framework, including requiring our counterparties to provide regular financial reporting to us. We also monitor and rate our sellers and servicers' compliance with our standards and periodically review their operational processes. We may disqualify or suspend a seller or servicer with or without cause at any time. Once a seller or servicer is disqualified or suspended, we no longer purchase loans originated by that counterparty and generally no longer allow that counterparty to service loans for us, while seeking to transfer servicing of existing portfolios.

As discussed in more detail in **MD&A - Our Business Segments**, we acquire a significant portion of both our single-family and multifamily loan purchase volume from several large lenders, and a large percentage of our loans are also serviced by several large servicers.

We have significant exposure to non-depository and smaller depository financial institutions in our single-family business. These institutions may not have the same financial strength or operational capacity, or be subject to the same level of regulatory oversight, as large depository institutions.

Although our business with our single-family loan sellers is concentrated, a number of our largest single-family loan seller counterparties reduced or eliminated their purchases of loans from mortgage brokers and correspondent lenders in recent years. As a result, we acquire a greater portion of our single-family business volume directly from non-depository and smaller depository financial institutions.

For our single-family servicing, we utilize both depository institutions and non-depository institutions. Some of these non-depository institutions service a large share of our loans. As the COVID-19 pandemic evolved rapidly, liquidity concerns primarily regarding non-depository financial institutions arose as market conditions changed and borrowers affected by COVID-19 were offered widespread forbearance, including forbearance on loans purchased and securitized by us. Servicers must continue to advance funds during the forbearance period as discussed below, which may increase liquidity pressures on certain of our counterparties.

For our mortgage-backed securities, we guarantee the payment of principal and interest, and when the underlying borrowers do not pay their mortgages, our Guide requires single-family servicers to advance the missed mortgage interest payments from their own funds for up to 120 days. After this time, we will make the missed mortgage principal and interest payments to security holders until the mortgages are no longer held by the securitization trust. At the instruction of FHFA, our practice generally has been to purchase loans from the securitization trusts when the loans have been delinquent for 120 days or more. After the outbreak of COVID-19, FHFA further instructed us to maintain loans in COVID-19 payment forbearance plans in the securitization trusts for at least the duration of the forbearance. Once the forbearance period expires, the loan will remain in the related securities pool while:

- An offer to reinstate the loan or enter into either a payment deferral, repayment plan or a trial period plan pursuant to a loan modification remains outstanding;
- The loan is in an active repayment plan or trial period plan; or
- A payment deferral solution is in effect.

Beginning on January 1, 2021, at the instruction of FHFA and in alignment with Fannie Mae, we extended the trigger to purchase delinquent single-family loans out of securitization trusts to 24 months of delinquency, except for loans that are paid off, permanently modified, repurchased by sellers or servicers, subject to foreclosure alternatives, or referred to foreclosure.

In addition to principal and interest payments, borrowers are also responsible for other expenses such as property taxes and homeowner's insurance premiums. When borrowers do not pay these expenses, our Guide generally requires single-family servicers to advance the funds for these expenses in order to protect or preserve our interest in or legal right to the properties. These advances are ultimately collectible from the borrowers. If the borrowers reperform through loan workout activities, the missed payments and incurred expenses will be collected from the borrowers. Should the borrower not reinstate, we will reimburse the servicers for the advanced amounts at completion of foreclosures or loan workout activities.

In response to the potential liquidity concerns for certain of our counterparties, we monitor and review the financial stability of our non-depository institutional counterparties. However, if these counterparties experience financial difficulty, we could see a decline in mortgage servicing quality and/or be less likely to recover losses.

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

Table 56 - Single-Family Credit Guarantee Portfolio Non-Depository Servicers

	December 31, 2020		December 31, 2019	
	% of Portfolio ⁽¹⁾	% of Serious Delinquent Single-Family Loans	% of Portfolio ⁽¹⁾	% of Serious Delinquent Single-Family Loans
Top five non-depository servicers	18 %	17 %	18 %	13 %
Other non-depository servicers	30	28	20	55
Total	48 %	45 %	38 %	68 %

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

Working with Underperforming Counterparties and Limiting Our Losses from Their Nonperformance of Obligations, When Possible

We actively manage the current quality of loan originations of our largest single-family sellers by performing loan quality control sampling reviews and communicating loan defect rates and the causes of those defects to such sellers on a monthly basis. If necessary, we work with these sellers to develop an appropriate plan of corrective action.

We use a variety of tools and techniques to engage our single-family sellers and servicers and limit our losses, including the following:

- **Repurchases and other remedies** - For certain violations of our single-family selling or servicing policies, we can require the counterparty to repurchase loans or provide alternative remedies, such as reimbursement of realized losses or indemnification, and/or suspend or terminate the selling and servicing relationship. We typically first issue a notice of defect and allow a period of time to correct the problem prior to issuing a repurchase request. The UPB of loans subject to repurchase requests issued to our single-family sellers and servicers was \$0.5 billion and \$0.3 billion at December 31, 2020 and December 31, 2019, respectively. See **Note 18** for additional information about loans subject to repurchase requests.
- **Incentives and compensatory fees** - We pay various incentives to single-family servicers for completing workouts of problem loans. We also assess compensatory fees if single-family servicers do not achieve certain benchmarks with respect to servicing delinquent loans.
- **Servicing transfers** - From time to time, we may facilitate the transfer of servicing as a result of poor servicer performance, or for certain groups of single-family loans that are delinquent or are deemed at risk of default, to servicers that we believe have the capabilities and resources necessary to improve the loss mitigation associated with the loans. We may also facilitate the transfer of servicing on loans at the request of the servicer.

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

Credit Enhancement Providers

Overview

We have exposure to credit enhancement providers through credit enhancements we obtain on single-family loans. If any of our

credit enhancement providers fail to fulfill their obligations, we may not receive reimbursement for credit losses to which we are contractually entitled pursuant to our credit enhancements.

With respect to primary mortgage insurers, we currently cannot differentiate pricing based on counterparty strength or revoke a primary mortgage insurer's status as an eligible insurer without FHFA approval. Further, we generally do not select the insurance provider on a specific loan, because the selection is made by the lender at the time the loan is originated. Accordingly, we are limited in our ability to manage our concentration risk with respect to primary mortgage insurers.

As part of our insurance/reinsurance CRT transactions, we regularly obtain insurance coverage from global 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), our insurers and reinsurers generally participate in multiple types of insurance businesses, which helps to diversify their risk exposure.

Maintaining Eligibility Standards

We maintain eligibility standards for mortgage insurers and other insurers and reinsurers. Our eligibility requirements include financial requirements determined using a risk-based framework and were designed to promote the ability of mortgage insurers to fulfill their intended role of providing consistent liquidity throughout the mortgage cycle. Our mortgage insurers are required to submit audited financial information and certify compliance with the Private Mortgage Insurer Eligibility Requirements on an annual basis.

Evaluating Counterparty Creditworthiness and Monitoring Our Exposure

We monitor our exposure to individual insurers by performing periodic analysis of the financial capacity of each insurer under various adverse economic conditions. Monitoring performance and potentially identifying underperformance allows us to plan for loss mitigation. The COVID-19 pandemic may increase financial strains on our credit enhancement providers, and as a result, we have continued our close monitoring and active communication with our counterparties to assess potential risk impacts. If our credit enhancement providers fail to meet their obligations to reimburse us for claims, we could experience an increase in credit losses.

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

Table 57 - Single-Family Mortgage Insurers

(In millions)	Credit Rating ⁽¹⁾	Credit Rating Outlook ⁽¹⁾	December 31, 2020	
			UPB	Coverage
Arch Mortgage Insurance Company	A-	Negative	\$95,324	\$23,786
Radian Guaranty Inc. (Radian)	BBB+	Negative	92,906	22,499
Mortgage Guaranty Insurance Corporation (MGIC)	BBB+	Negative	84,164	20,853
Essent Guaranty, Inc.	BBB+	Negative	77,535	19,068
Genworth Mortgage Insurance Corporation	BB+	Watch Negative	72,375	18,089
National Mortgage Insurance (NMI)	BBB	Negative	45,757	11,506
PMI Mortgage Insurance Co. (PMI)	Not Rated	N/A	1,957	491
Republic Mortgage Insurance Company (RMIC)	Not Rated	N/A	1,464	362
Triad Guaranty Insurance Corporation (Triad)	Not Rated	N/A	904	226
Others	N/A	N/A	495	93
Total			\$472,881	\$116,973

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

Although the financial condition of our mortgage insurers improved in recent years, there is still a risk that some of these counterparties may fail to fully meet their obligations under a stress economic scenario since they are monoline entities primarily exposed to mortgage credit risk.

On October 23, 2016, Genworth Financial, Inc. ("Genworth") announced that it had entered into an agreement to be acquired by China Oceanwide Holdings Group Co., Ltd. Because Genworth Mortgage Insurance Corporation, a subsidiary of Genworth Financial, Inc., is an approved mortgage insurer, Freddie Mac evaluated the planned acquisition and approved China Oceanwide Holdings Group's control of Genworth Mortgage Insurance Corporation. On January 4, 2021, Genworth announced that Genworth and Oceanwide did not extend the end date, December 31, 2020, under the merger agreement due to uncertainty around the completion and timing of the remaining steps required to close the transaction and that Genworth is focusing on executing its contingency plan. Freddie Mac is collaborating with FHFA and Fannie Mae to review the contingency plan and provide necessary approvals.

PMI and Triad are both under the control of their state regulators and no longer issue new insurance. Both of these insurers pay a substantial portion of their claims as deferred payment obligations. RMIC is under regulatory supervision and is no longer issuing new insurance; however, it continues to pay its claims in cash.

If, as we currently expect, PMI and Triad do not pay the full amount of their deferred payment obligations in cash, we would lose a portion of the coverage from these insurers shown in the table above. As of December 31, 2020, we had cumulative unpaid deferred payment obligations of \$0.4 billion from these insurers. We have reserved substantially all of these unpaid amounts as collectability is uncertain.

Except for those insurers under regulatory supervision, which no longer issue new coverage, we continue to acquire new loans with mortgage insurance from the mortgage insurers shown in the table above, some of which have credit ratings below investment grade. For more information about counterparty credit risk associated with mortgage insurers, see **Note 18**.

The table below displays the concentration of our single-family credit risk exposure to our ACIS counterparties.

Table 58 - Single-Family ACIS Counterparties

(Dollars in billions)	December 31, 2020		December 31, 2019	
	Maximum Coverage ⁽¹⁾	% of Total	Maximum Coverage ⁽¹⁾	% of Total
Top five ACIS counterparties	\$5.3	48 %	\$5.0	51 %
All other ACIS counterparties	5.8	52	4.9	49
Total	\$11.1	100 %	\$9.9	100 %

(1) Represents maximum coverage exclusive of the collateral posted to secure the counterparties' obligations.

As of December 31, 2020 and December 31, 2019, our ACIS counterparties posted collateral of \$2.4 billion and \$2.0 billion, respectively. There is a possibility that if our ACIS counterparties become insolvent, a third-party involved in the restructure process could cancel a contract or contracts and prevent us from accessing collateral for future claims despite current collateral provisions. We have taken steps to reduce this risk.

For more information on our single-family CRT transactions, see **MD&A - Our Business Segments - Single-Family Guarantee - Business Overview - Products and Activities - CRT Transactions**, and **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors**.

Fannie Mae

We have counterparty credit risk exposure to Fannie Mae through our ability to commingle TBA-eligible Fannie Mae collateral in certain of our securitization products. When we restructure Fannie Mae securities in our commingled securitization products, our guarantee covers timely payments of principal and interest on such securities. If Fannie Mae were to fail to make a payment on a Fannie Mae security that we restructured, we would be responsible for making the payment to the securities holders. Our pricing does not currently reflect any incremental credit, liquidity, or operational risk associated with our guarantee of restructured Fannie Mae securities. We will be dependent on FHFA, Fannie Mae, and Treasury (pursuant to Fannie Mae's and our respective Purchase Agreements with Treasury) to avoid a liquidity event or default.

For additional information on commingled restructurings and the associated risks, see **MD&A - Our Business Segments - Single-Family Guarantee** and **Risk Factors**.

Financial Intermediaries, Clearinghouses, and Other Counterparties

Derivative Counterparties

We use cleared derivatives, exchange-traded derivatives, OTC derivatives, and forward sales and purchase commitments to mitigate risk, and are exposed to the non-performance of each of the related financial intermediaries and clearinghouses. The Capital Markets segment manages this risk for the company. Our financial intermediaries and clearinghouse credit exposure relates principally to interest-rate derivative contracts. We maintain internal standards for approving new derivative counterparties, clearinghouses, and clearing members.

- **Cleared and exchange-traded derivatives** - Cleared and exchange-traded derivatives expose us to counterparty credit risk of central clearinghouses and our clearing members. Our exposure to the clearinghouses we use to clear interest-rate derivatives has increased. The use of cleared and exchange-traded derivatives mitigates our counterparty credit risk exposure to individual counterparties because a central counterparty is substituted for individual counterparties, and changes in the value of open contracts are settled daily via payments made through the clearinghouse. We are required to post initial and variation margin to the clearinghouses. The amount of initial margin we must post for cleared and exchange-traded derivatives may be based, in part, on S&P or Moody's credit rating of our long-term senior unsecured debt securities. Our obligation to post margin may increase as a result of the lowering or withdrawal of our credit rating by S&P or Moody's or by changes in the potential future exposure generated by the derivative transactions.
- **OTC derivatives** - OTC derivatives expose us to counterparty credit risk of individual counterparties, because these transactions are executed and settled directly between us and each counterparty, exposing us to potential losses if a counterparty fails to meet its contractual obligations. When a counterparty in OTC derivatives that is subject to a master netting agreement has a net obligation to us with a market value above an agreed upon threshold, if any, the counterparty is obligated to deliver collateral in the form of cash, securities, or a combination of both to satisfy its obligation to us under the master netting agreement. Our OTC derivatives also require us to post collateral to counterparties in accordance with agreed upon thresholds, if any, when we are in a derivative liability position. The collateral posting thresholds we assign to our OTC counterparties, as well as the ones they assign to us, are generally based on S&P or Moody's credit rating. The lowering or withdrawal of our or our counterparty's credit rating by S&P or Moody's may increase our or our counterparty's obligation to post collateral, depending on the amount of the counterparty's exposure to Freddie Mac with respect to the derivative transactions. Only OTC derivatives transactions executed prior to March 1, 2017 are subject to collateral posting thresholds. Based upon regulations that took effect March 1, 2017, OTC derivative transactions executed or materially amended after that date require posting of variation margin without the application of any thresholds. Our OTC derivative transactions will become subject to new initial margin requirements on September 1, 2021.

Evaluating Counterparty Creditworthiness and Monitoring Performance

Over time, our exposure to derivative counterparties varies depending on changes in fair values, which are affected by changes in interest rates and other factors. Due to risk limits with certain counterparties, we may be forced to execute transactions with lower returns with other counterparties when managing our interest-rate risk. We manage our exposure through master netting and collateral agreements and stress-testing to evaluate potential exposure under possible adverse market scenarios. Collateral is typically transferred within one business day based on the values of the related derivatives. We regularly review the market values of the securities pledged to us, primarily agency and U.S. Treasury securities, to manage our exposure to loss. We conduct additional reviews of our exposure when market conditions dictate or certain events affecting an individual counterparty occur. When non-cash collateral is posted to us, we require collateral in excess of our exposure to satisfy the net obligation to us in accordance with the counterparty agreement.

In the event a counterparty defaults, our economic loss may be higher than the uncollateralized exposure of our derivatives if we are not able to replace the defaulted derivatives in a timely and cost-effective fashion (e.g., due to a significant interest rate movement during the period or other factors). We could also incur economic losses if non-cash collateral posted to us by the defaulting counterparty cannot be liquidated at prices that are sufficient to recover the amount of such exposure.

The table below compares the gross fair value of our derivative asset positions after counterparty netting with our net exposure to these positions after considering cash and non-cash collateral held.

Table 59 - Derivative Counterparty Credit Exposure

(Dollars in millions)	December 31, 2020		
	Number of Counterparties	Fair Value - Gain positions	Fair Value - Gain positions, net of collateral
OTC interest-rate swap and swaption counterparties (by rating):			
A+, A, or A-	12	\$2,634	\$29
Cleared and exchange-traded derivatives	2	17	77
Total	14	\$2,651	\$106

Approximately 99% of our exposure at fair value for OTC interest-rate swap and option-based derivatives, excluding amounts related to our posting of cash collateral in excess of our derivative liability determined at the counterparty level, was collateralized at December 31, 2020. The remaining exposure was primarily due to market movements between the measurement of a derivative at fair value and our receipt of the related collateral, as well as exposure amounts below the then applicable counterparty collateral posting threshold, if any. The concentration of our derivative exposure among our primary OTC derivative counterparties remains high and could further increase.

Other Counterparties

We enter into other types of transactions in the ordinary course of business that expose us to counterparty credit risk, including those below. An individual counterparty may be included in more than one transaction type below.

- Other investments** - We are exposed to the non-performance of institutions relating to other investments (including non-mortgage-related securities and cash and cash equivalents) transactions, including those entered into on behalf of our securitization trusts. Our policies require that the institution be evaluated using our internal rating model prior to our entering into such transactions. We monitor the financial strength of these institutions and may use collateral maintenance requirements to manage our exposure to individual counterparties.

The major financial institutions with which we transact regarding our other investments (including non-mortgage-related securities and cash and cash equivalents) include 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. For more information on our other investments portfolio, see **MD&A - Liquidity and Capital Resources**.

We utilize the GSD/FICC as a clearinghouse to transact many of our trades involving securities purchased under agreements to resell, securities sold under agreements to repurchase, and other non-mortgage related securities. As a clearing member of GSD/FICC, we are required to post initial and variation margin payments and are exposed to the counterparty credit risk of GSD/FICC (including its clearing members). In the event a clearing member fails and causes losses to the GSD/FICC clearing system, we could be subject to the loss of the margin that we have posted to the GSD/FICC. Moreover, our exposure could exceed that amount, as members are generally required to cover losses caused by defaulting members on a pro rata basis.

- Forward settlement counterparties** - We are exposed to the non-performance (settlement risk) of counterparties relating to the forward settlement of loans and securities (including agency debt, agency RMBS, and cash window loans). 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 these counterparties and may use collateral maintenance requirements or offsetting transactions to manage our exposure to individual counterparties.

We also execute forward purchase and sale commitments of mortgage-related securities, including dollar roll transactions, that are treated as derivatives for accounting purposes and 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. In the event a clearing member fails and causes losses to the MBSD/FICC clearing system, we could be subject to the loss of the margin that we have posted to the MBSD/FICC. Moreover, our exposure could exceed the amount of margin we have posted to the MBSD/FICC, as clearing members are generally required to cover losses caused by defaulting members on a pro rata basis. As of December 31, 2020, the gross fair value of such forward purchase and sale commitments that were in derivative asset positions was \$205 million.

- Secured lending activities** - As part of our other investments portfolio, we enter into secured lending arrangements to provide financing for certain Freddie Mac securities and other assets related to our guarantee businesses. These transactions differ from those we use for liquidity purposes, as the borrowers may not be major financial institutions, potentially exposing us to the institutional credit risk of these institutions. We also provide advances to lenders for mortgage loans that they will subsequently either sell through our cash window or securitize into securities that they will

deliver to us. In addition, we may invest in other secured lending activities. During 1Q 2020, certain of our counterparties that had engaged in securities purchased under agreements to resell on Freddie Mac securities defaulted under the terms of the governing legal agreements by failing to meet margin requirements. The transactions were terminated in accordance with the terms of the agreements and we recognized the collateral at fair value, which was in excess of the counterparties' outstanding obligations. We did not recognize a financial loss as a result of these defaults. For additional information, see **Note 18**.

Other Market Participants

We have exposure to other market participant counterparties for transactions that we enter into in the ordinary course of business, including the following:

- **Document custodians** - We use third-party document custodians to provide loan document certification and custody services for the loans that we purchase and securitize. In many cases, our sellers and servicers or their affiliates also serve as document custodians for us. Our ownership rights to the loans that we own or that back our securitization products could be challenged if a seller or servicer intentionally or negligently pledges, sells, or fails to obtain a release of prior liens on the loans that we purchased, which could result in financial losses to us. When a seller or servicer, or one of its affiliates, acts as a document custodian for us, the risk that our ownership interest in the loans may be adversely affected is increased, particularly in the event the seller or servicer were to become insolvent. To manage these risks, we establish qualifying standards for our document custodians and maintain legal and contractual arrangements that identify our ownership interest in the loans. We also monitor the financial strength of our document custodians on an ongoing basis in accordance with our counterparty credit risk management framework, and we require transfer of documents to a different third-party document custodian if we have concerns about the solvency or competency of the document custodian.
- **The MERS® System** - The MERS System is an electronic registry that is widely used by sellers and servicers, Freddie Mac, and other participants in the mortgage industry to maintain records of beneficial ownership of mortgage loans. A significant portion of the loans we own or guarantee are registered in the MERS System. Our business could be adversely affected if we were prevented from using the MERS System, or if our use of the MERS System adversely affects our ability to enforce our rights with respect to our loans registered in the MERS System.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or systems or from external events. Operational risk is inherent in all of our activities. Operational risk events include breakdowns related to people, process, and/or technology that could result in financial loss, legal actions, regulatory fines, and reputational harm.

Operational Risk Management and Risk Profile

Our operational risk management methodology includes risk identification, measurement, monitoring, controlling, and reporting. When operational risk events are identified, our policies require that the events be documented and analyzed to determine whether changes are required in our systems, people, and/or processes to mitigate the risk of future events.

In order to evaluate and monitor the risks associated with business processes, each business line periodically completes an assessment using the RCSA methodology. The methodology is designed to identify and assess the business line's exposure to operational risk and determine if action is required to manage the risk to an acceptable level.

In addition to the RCSA process, we employ several tools to identify, measure, and monitor operational risks, including loss event data, key risk indicators, root cause analysis, and testing. Our operational risk methodology requires that the primary responsibility for managing both the day-to-day risk and longer-term or emerging risks lies with the business lines, with independent oversight performed by the second line of defense.

We continue to face heightened operational risk and expect the risk to remain elevated for the near term. This elevated risk profile is due to the layering impact of several factors including: legacy systems requiring upgrade for operational resiliency; reliance on manual processes and models; volume and complexity of business initiatives, including the UMBS, as well as new initiatives we are pursuing as required by the Conservatorship Scorecard; external events such as cybersecurity threats and third-party failures; and issues requiring remediation. Other factors contributing to our heightened operational risk are discussed in **Risk Factors - Operational Risks**. We also continue to manage other operational risks, such as compliance risk.

While our operational risk profile remains elevated, we are continuing to strengthen our operational control environment by building out our operational risk resources within the first line of defense and ERM.

Operational Resiliency Risk

The inability to manage resiliency risk of our critical processes and supporting technology can negatively impact our ability to meet our business objectives. Our operational resiliency risk has increased as a result of the COVID-19 pandemic and is being managed through operational changes. We have successfully completed the company's infrastructure migration to the cloud designed to provide near continuous availability for select applications across primary and alternate data centers. However, additional deployment of our technology recovery strategy is necessary to further reduce resiliency risks to mission critical processes. A resiliency program is in place that is designed to further help us reduce risk over the next 12 months by achieving faster recovery of critical business functions and supporting assets, with the development of failover/failback capabilities, and demonstrate our ability to sustain our processes operating out of region.

Common Securitization Platform

We continue to make various multi-year investments to build and support the infrastructure for a better housing finance system, including ongoing maintenance and development of the CSP. The CSP is owned and operated by CSS, which is jointly owned by Freddie Mac and Fannie Mae. While we exercise influence over CSS through our representation on the CSS Board of Managers, we do not control its day-to-day operations. Freddie Mac, Fannie Mae, FHFA, and CSS continue to work together to monitor the operational effectiveness of the platform.

We rely on CSS and the CSP for the operation of many of our single-family securitization activities. Our business activities would be adversely affected and the market for Freddie Mac securities would be disrupted if the CSP were to fail or otherwise become unavailable to us or if CSS were unable to perform its obligations to us, including as a result of an operational failure by Fannie Mae. In the event of a CSS operational failure, we may be unable to issue certain new single-family mortgage-related securities, and investors in mortgage-related securities hosted on the CSS platform may experience payment delays.

For additional information, see **Risk Factors - Operational Risks - A failure in our operational systems or infrastructure, or those of third parties, could impair our ability to provide market liquidity, disrupt our business, damage our reputation, and cause financial losses.**

Cybersecurity Risk

Our operations rely on the secure, accurate and timely receipt, processing, storage, and transmission of confidential and other information in our systems and networks and with customers, counterparties, service providers, and financial institutions. Information risks for companies like ours have increased significantly in recent years. Like many companies and government entities, from time to time we have been, and likely will continue to be, the target of attempted cyberattacks and other information security threats.

We continue to invest in the information risk and security area to strengthen our capabilities to prevent, detect, respond to and mitigate risk, and protect our systems, networks, and other technology assets against unauthorized attempts to access confidential information or to disrupt or degrade our business operations. We have obtained insurance coverage relating to cybersecurity risks. However, this insurance may not be sufficient to provide adequate loss coverage. Although to date we have not experienced any cyberattacks resulting in significant impact to the company, there is no assurance that our cybersecurity risk management program will prevent cyberattacks from having significant impacts in the future.

Insider threats remain a top risk as the workforce diversifies to include contractors, third-party vendors, remote workers, and part-time employees. Our third-party vendors and their supply chain connections remain another top risk as we continue to operate from a heightened awareness position focusing on our cybersecurity posture, including those from nation-state cyber threats. We have strengthened our capabilities over critical third-party monitoring with continued focus on our capabilities for monitoring and surveillance to detect deliberate actions such as malicious exploitation, theft or destruction of data, or the compromise of our networks.

For additional information, see **Risk Factors - Operational Risks - Potential cybersecurity threats are changing rapidly and growing in sophistication. We may not be able to protect our systems or the confidentiality of our information from cyberattack and other unauthorized access, disclosure, and disruption.**

Third-Party Risk

Third party risk is the risk of failure of an individual or entity engaged to deliver a product, service, or process to, or on behalf of, Freddie Mac. We rely on third parties, and their supply chains, to support critical processes and core functions, and are exposed to operational risks as a result of this reliance. These third parties could experience, directly or through their supply chain, failures due to process breakdowns, technology outages, cyberattacks, adverse financial conditions, or other disruptions. For example, we are exposed to risks associated with our third parties and their dependencies on technology providers supporting their operations. We are enhancing our enterprise capabilities to manage third-party operational risks. While we continue to mature our program, we may be exposed to associated elevated risks. Our use of third parties increases exposure to data breaches through third parties that access and store our data and their supply chains. Efforts are underway to improve our controls related to third-party data sharing. We have not experienced significant issues with our third-party service providers, sellers, servicers, or other counterparties during the COVID-19 pandemic. However, our third parties may face operational and financial challenges during this period, which could impact our operations. We have increased our monitoring of third parties we deem to be critical or high risk to our operations.

In addition to credit risk exposure, sellers and servicers expose us to significant operational risk, including legal/compliance, information, and reporting risks. We are enhancing our controls to identify and mitigate operational risks that result from our relationships with sellers and servicers. See **MD&A - Risk Management - Counterparty Credit Risk** for additional information on our monitoring of our sellers and servicers.

Model Risk

Model risk is the potential for adverse consequences from model errors in prediction or decisions based on incorrect or misused model outputs. The unprecedented events surrounding the COVID-19 pandemic have generated an increased degree of model risk and uncertainty. As a result, we expect our models to face significant challenges in accurately forecasting key inputs into our financial projections. These can include, but are not limited to, projections of mortgage rates, house prices, credit defaults, yields, prepayments and interest rates. In response, we are mitigating this increased risk by monitoring model performance and applying model overlays and adjustments when deemed appropriate. These will be driven by the latest developments and emerging trends in the economy, as well as any additional government interventions and internal policy changes. However, these adjustments incorporate subjectivity and may be based upon judgment. Actual results could differ from our estimates, and the use of different judgments and assumptions related to these estimates could have a material impact on our consolidated financial statements.

Model development, changes to existing models, and model risks are managed in each business line according to our three-lines-of-defense framework. New model development and changes to existing models undergo a review process. Each business periodically reviews model performance, embedded assumptions, limitations, and modeling techniques, and updates its models as it deems appropriate. ERM independently validates the work done by the business lines (e.g., conducting independent assessments of ongoing monitoring results, model risk ratings, performance monitoring, and reporting against thresholds and alerts).

Given the importance and complexity of models in our business, model development may take significant time to complete. Delays in our model development process could affect our ability to make sound business and risk management decisions, and increase our exposure to risk. We have procedures designed to mitigate this risk.

We face significant risks associated with our use of models, as discussed in **Risk Factors - Operational Risks - We face risks and uncertainties associated with the models that we use to inform business and risk management decisions and for financial accounting and reporting purposes.**

Compliance Risk

Compliance risk is the risk of non-compliance with applicable laws, rules, regulations, conservator requirements, regulatory guidance, internal policies, procedures, standards or ethical codes of conduct (collectively, legal and regulatory obligations). We have established a compliance risk management program, leveraging the three lines of defense enterprise risk framework, to oversee and manage compliance risk, including effective challenge of our business areas' compliance with such obligations, as appropriate. We maintain policies and procedures that provide the governance framework for the identification, measurement, monitoring, control, reporting and remediation of compliance issues. FHFA has raised concerns that we need to strengthen our compliance risk management practices by documenting and implementing an effective comprehensive framework for identifying, assessing, testing, and reporting compliance risk. As a result, we are focused on strengthening the overall compliance risk management program, including the risk of non-compliance with our legal and regulatory obligations, through planned enhancements of certain compliance program elements, including risk assessments, monitoring, testing, and reporting. Our compliance program is subject to regulatory oversight and examination, which may result in the identification of additional program deficiencies or weaknesses. To the extent additional concerns are identified, we will continue to coordinate with FHFA and our internal auditors to assess the impact and remediate these concerns, as appropriate. For additional information relating to our compliance risk management program, see **Risk Factors - Legal and Compliance Risks.**

Effectiveness of Our Disclosure Controls and Procedures

Management, including our Principal Executive Officer and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2020. As of December 31, 2020, we had one material weakness related to conservatorship, which remained unremediated, causing us to conclude that our disclosure controls and procedures were not effective at a reasonable level of assurance. For additional information, see **Controls and Procedures.**

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 and managed by each individual business segment. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth.

A significant source of interest-rate risk is from our investments in mortgage-related assets (securities and loans) and the debt we issue to fund our assets. Typically, an existing loan or bond investment is worth less to an investor when interest rates (yields) rise and worth more when they decline. In addition, for a majority of our single-family mortgage-related assets, the borrower has the option to make unscheduled principal payments at any time before maturity without incurring a prepayment penalty. Thus, our mortgage-related asset portfolio is also exposed to uncertainty as to when borrowers will exercise their option and pay the outstanding principal balance of their loans. We face similar (and in most cases directionally opposite) exposure related to unsecured debt. Unsecured debt is typically worth less to an investor when interest rates (yields) rise and worth more when they decline. In addition, we issue debt with embedded options, such as an option to call, which provides us flexibility concerning the timing of our debt maturities.

Another source of interest-rate risk comes from our single-family guarantee portfolio, which includes upfront fees (including buy-downs), buy-ups, and float. Upfront fees are cash we receive at loan acquisition as compensation for our guarantee, which also typically includes a contractual monthly fee paid as a percentage of the UPB of the underlying loan. The present value of the upfront fees cash flows is based on the estimated loan prepayment activity, which varies based on estimates of future interest rates. From an interest-rate risk standpoint, receiving upfront fees increases risk as the actual prepayment rate of the loans we purchase may be different than our original estimates and may vary based on changes in interest rates. As interest rates decrease, loans typically prepay more quickly, resulting in accelerated recognition of upfront fees in earnings and a higher annualized rate of income. The opposite occurs as interest rates increase, resulting in slower recognition of upfront fees in earnings and a lower annualized rate of income. We incorporate upfront fees in our interest-rate risk metrics by assuming upfront fees are equivalent to the sale of an interest-only security, allowing for modeling and aggregation of the interest-rate exposure of upfront fees with the rest of our interest-rate exposures.

Conversely, buy-ups are treated as the purchase of an interest-only security as they represent the excess borrower interest payments remaining from the securitization process that we effectively purchase from the seller. Interest-rate risk related to float arises from the timing differences between the borrowers' principal payments on the loans and the reduction of the security balance. This can lead to significant interest expense if the interest amount paid to a security investor is higher than the reinvestment amount earned by the securitization trust on payments received from borrowers and paid to us as trust management income. In general, as interest rates decrease and prepayments increase, this expense to Freddie Mac increases. Conversely, as interest rates increase and prepayments decrease, this expense to Freddie Mac decreases.

We actively manage our economic exposure to interest rate fluctuations. 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. Our models include the possibility of future negative interest rate scenarios and that risk is included in our hedging framework.

Management of Market Risk

We employ risk management practices that seek to maintain certain interest-rate characteristics of our assets and liabilities within our risk limits through a number of different strategies, including:

- Asset selection and structuring, such as acquiring or structuring mortgage-related securities with certain expected prepayment and other characteristics;
- Issuance of both callable and non-callable unsecured debt; and
- Use of interest-rate derivatives, including swaps, swaptions, and futures.

Our use of derivatives is an important part of our strategy to manage interest-rate risk. When deciding to use derivatives to mitigate our exposures, we consider a number of factors, including cost, exposure to counterparty credit risks, and our overall risk management strategy. See **MD&A - Risk Management - Counterparty Credit Risk** and **Risk Factors** for more discussion of our market risk exposures, including those related to derivatives, institutional counterparties, and other market risks.

Although we have limited ability to manage spread risk, we employ the following strategies:

- Limiting the size of our assets that are exposed to spread risk;
- Using short-TBA positions to hedge certain assets, primarily loans acquired through our cash window that are awaiting securitization and portions of our agency mortgage-related securities portfolio; and
- Entering into certain spread-related derivatives to offset our spread exposures.

Interest-Rate Risk

Interest-rate risk is the economic risk related to adverse changes in the level or volatility of interest rates. A change in the level of interest rates (represented by a parallel shift of the yield curve, all else constant) exposes our assets and liabilities to risk, potentially affecting expected future cash flows and their present values. This is reflected in our PVS-L and duration gap disclosures. Similarly, changes in the shape or slope of the yield curve (often reflecting changes in the market's expectation of future interest rates) expose our assets and liabilities to risk, potentially affecting expected future cash flows and their present values. This is reflected in our PVS-YC disclosure. Volatility risk is the risk that changes in the market's expectation of the magnitude of future variations in interest rates will adversely affect our economic value. We are exposed to volatility risk in both our mortgage-related assets and liabilities, especially in instruments with embedded options.

Measurement of Interest-Rate Risk

We calculate our exposure to changes in interest rates for our interest rate sensitive assets and liabilities using effective duration and effective convexity, based on our models.

- Effective duration measures the percentage change in the price of financial instruments from a 100 basis point change in interest rates. Financial instruments with positive duration increase in value as interest rates decline. Conversely, financial instruments with negative duration increase in value as interest rates rise.
- Effective convexity measures the change in effective duration for a 100 basis point change in interest rates. Effective duration is not constant over the entire yield curve and effective convexity measures how effective duration changes over large changes in interest rates.

Together, effective duration and effective convexity provide a measure of an instrument's overall price sensitivity to changes in interest rates. We utilize the concepts of effective duration and effective convexity in calculating our primary interest-rate risk measures: duration gap and PVS.

- **Duration gap** - The net effective duration of our overall portfolio of interest-rate sensitive assets and liabilities is expressed in months as our duration gap. 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. For example, assets with a six-month duration and liabilities with a five-month duration would result in a positive duration gap of one month.

The table below shows various duration gap measurements and the effects that changes in interest rates would generally have on portfolio value.

Negative Duration Gap	Zero Duration Gap	Positive Duration Gap
Asset Duration < Liability Duration	Asset Duration = Liability Duration	Asset Duration > Liability Duration
Net portfolio will increase in value when interest rates rise and decrease in value when interest rates fall.	Net portfolio economic value will be unchanged. The change in the value of assets from an instantaneous move in interest rates, either up or down, would be expected to be accompanied by an equal and offsetting change in the value of liabilities.	Net portfolio will increase in value when interest rates fall and decrease in value when interest rates rise.

We actively measure and manage our duration gap exposure on a daily basis. In addition to duration gap management, we also measure and manage the price sensitivity of our portfolio to a number of different specific interest rate changes along the yield curve. The price sensitivity of an instrument to specific changes in interest rates is known as the instrument's key rate duration risk. By managing our duration exposure both in aggregate through duration gap and to specific changes in interest rates through key rate duration, we expect to limit our exposure to interest rate changes for a wide range of interest rate yield curve scenarios.

- **PVS** - PVS is an estimate of the change in the present value of the cash flows 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's value to a 50 basis point parallel movement in interest rates (PVS-L) and the other to a nonparallel movement (PVS-YC), resulting from a 25 basis point change in slope of the LIBOR yield curve. The 50 basis point shift and 25 basis point change in slope of the LIBOR yield curve used for our PVS measures reflect reasonably possible near-term changes that we believe provide a meaningful

measure of our interest-rate risk sensitivity.

To calculate PVS, the interest rate shock is applied to the duration (and convexity for PVS-L) of all interest-rate sensitive financial instruments. The resulting change in value for the aggregate portfolio is computed for both the up rate and down rate shock, and whichever produces the more adverse outcome is the PVS. In cases where both the up rate and down rate shocks result in a positive effect, the PVS is zero. PVS results are shown on a pre-tax basis.

Interest-Rate Risk Results

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

Table 60 - PVS-YC and PVS-L Results Assuming Shifts of the LIBOR Yield Curve

(In millions)	December 31, 2020			December 31, 2019		
	PVS-YC 25 bps	PVS-L		PVS-YC 25 bps	PVS-L	
		50 bps	100 bps		50 bps	100 bps
Assuming shifts of the LIBOR yield curve, (gains) losses on:⁽¹⁾						
Assets:						
Investments	(\$286)	\$3,700	\$7,670	(\$307)	\$4,840	\$10,011
Guarantees ⁽²⁾	165	(1,691)	(3,250)	(224)	351	706
Total Assets	(121)	2,009	4,420	(531)	5,191	10,717
Liabilities	(54)	(3,237)	(7,503)	20	(1,563)	(3,413)
Derivatives	185	1,180	2,839	513	(3,646)	(7,409)
Total	\$10	(\$48)	(\$244)	\$2	(\$18)	(\$105)
PVS	\$10	\$—	\$—	\$2	\$—	\$—

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

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

Table 61 - Duration Gap and PVS Results

(Duration gap in months, dollars in millions)	Year Ended December 31,					
	2020			2019		
	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps
Average	0.5	\$11	\$73	0.8	\$34	\$96
Minimum	(0.7)	—	—	(0.8)	—	—
Maximum	1.5	44	275	8.6	345	950
Standard deviation	0.4	8	68	1.6	72	189

The disclosure in our Monthly Volume Summary reports, which are available on our website www.freddiemac.com/investors/financials/monthly-volume-summaries.html, reflects the average of the daily PVS-L, PVS-YC, and duration gap estimates for a given reporting period (a month, a quarter, or a year).

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 62 - PVS-L Results Before Derivatives and After Derivatives

(In millions)	PVS-L (50 bps)		Effect of Derivatives
	Before Derivatives	After Derivatives	
December 31, 2020 ⁽¹⁾	\$601	\$—	(\$601)
December 31, 2019	\$3,628	\$—	(\$3,628)

(1) Before derivatives, our adverse PVS-L rate movement is -50 bps, whereas after derivatives our adverse PVS-L rate movement is +50 bps.

Limitations of Interest-Rate Risk Measures

While we believe that PVS and duration gap are useful risk management tools, they should be understood as estimates rather than as precise measurements. Mis-estimation of economic market risk could result in over or under hedging of interest-rate risk, significant economic losses, and an adverse impact on earnings. The limitations of our economic market risk measures include the following:

- Our PVS and duration gap estimates are determined using models that involve our judgment of interest-rate and prepayment assumptions.
- There could be times when we hedge differently than our model estimates during the period, such as when we are making changes or market updates to these models.
- PVS and duration gap do not capture the potential effect of certain other market risks, such as changes in volatility and market spread risk. The effect of these other market risks can be significant.
- Our sensitivity analyses for PVS and duration gap contemplate only certain movements in interest rates and are performed at a particular point in time based on the estimated fair value of our existing portfolio.
- Although the mortgage-related investments portfolio is the main contributor of interest-rate risk to the company, other core businesses also contribute to our interest-rate risk and may be managed differently. We have certain assets that have a relatively short holding period. As a result, we may manage the risk of these assets based on their disposition, while our risk measures use long-term cash flows. Hedging these businesses at times requires additional assumptions concerning risk metrics to accommodate changes in pricing that may not be related to the future cash flow of the assets. This could create a perceived risk exposure as the hedged risk may differ from the modeled risk.
- The choice of the benchmark rate used to model and hedge our positions is a significant assumption. The effectiveness of our hedges ultimately depends on how closely the different instruments (assets, liabilities, and derivatives) react to the underlying chosen benchmark. In the simplest example, all instruments would have interest-rate risk based on the same underlying benchmark, in our case, the swap rate. In practice, however, different instruments react differently versus the benchmark rate, which creates a market spread between the benchmark rate and the instrument. As the market spreads of these instruments move differently, our ability to predict the behavior of each instrument relative to the others is reduced, potentially affecting the effectiveness of our hedges.
- Our reported measurements do not include the sensitivity to interest-rate changes of net worth and the following assets and liabilities:
 - **Credit guarantee activities** - We currently do not hedge the interest-rate exposure of our credit guarantees except for the interest-rate exposure related to upfront fees (including buy-downs), buy-ups, float, and STACR debt notes.
 - **Other assets and other liabilities** - We do not include other miscellaneous assets and liabilities, primarily deferred tax assets, accounts payable and receivable, and non-cash basis adjustments.

Spread Risk

Spread risk is the risk that yields in different asset classes may not move together and may adversely affect our economic value. This risk arises principally because interest rates on our mortgage-related investments may not move in tandem with interest rates on our financial liabilities and derivatives, potentially affecting the effectiveness of our hedges. We are exposed to the following types of market spread risk:

- Market spread risk arising from mortgage-related investments, including loans and securities, and certain non-mortgage investments;
- Market spread risk arising from our use of SOFR- or Treasury-based instruments in our risk management activities; and
- Market spread risk arising from the difference in time between when we commit to purchase a mortgage loan through our pipeline path and when we either securitize the loan or hedge it by using forward TBA securities or derivatives. During this time, market spreads can widen, causing losses due to changes in fair value.

Spread duration measures the percentage change in the price of financial instruments from a change in spread over the benchmark interest rates. Unlike effective duration, spread duration typically only impacts the discounting of an instrument's cashflows, and not the underlying cashflows themselves. This discounting impact creates a measure that is typically positive, where the instrument increases in value as spreads decline and decreases in value as spreads widen.

Earnings Sensitivity to Market Risk

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. We manage this variability of GAAP earnings, which may not reflect the economics of our business, using fair value hedge accounting.

Interest Rate Related Earnings Sensitivity

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, our GAAP financial results are subject to significant earnings variability from period to period based on changes in market conditions. Based upon the composition of our financial assets and liabilities, including derivatives, at December 31, 2020, 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. See **Note 10** for additional information on hedge accounting.

Earnings Sensitivity to Changes in Interest Rates

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

Table 63 - Earnings Sensitivity to Changes in Interest Rates

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

The actual effect of changes in interest rates on our comprehensive income in any given period may vary based on a number of factors, including, but not limited to, the composition of our assets and liabilities, the actual changes in interest rates that are realized at different terms along the yield curve, and the effectiveness of our hedge accounting strategies. Even if implemented properly, our hedge accounting programs may not be effective in reducing earnings volatility, and our hedges may fail in any given future period, which could expose us to significant earnings variability in that period. In addition, after dedesignation of a fair value hedging relationship, the amount of amortization of the fair value hedging basis adjustment associated with the previously designated hedged item that we recognize in a period may differ from the change in fair value of the previously designated hedging instrument during that period, which may create variability in our earnings. See **Risk Factors - Market Risks - Changes in interest rates could negatively affect the fair value of financial assets and liabilities, our results of operations, and our net worth** for additional information.

Spread-Related Earnings Sensitivity

We have limited ability to manage our spread risk exposure 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. Certain accounting elections we make, such as election of the fair value option, may affect the amount of spread volatility recognized in our results of operations.

Transition from LIBOR

In 2017, the Chief Executive of the United Kingdom's Financial Conduct Authority (FCA) announced that the FCA will no longer persuade or compel member panel banks to make LIBOR submissions after 2021. He also indicated that market participants should expect LIBOR to be subsequently discontinued, or at least to no longer be deemed representative of market interest rates, and should proceed expeditiously with preparations for transitioning to an alternative reference interest rate. U.S. regulators have made similar statements. In December 2020, the ICE Benchmark Administration Limited, the administrator of LIBOR, began a consultation on its intention to cease the publication of the most relevant tenors of U.S. Dollar LIBOR after June 2023. As a result, it is likely that LIBOR will be discontinued as a benchmark interest rate after June 2023.

Freddie Mac has exposure to LIBOR, including financial instruments that mature after June 2023. Our exposure arises from floating rate securities we issue, loans and securities we acquire (including loans we subsequently resecure), and derivatives we enter into that reference LIBOR. Senior management is actively evaluating and managing risks related to the LIBOR transition. To help prepare for an orderly transition from LIBOR, we established a LIBOR Working Group in 2018 that consists of members from the different business areas as well as the Legal and ERM divisions. We also have formed LIBOR transition committees across our businesses, functions, and products. Senior management and the LIBOR Working Group provide periodic updates to the Board and are working with FHFA on our plans for transition implementation.

The Federal Reserve Board and the Federal Reserve Bank of New York convened the Alternative Reference Rates Committee (ARRC) to recommend a set of alternative reference interest rates for possible use as market-accepted benchmarks. Based on the ARRC's recommendation, the Federal Reserve Bank of New York began publishing SOFR in April 2018. Since then, certain derivative products and debt securities tied to SOFR have been introduced, and various industry groups have continued working to develop plans and documentation to facilitate a transition to SOFR as the new market-accepted benchmark. We have been a member of the ARRC since 2018 and have participated in many of its working groups.

We support the ARRC's recommendation to replace LIBOR with SOFR. We have issued SOFR-based debt securities, and executed SOFR-based securitizations and interest-rate derivatives transactions. During 2020, we began purchasing multifamily floating-rate loans and single-family ARMs indexed to SOFR. Effective January 1, 2021, we no longer purchase single-family ARMs and multifamily floating-rate loans tied to LIBOR. We are working with our customers, investors, and servicers to prepare to transition existing LIBOR-based ARM products to SOFR-based ARM products.

With the implementation of these changes, our purchases of single-family ARMs and multifamily floating-rate loans may decrease as affected market participants may need more time to develop the systems and processes necessary to originate and sell ARMs and floating-rate loans tied to SOFR or any other new indices that may be developed.

For a discussion of the risks related to the LIBOR transition, see **Risk Factors - Market Risks - The expected discontinuance of LIBOR could negatively affect the fair value of our financial assets and liabilities, results of operations, and net worth. A transition to an alternative reference interest rate could present operational problems and subject us to possible litigation risk. We may be unable to take a consistent approach across our financial products.**

LIQUIDITY AND CAPITAL RESOURCES

Overview

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.

On June 17, 2020, FHFA provided us and Fannie Mae with updated minimum short-, medium-, and long-term liquidity requirements. These requirements are based on cash flows needed under a stressed scenario that assumes, among other things, that for short- and medium-term debt, we may not have access to funding from the market for an extended period of time and therefore must fund our cash needs utilizing certain liquid assets in our portfolio.

The updated FHFA minimum liquidity requirements have four components:

- A 30-day cash flow stress test that assumes we continue to provide liquidity to the market while holding a \$10 billion buffer above outflows;
- A 365-day metric that requires us to hold liquidity to meet our expected cash outflows over 365 days and to continue to provide liquidity to the market under certain stress conditions. This metric is also more restrictive than our earlier framework regarding the types of liquid assets we hold;
- A specified minimum long-term debt to less-liquid asset ratio. Less-liquid assets are those that are not eligible to be pledged as collateral to the FICC; and
- A requirement that we fund our assets with liabilities that have a specified minimum term relative to the term of the assets.

These updated liquidity requirements have been effective since December 1, 2020 and are more stringent than our previous liquidity requirements and liquidity requirements of banks and other depository institutions. These updated liquidity requirements result in higher funding costs and negatively affect our net interest income. In addition, they have impacted the size and the allowable investments in our other investments portfolio.

On December 17, 2020, FHFA issued a notice of proposed rulemaking regarding liquidity requirements for Freddie Mac and Fannie Mae. For additional information on the proposed rule, see **MD&A – Regulation and Supervision – Legislative and Regulatory Developments – FHFA Proposed Rule on Enterprise Liquidity Requirements**.

Sources and Uses of Funds

Our primary source of funding for the assets on our balance sheet is the issuance of debt. In addition to the funding provided by issuing debt, our other sources of funds include:

- Principal payments on and sales of securities and loans that we own;
- Repurchase transactions;
- Interest income on securities and loans that we own;
- Guarantee fees (inclusive of initial upfront fees);
- Net worth; and
- Draws from Treasury under the Purchase Agreement, which are only made if we have a quarterly deficit in our net worth.

We use these sources to fund the assets on our balance sheet. Our primary uses of funds include:

- Principal payments upon the maturity, redemption, or repurchase of our debt;
- Payments of interest on our debt and other expenses;
- Purchases of mortgage loans, including purchases of seriously delinquent or modified loans underlying our securities, mortgage-related securities, and other investments; and
- Payments related to derivative contracts and posting or pledging of collateral to third parties in connection with secured financing and daily trade activities.

In addition to the uses and sources of cash described above, we are involved in various legal proceedings, including those discussed in **Legal Proceedings**, which may result in a need to use cash to settle claims or pay certain costs or receipt of cash from settlements.

Our securities and other obligations are not guaranteed by the U.S. government and do not constitute a debt or obligation of the U.S. government or any agency or instrumentality thereof, other than Freddie Mac. We continue to manage our debt issuances to remain in compliance with the aggregate indebtedness limits set forth in the Purchase Agreement. For a description of our debt products, see **Our Business Segments - Capital Markets**.

Liquidity Management Framework

The support provided by Treasury pursuant to the Purchase Agreement enables us to have adequate liquidity to conduct our normal business activities. However, the costs and availability of our debt funding could vary for a number of reasons, including the uncertainty about the future of the GSEs and any future downgrades in our credit ratings or the credit ratings of the U.S. government.

We make extensive use of the Federal Reserve's payment system in our business activities. The Federal Reserve requires that we fully fund our accounts at the Federal Reserve Bank of New York to the extent necessary to cover cash payments on our debt and mortgage-related securities each day, before the Federal Reserve Bank of New York, acting as our fiscal agent, will initiate such payments. Although we seek to maintain sufficient intraday liquidity to fund our activities through the Federal Reserve's payment system, we have limited access to cash once the debt markets are closed for the day. Insufficient cash may cause our account to be overdrawn, potentially resulting in penalties and reputational harm.

Maintaining sufficient liquidity is of primary importance to, and a cost of, our business. Under our liquidity management practices and policies, we:

- Manage intraday cash needs and provide for the contingency of an unexpected cash demand;
- Maintain cash and non-mortgage investments to enable us to meet ongoing cash obligations for a limited period of time, assuming no access to unsecured debt markets;
- Maintain unencumbered securities with a value greater than or equal to the largest projected daily cash shortfall for an extended period of time, assuming no access to unsecured debt markets; and
- Manage the maturity of our unsecured debt based on our asset profile.

To facilitate cash management, we forecast cash outflows and inflows using assumptions and models. These forecasts help us to manage our liabilities with respect to the timing of our cash flows. Differences between actual and forecasted cash flows have resulted in higher costs from issuing a higher amount of debt than needed or unexpectedly needing to issue debt, and may do so in the future. Differences between actual and forecasted cash flows also could result in our account at the Federal Reserve Bank of New York being overdrawn. We maintain daily cash reserves to manage this risk.

Liquidity Profile

Primary Sources of Liquidity

The following table lists the sources of our liquidity, the balances as of December 31, 2020 and a brief description of their importance to Freddie Mac. Our ability to maintain sufficient liquidity, including by pledging mortgage-related and other securities as collateral to other institutions, could cease or change rapidly and the cost of the available funding could increase significantly due to changes in market interest rates, market confidence, operational risks, and other factors.

Table 64 - Liquidity Sources

Source	Balance ⁽¹⁾ (In billions)	Description
Liquidity		
<ul style="list-style-type: none"> • Other Investments Portfolio - Liquidity and Contingency Operating Portfolio 	\$95.9	<ul style="list-style-type: none"> • The Liquidity and Contingency Operating Portfolio, included within our other investments portfolio, is primarily used for short-term liquidity management.
<ul style="list-style-type: none"> • Liquid Portion of the Mortgage-Related Investments Portfolio 	\$67.6	<ul style="list-style-type: none"> • 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 table below summarizes the balances in our other investments portfolio, which includes the Liquidity and Contingency Operating 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 other investments portfolio is primarily used for short-term liquidity management, cash and other investments held by consolidated trusts, and other investments, which include investments in debt securities used to pledge as collateral, LIHTC partnerships, and secured lending activities.

Table 65 - Other Investments Portfolio

(In billions)	December 31, 2020				December 31, 2019			
	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio ⁽¹⁾	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio ⁽¹⁾
Cash and cash equivalents	\$6.5	\$17.4	\$—	\$23.9	\$4.2	\$0.9	\$0.1	\$5.2
Securities purchased under agreements to resell	65.8	38.4	0.8	105.0	40.6	23.1	2.4	66.1
Non-mortgage related securities	23.6	—	3.3	26.9	23.2	—	3.9	27.1
Advances to lenders	—	—	4.2	4.2	—	—	1.9	1.9
LIHTC equity investments	—	—	1.4	1.4	—	—	1.0	1.0
Secured lending	—	—	1.7	1.7	—	—	2.3	2.3
Total	\$95.9	\$55.8	\$11.4	\$163.1	\$68.0	\$24.0	\$11.6	\$103.6

(1) Represents carrying value.

Our non-mortgage-related investments in the Liquidity and Contingency Operating Portfolio consist of U.S. Treasury securities and other investments that we could sell to provide us with an additional source of liquidity to fund our business operations. We also maintain non-interest-bearing deposits at the Federal Reserve Bank of New York and interest-bearing deposits at commercial banks. Our interest-bearing deposits at commercial banks totaled \$3.1 billion and \$3.7 billion as of December 31, 2020 and December 31, 2019, respectively.

The Liquidity and Contingency Operating Portfolio also included collateral posted to us in the form of cash primarily by derivatives counterparties of \$2.8 billion and \$2.6 billion as of December 31, 2020 and December 31, 2019, respectively. We have invested this collateral in securities purchased under agreements to resell and non-mortgage-related securities as part of our Liquidity and Contingency Operating Portfolio, although the collateral may be subject to return to our counterparties based on the terms of our master netting and collateral agreements.

Mortgage Loans and Mortgage-Related Securities

We invest principally in mortgage loans and mortgage-related securities, certain categories of which are largely unencumbered and liquid. Our primary source of liquidity among these mortgage assets is our holdings of single-class and multiclass agency securities, excluding certain structured agency securities collateralized by non-agency mortgage-related securities.

In addition, we hold unsecuritized single-family loans and multifamily held-for-sale loans that could be securitized and would then be available for sale or for use as collateral for repurchase agreements. Due to the large size of our portfolio of liquid assets, the amount of mortgage-related assets that we may successfully sell or borrow against in the event of a liquidity crisis or significant market disruption may be substantially less than the amount of mortgage-related assets we hold. There would likely be insufficient market demand for large amounts of these assets over a prolonged period of time, which would limit our ability to sell or borrow against these assets.

We hold other mortgage assets, but given their characteristics, they may not be available for immediate sale or for use as collateral for repurchase agreements. These assets consist of certain structured agency securities collateralized by non-agency mortgage-related securities, non-agency CMBS, non-agency RMBS, and unsecuritized seriously delinquent and modified single-family loans.

We are subject to limits on the amount of mortgage assets we can sell in any calendar month without review and approval by FHFA and, if FHFA so determines, Treasury. In August 2020, FHFA instructed us to: (1) reduce the amount of agency MBS we hold to no more than \$50 billion by June 30, 2021 and no more than \$20 billion by June 30, 2022, with all dollar caps to be based on UPB; and (2) reduce the UPB of our existing portfolio of collateralized mortgage obligations (CMOs), which are also sometimes referred to as REMICs, to zero by June 30, 2021. We will have a holding period limit to sell any new CMO tranches created but not sold at issuance. CMOs do not include tranches initially retained from reperforming loans senior subordinate

securitization structures. See **Conservatorship and Related Matters - Managing Our Mortgage-Related Investments Portfolio Over Time** for additional details.

Primary Sources of Funding

Debt securities that we issue are classified either as debt securities of consolidated trusts held by third parties or debt of Freddie Mac. The following table lists the sources and balances of our funding as of December 31, 2020 and a brief description of their importance to Freddie Mac.

Table 66 - Funding Sources

Source	Balance ⁽¹⁾ (In billions)	Description
Funding		
<ul style="list-style-type: none"> Debt of Freddie Mac 	\$284.4	<ul style="list-style-type: none"> Debt of Freddie Mac is used to fund our business activities.
<ul style="list-style-type: none"> Debt Securities of Consolidated Trusts 	\$2,308.2	<ul style="list-style-type: none"> 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 to purchase modified or seriously delinquent loans from the trusts.

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

Debt of Freddie Mac

We issue debt of Freddie Mac to fund our operations. Competition for funding can vary with economic, financial market, and regulatory environments.

During 2020, we have had sufficient access to the debt markets, due largely to support from the U.S. government, to meet our financial obligations as they come due. We rely significantly on our ability to issue debt on an ongoing basis to refinance our effective short-term debt. Our effective short-term debt percentage, which represents the percentage of total debt of Freddie Mac that is expected to mature within one year, was 16.9% and 55.2% as of December 31, 2020 and December 31, 2019, respectively.

As of December 31, 2020, our aggregate indebtedness, calculated as the par value of debt of Freddie Mac, was \$286.5 billion, which was below the current \$300.0 billion debt cap limit imposed by the Purchase Agreement. Pursuant to the January 2021 Letter Agreement, the Purchase Agreement debt limit cap will decrease to \$270 billion on January 1, 2023 as a result of the decrease in the Mortgage Asset limit under the Purchase Agreement to \$225.0 billion on December 31, 2022. Beginning January 1, 2020, we elected to net securities sold under agreements to repurchase against securities purchased under agreements to resell when such amounts meet the conditions for balance sheet offsetting, both on our consolidated balance sheets and for the purpose of measuring our aggregate indebtedness under the debt cap limit. See **Note 11** for additional information. We disclose the amount of our indebtedness on this basis monthly under the caption "Indebtedness Pursuant to Purchase Agreement - Total Debt Outstanding" in our Monthly Volume Summary reports, which are available on our website at www.freddiemac.com/investors/financials/monthly-volume-summaries.html.

To fund our business activities, we depend on the continuing willingness of investors to purchase our debt securities. Changes or perceived changes in the government's support of us could have a severe negative effect on our access to the debt markets and on our debt funding costs.

In addition, any change in applicable legislative or regulatory exemptions, including those described in **Regulation and Supervision**, could adversely affect our access to some debt investors, thereby potentially increasing our debt funding costs.

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

The tables below summarize the par value and the average rate of debt of Freddie Mac 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 67 - Debt of Freddie Mac Activity

(Dollars in millions)	Year Ended December 31, 2020			
	Short-term	Average Rate ⁽¹⁾	Long-term	Average Rate ⁽¹⁾
Discount notes and Reference Bills				
Beginning balance	\$60,830	1.67 %	\$—	— %
Issuances	147,249	0.97	—	—
Repurchases	(5,020)	0.27	—	—
Maturities	(203,048)	1.24	—	—
Ending Balance	11	0.69	—	—
Securities sold under agreements to repurchase				
Beginning balance	9,843	1.46	—	—
Additions	999,503	0.35	—	—
Repayments	(1,009,346)	0.36	—	—
Ending Balance	—	—	—	—
Callable debt				
Beginning balance	1,000	2.36	94,152	2.03
Issuances	685	0.10	191,138	0.83
Repurchases	—	—	—	—
Calls	(1,000)	2.36	(154,096)	1.61
Maturities	—	—	(7,856)	1.63
Ending Balance	685	0.10	123,338	0.71
Non-callable debt				
Beginning balance	39,407	2.31	62,228	2.86
Issuances	14,356	1.57	112,180	0.46
Repurchases	(10,588)	1.85	(5,849)	2.40
Maturities	(38,916)	2.24	(22,999)	1.70
Ending Balance	4,259	1.51	145,560	1.21
STACR Debt and SCR Debt Notes⁽²⁾				
Beginning balance	—	—	15,496	5.55
Issuances	—	—	769	1.66
Repurchases	—	—	—	—
Maturities	—	—	(3,777)	3.44
Ending Balance	—	—	12,488	4.09
Total debt of Freddie Mac	\$4,955	1.31 %	\$281,386	1.12 %

Referenced footnotes are included after the next table.

(Dollars in millions)	Year Ended December 31, 2019			
	Short-term	Average Rate ⁽¹⁾	Long-term	Average Rate ⁽¹⁾
Discount notes and Reference Bills				
Beginning balance	\$28,787	2.36 %	\$—	— %
Issuances	369,992	2.05	—	—
Repurchases	—	—	—	—
Maturities	(337,949)	2.20	—	—
Ending Balance	60,830	1.67	—	—
Securities sold under agreements to repurchase				
Beginning balance	6,019	2.40	—	—
Additions	325,512	2.04	—	—
Repayments	(321,689)	2.07	—	—
Ending Balance	9,842	1.46	—	—
Callable debt				
Beginning balance	2,000	2.53	105,206	2.09
Issuances	13,590	2.48	107,544	2.38
Repurchases	—	—	—	—
Calls	(14,590)	2.52	(95,172)	2.65
Maturities	—	—	(23,426)	1.35
Ending Balance	1,000	2.36	94,152	2.03
Non-callable debt				
Beginning balance	14,440	2.04	80,789	2.56
Issuances	48,984	2.34	15,774	2.43
Repurchases	(345)	1.87	(869)	1.87
Maturities	(23,671)	2.19	(33,465)	1.68
Ending Balance	39,408	2.31	62,229	2.86
STACR Debt and SCR Debt Notes⁽²⁾				
Beginning balance	—	—	17,729	6.02
Issuances	—	—	723	2.09
Repurchases	—	—	—	—
Maturities	—	—	(2,956)	4.49
Ending Balance	—	—	15,496	5.55
Total debt of Freddie Mac	\$111,080	1.89 %	\$171,877	2.65 %

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

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

Our outstanding debt of Freddie Mac balance increased during 2020, driven by near-term cash needs resulting from a higher expected single-family cash window purchase forecast. In addition, we increased our liquidity and contingency operating portfolio and the amount of long-term debt issuance as we transitioned to comply with the updated minimum liquidity requirements established by FHFA. However, our aggregate indebtedness to meet these funding needs is constrained by the current \$300.0 billion debt cap limit imposed by the Purchase Agreement, which will decrease to \$270 billion on January 1, 2023 pursuant to the January 2021 Letter Agreement.

During 2020, our discount notes issuance declined significantly and the outstanding balance at the end of the year was minimal. We replaced a majority of our short-term debt with longer-term callable and non-callable debt in order to comply with the updated minimum liquidity requirements established by FHFA. As a result of this funding mix change, we expect our funding cost to increase. Our callable debt provides us with the option to repay the outstanding principal balance of the debt prior to its contractual maturity date. As of December 31, 2020, \$105 billion of the outstanding \$124 billion of callable debt may be called within one year, not including callable debt due to contractually mature within one year. We expect our STACR debt balance to continue to decline as run off will primarily be replaced with STACR Trust note transactions.

Short-Term Debt

The tables below contain details on the characteristics of our short-term debt.

Table 68 - Short-Term Debt

(Dollars in millions)	December 31, 2020				
	Ending Balance		Yearly Average		Maximum Carrying Value Outstanding at Any Month End
	Carrying Value	Weighted Average Effective Rate ⁽¹⁾	Carrying Value	Weighted Average Effective Rate ⁽¹⁾	
Discount notes and Reference Bills	\$11	0.69 %	\$37,391	0.97 %	\$66,867
Medium-term notes	4,944	1.31	21,068	1.99	40,310
Securities sold under agreements to repurchase	—	—	7,243	0.52	14,305
Total	\$4,955	1.31 %			

(Dollars in millions)	December 31, 2019				
	Ending Balance		Yearly Average		Maximum Carrying Value Outstanding at Any Month End
	Carrying Value	Weighted Average Effective Rate ⁽¹⁾	Carrying Value	Weighted Average Effective Rate ⁽¹⁾	
Discount notes and Reference Bills	\$60,629	1.67 %	\$44,675	2.16 %	\$60,629
Medium-term notes	40,405	2.31	29,781	2.36	43,096
Securities sold under agreements to repurchase	9,843	1.46	9,928	2.16	14,114
Total	\$110,877	1.89 %			

(Dollars in millions)	December 31, 2018				
	Ending Balance		Yearly Average		Maximum Carrying Value Outstanding at Any Month End
	Carrying Value	Weighted Average Effective Rate ⁽¹⁾	Carrying Value	Weighted Average Effective Rate ⁽¹⁾	
Discount notes and Reference Bills	\$28,621	2.36 %	\$35,126	1.79 %	\$46,892
Medium-term notes	16,440	2.10	15,403	1.37	18,200
Securities sold under agreements to repurchase	6,019	2.40	9,411	1.79	11,719
Total	\$51,080	2.28 %			

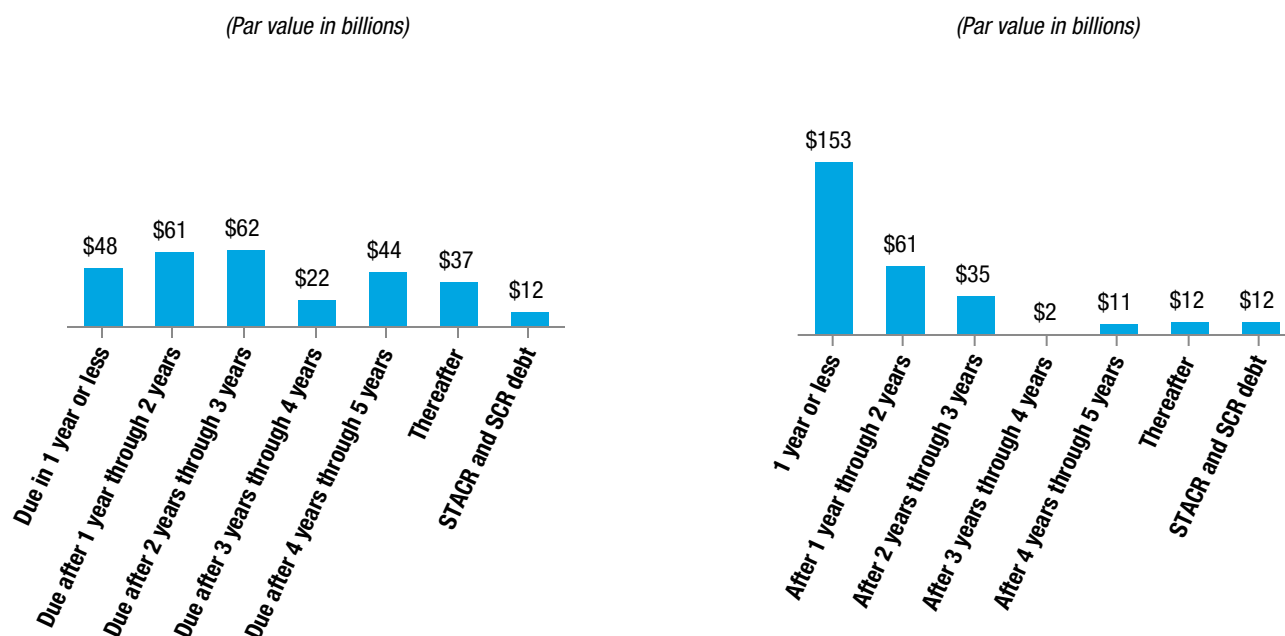
(1) Average rate is weighted based on carrying value.

Maturity and Redemption Dates

The following graphs present debt of Freddie Mac 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 of Freddie Mac.

Contractual Maturity Date as of December 31, 2020⁽¹⁾

Earliest Redemption Date as of December 31, 2020⁽¹⁾



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

Debt Securities of Consolidated Trusts

The largest component of debt on our consolidated balance sheets is debt securities of consolidated trusts, which relates to securitization transactions that we consolidate 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 consolidated balance sheets:

- The assets held by the securitization trusts, the majority of which are mortgage loans. We recognized \$2,273.3 billion and \$1,940.5 billion of mortgage loans, which represented 86.5% and 88.1% of our total assets, as of December 31, 2020 and December 31, 2019, respectively.
- The debt securities issued by the securitization trusts, the majority of which are Level 1 Securitization Products 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 \$2,308.2 billion and \$1,898.4 billion of debt securities of consolidated trusts, which represented 89.0% and 87.1% of our total debt, as of December 31, 2020 and December 31, 2019, respectively.

Debt securities of consolidated trusts represent our liability to third parties that hold beneficial interests in our consolidated securitization trusts. 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. For more information on our purchases of loans from trusts, see **Our Business Segments - Single-Family Guarantee - Business Overview**.

At December 31, 2020, our estimated exposure (including the amounts that are due to Freddie Mac for debt securities of consolidated trusts that we purchased) to these debt securities is recognized as the allowance for credit losses on mortgage loans held by consolidated trusts. See **Note 7** for details on our allowance for credit losses.

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

Table 69 - Activity for Debt Securities of Consolidated Trusts Held by Third Parties

(In millions)	Year Ended December 31,	
	2020	2019
Beginning balance	\$1,854,802	\$1,748,738
Issuances:		
New issuances to third parties	669,224	323,860
Additional issuances of securities	561,784	178,971
Total issuances	1,231,008	502,831
Extinguishments:		
Purchases of debt securities from third parties	(14,112)	(30,306)
Debt securities received in settlement of secured lending	(132,434)	(46,670)
Repayments of debt securities	(698,662)	(319,791)
Total extinguishments	(845,208)	(396,767)
Ending balance	2,240,602	1,854,802
Unamortized premiums and discounts	67,574	43,553
Debt securities of consolidated trusts held by third parties	\$2,308,176	\$1,898,355

The table below provides information on the UPB of debt securities issued by our consolidated trusts.

Table 70 - Debt Securities of Consolidated Trusts Held by Third Parties

(In millions)	December 31,	
	2020	2019
Single-family		
Level 1 Securitization Products:		
30-year or more amortizing fixed-rate	\$1,813,658	\$1,563,211
20-year amortizing fixed-rate	103,822	80,340
15-year amortizing fixed-rate	322,618	241,835
Adjustable-rate	27,079	38,271
Interest-only	3,639	4,828
FHA/VA and other governmental	1,457	1,718
Total single-family Level 1 Securitization Products	2,272,273	1,930,203
Other single-family	1,933	2,397
Total single-family	2,274,206	1,932,600
Total multifamily	14,303	8,642
Total Freddie Mac mortgage-related securities	2,288,509	1,941,242
Freddie Mac mortgage-related securities repurchased or retained at issuance	(47,907)	(86,440)
Debt securities of consolidated trusts held by third parties	\$2,240,602	\$1,854,802

Credit Ratings

Our ability to access the capital markets and other sources of funding, as well as our cost of funds, may be affected by our credit ratings. The table below indicates our credit ratings as of January 31, 2021.

Table 71 - Freddie Mac Credit Ratings

	Nationally Recognized Statistical Rating Organization		
	S&P	Moody's	Fitch
Senior long-term debt	AA+	Aaa	AAA
Short-term debt	A-1+	P-1	F1+
Preferred stock ⁽¹⁾	D	Ca	C
Outlook	Stable	Stable	Negative

(1) Does not include senior preferred stock issued to Treasury.

Our credit ratings and outlooks are primarily based on the support we receive from Treasury and, therefore, are affected by changes in the credit ratings and outlooks of the U.S. government.

A security rating is not a recommendation to buy, sell, or hold securities. It may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Contractual Obligations

Our contractual obligations affect our liquidity and capital resource needs and primarily include the debt (and associated interest payments) and derivative liabilities recognized on our consolidated balance sheets. We also have contractual obligations recognized in other liabilities on our consolidated balance sheets, including payments to our qualified and non-qualified defined contribution plans and other benefit plans, and future cash payments due under our obligations to make delayed equity contributions to LIHTC partnerships.

We also have contractual obligations associated with our commitments to purchase loans and mortgage-related securities from third parties, most of which are accounted for as derivatives, as well as certain off-balance sheet obligations that are enforceable and legally binding, including guarantees, unfunded lending arrangements, and obligations to advance funds upon the occurrence of certain events. See **Off-Balance Sheet Arrangements** for additional information on the potential effects of our off-balance sheet obligations on our liquidity and capital resources.

The amount and timing of payments due related to debt of Freddie Mac is discussed in **Primary Sources of Funding**. Most of our purchase commitments are scheduled to occur within the next 12 months. The amount and timing of certain other of our contractual obligations is uncertain, including future payments of principal and interest related to debt securities of consolidated trusts held by third parties, STACR and SCR transactions, cash settlements on derivative agreements not yet accrued, guarantee payments, and commitments to advance funds under certain off-balance sheet arrangements.

Off-Balance Sheet Arrangements

We enter into certain business arrangements that are not recorded on our consolidated balance sheets or that may be recorded in amounts that differ from the full contractual or notional amount of the transaction that affect our short- and long-term liquidity needs. Certain of these arrangements present credit risk exposure. See **MD&A - Risk Management - Credit Risk** for additional information on our credit risk exposure on off-balance sheet arrangements.

We have certain off-balance sheet arrangements related to our securitization and other mortgage-related guarantee activities. Our off-balance sheet arrangements related to securitization activities primarily consist of guaranteed K Certificates and SB Certificates. Our guarantee of these securitization activities and other mortgage-related guarantees may result in liquidity needs to cover potential cash flow shortfalls from borrower defaults. As of December 31, 2020 and December 31, 2019, the outstanding UPB of the guaranteed securities was \$337.0 billion and \$296.5 billion, respectively. In addition to our securitization and other mortgage-related guarantees, we have certain other guarantees that are accounted for as derivative instruments and are recognized on our consolidated balance sheets at fair value. See **Note 10** for additional information on these guarantees, which are not included in the totals above.

We 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 liquidity exposure as we do not have control over the Fannie Mae collateral. As of December 31, 2020 and December 31, 2019, the total amount of our off-balance sheet exposure related to Fannie Mae securities backing Freddie Mac resecuritization products was approximately \$85.8 billion and \$27.4 billion, respectively.

We have entered into certain commitments, including commitments to purchase securities under agreements to resell and firm commitments to purchase multifamily loans, for some of which we have elected the fair value option, and unfunded lending arrangements that are not recorded on our consolidated balance sheets and are not accounted for as derivative instruments. As of December 31, 2020 and December 31, 2019, these commitments and arrangements totaled \$59.2 billion and \$32.4 billion in notional amount, respectively. We also have other commitments to purchase or sell mortgage loans or mortgage-related securities that are accounted for as derivative instruments and are recognized on our consolidated balance sheets at fair value. See **Note 10** for additional information on these commitments, which are not included in the totals above.

In addition, as part of our guarantee arrangements pertaining to certain multifamily housing revenue bonds and securities backed by multifamily housing revenue bonds, we have provided commitments to advance funds, commonly referred to as "liquidity guarantees," which were \$4.8 billion and \$5.5 billion at December 31, 2020 and December 31, 2019, respectively. These guarantees require us to advance funds to third parties that enable them to repurchase tendered bonds or securities that are unable to be remarketed. At both December 31, 2020 and December 31, 2019, there were no liquidity guarantee advances outstanding.

Cash Flows

- **2020 vs. 2019** - Cash and cash equivalents (including restricted cash and cash equivalents) increased by \$18.7 billion from \$5.2 billion as of December 31, 2019 to \$23.9 billion as of December 31, 2020, primarily due to higher loan prepayments and our transition to comply with updated minimum liquidity requirements established by FHFA.
- **2019 vs. 2018** - Cash and cash equivalents (including restricted cash and cash equivalents) decreased by \$2.1 billion from \$7.3 billion as of December 31, 2018 to \$5.2 billion as of December 31, 2019, as we invested the proceeds from issuances of debt of Freddie Mac in securities purchased under agreements to resell due to higher near-term cash needs for upcoming debt maturities and anticipated calls of debt of Freddie Mac and a higher expected loan purchase forecast.

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 equity funding, under certain conditions, to eliminate deficits in our net worth. Obtaining equity funding from Treasury pursuant to its commitment under the Purchase Agreement enables us to avoid being placed into receivership by FHFA and to maintain the confidence of the debt markets as a very high-quality credit, upon which our business model is dependent.

In connection with the execution of the Purchase Agreement, we, through FHFA, in its capacity as Conservator, issued a warrant to Treasury to purchase 79.9% of our common stock outstanding on a fully diluted basis on the date of exercise. See **Note 13** for further information.

In November 2020, FHFA released a final rule that establishes the ERCF as a new regulatory capital framework for Freddie Mac and Fannie Mae. This final rule is substantively similar in terms of overall structure and approach to the proposed capital rule released in May 2020. The final capital rule, which will become effective on February 16, 2021, has a transition period for compliance. In general, the compliance date for the regulatory capital requirements will be the later of the date of termination of our conservatorship and any later compliance date provided in a consent order or other transition order; however, we may begin implementing the ERCF sooner, upon the direction of FHFA or otherwise.

As the ERCF was not yet in effect during 2020, we continued to use the guidance issued to us by FHFA under the CCF to evaluate our transactions and businesses. We will be required to report our regulatory capital under the new framework beginning on January 1, 2022. The ERCF specifies substantial capital requirements and could affect our business strategies, perhaps significantly.

Pursuant to the January 2021 Letter Agreement, the applicable Capital Reserve Amount used in determining the dividend on the senior preferred stock payable to Treasury increased as of October 1, 2020 to the amount of adjusted total capital necessary to meet capital requirements and buffers set forth in the ERCF, rather than \$20.0 billion as previously provided. This increased Capital Reserve Amount will remain in effect until the last day of the second fiscal quarter during which we have reached and maintained such level of capital (the Capital Reserve End Date). Based on our Net Worth Amount of \$16.4 billion as of December 31, 2020, no dividend is payable to Treasury for the quarter ended December 31, 2020. Under the Purchase Agreement, the payment of dividends does not reduce the outstanding liquidation preference on the senior preferred stock. See **Introduction - About Freddie Mac - Conservatorship and Government Support for Our Business** for more information.

If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period until the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and our applicable Capital Reserve Amount would thereafter be zero, but this would not affect our ability to draw funds from Treasury under the Purchase Agreement. Our cumulative senior preferred stock dividend payments totaled \$119.7 billion as of December 31, 2020.

The aggregate liquidation preference of the senior preferred stock owned by Treasury was \$86.5 billion and the amount of available funding remaining under the Purchase Agreement was \$140.2 billion as of December 31, 2020. To the extent we draw additional funds in the future, the aggregate liquidation preference will increase and the amount of available funding will decrease by the amount of those draws. For additional information on the Purchase Agreement and senior preferred stock, including other reasons for increases in the aggregate liquidation preference, as well as our dividend requirement and the commitment fee to be paid to Treasury after the Capital Reserve End Date, see **Introduction - About Freddie Mac - Conservatorship and Government Support for Our Business**, **MD&A - Conservatorship and Related Matters**, and **MD&A - Regulation and Supervision**.

The table below presents activity related to our net worth.

Table 72 - Net Worth Activity

(In millions)	Year Ended December 31,		
	2020	2019	2018
Ending balance, December 31	\$9,122	\$4,477	(\$312)
Cumulative-effect adjustment ⁽¹⁾	(240)	—	—
Beginning balance, January 1	8,882	4,477	(312)
Comprehensive income (loss)	7,531	7,787	8,622
Capital draws from Treasury	—	—	312
Senior preferred stock dividends declared	—	(3,142)	(4,145)
Total equity / net worth	\$16,413	\$9,122	\$4,477
Aggregate draws under Purchase Agreement	\$71,648	\$71,648	\$71,648
Aggregate cash dividends paid to Treasury	119,680	119,680	116,538
Liquidation preference of the senior preferred stock	86,539	79,322	75,648

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

CONSERVATORSHIP AND RELATED MATTERS

Supervision of Our Company During Conservatorship

FHFA has broad powers when acting as our Conservator. Upon its appointment, the Conservator immediately succeeded to all rights, titles, powers, and privileges of Freddie Mac and of any stockholder, officer, or director of Freddie Mac with respect to Freddie Mac 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.

Under the GSE Act, the Conservator may take any actions it determines are necessary to put us in a safe and solvent condition and appropriate to carry on our business and preserve and conserve our assets and property. The Conservator's powers include the ability to transfer or sell any of our assets or liabilities, subject to certain limitations and post-transfer notice provisions, without any approval, assignment of rights or consent of any party. However, the GSE Act provides that loans and mortgage-related assets that have been transferred to a Freddie Mac securitization trust must be held by the Conservator for the beneficial owners of the trust and cannot be used to satisfy our general creditors.

We conduct our business subject to the direction of FHFA as our Conservator. The Conservator has provided authority to the Board of Directors to oversee management's conduct of our business operations so we can operate in the ordinary course. The directors serve on behalf of, exercise authority as provided by, and owe their fiduciary duties of care and loyalty to the Conservator. The Conservator retains the authority to withdraw or revise the authority it has provided at any time. The Conservator also retains certain significant authorities for itself, and has not provided them to the Board. The Conservator continues to provide strategic direction for the company and directs the efforts of the Board and management to implement its strategy. Many management decisions are subject to review and/or approval by FHFA and management frequently receives direction from FHFA on various matters involving day-to-day operations.

Our current business objectives reflect direction we have received from the Conservator including the Conservatorship Scorecards. At the direction of the Conservator, we have made changes to certain business practices that are designed to provide support for the mortgage market in a manner that serves our public mission and other non-financial objectives. Given our public mission and the important role our Conservator has placed on Freddie Mac in addressing housing and mortgage market conditions, we sometimes take actions that could have a negative impact on our business, operating results or financial condition, and could thus contribute to a need for additional draws under the Purchase Agreement. Certain of these actions are intended to help homeowners and the mortgage market.

Purchase Agreement, Warrant, and Senior Preferred Stock

In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury. Under the Purchase Agreement, we issued to Treasury both senior preferred stock and a warrant to purchase common stock. The Purchase Agreement, the warrant, and the senior preferred stock do not contain any provisions causing them to terminate or cease to exist upon the termination of conservatorship. The conservatorship, the Purchase Agreement, the warrant, and the senior preferred stock materially limit the rights of our common and preferred stockholders (other than Treasury).

Pursuant to the Purchase Agreement, which we entered into through FHFA, in its capacity as Conservator, on September 7, 2008, we issued to Treasury one million shares of Variable Liquidation Preference Senior Preferred Stock with an initial liquidation preference of \$1 billion and a warrant to purchase, for a nominal price, shares of our common stock equal to 79.9% of the total number of shares outstanding. The senior preferred stock and warrant were issued to Treasury as an initial commitment fee in consideration of Treasury's commitment to provide funding to us under the Purchase Agreement. We did not receive any cash proceeds from Treasury as a result of issuing the senior preferred stock or the warrant. Under the Purchase Agreement, our ability to repay the liquidation preference of the senior preferred stock is limited and we will not be able to do so for the foreseeable future, if at all.

The Purchase Agreement provides that, on a quarterly basis, we generally may draw funds up to the amount, if any, by which our total liabilities exceed our total assets, as reflected on our GAAP consolidated balance sheet for the applicable fiscal quarter, provided that the aggregate amount funded under the Purchase Agreement may not exceed Treasury's commitment. The amount of any draw will be added to the aggregate liquidation preference of the senior preferred stock and will reduce the amount of available funding remaining. Deficits in our net worth have made it necessary for us to make substantial draws on Treasury's funding commitment under the Purchase Agreement. Pursuant to the December 2017 Letter Agreement, the liquidation preference of the senior preferred stock increased by \$3.0 billion on December 31, 2017. In addition, pursuant to the September 2019 and January 2021 Letter Agreements, the liquidation preference of the senior preferred stock has and will be increased, at the end of each fiscal quarter, from September 30, 2019 through the Capital Reserve End Date, by an amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. As of December 31, 2020, the aggregate liquidation preference of the senior preferred stock was \$86.5 billion, and the amount of available funding remaining under the Purchase Agreement was \$140.2 billion.

Treasury, as the holder of the senior preferred stock, is entitled to receive cumulative 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, 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. Under the December 2017 Letter Agreement, the dividend for the dividend period from October 1, 2017 through and including December 31, 2017 was reduced to \$2.25 billion, and the applicable Capital Reserve Amount from January 1, 2018 through June 30, 2019 was \$3.0 billion. Pursuant to the September 2019 Letter Agreement, from July 1, 2019 through September 30, 2020, the applicable Capital Reserve Amount was \$20.0 billion. Pursuant to the January 2021 Letter Agreement, as of October 1, 2020, the applicable Capital Reserve Amount increased to the amount of adjusted total capital necessary to meet capital requirements and buffers set forth in the ERCF. This increased Capital Reserve Amount will remain in effect until the last day of the second fiscal quarter during which we have reached and maintained such level of capital (the Capital Reserve End Date). As a result, we will not have another dividend requirement on the senior preferred stock until we have built sufficient capital to meet the capital requirements and buffers set forth in the ERCF. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period until the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and the applicable Capital Reserve Amount would thereafter be zero.

Upon the Capital Reserve End Date, our dividend requirement on the senior preferred stock will be an amount equal to the lesser of (i) 10% per annum on the then-current liquidation preference of the senior preferred stock and (ii) a quarterly amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. After the Capital Reserve End Date, all or significant portions of our future profits will be distributed to Treasury, and the holders of our common stock and non-senior preferred stock will not receive benefits that could otherwise flow from such profits. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period after the Capital Reserve End Date the unpaid amount would be added to the liquidation preference and immediately following such failure and for all dividend periods thereafter until the dividend period following the date on which we shall have paid in cash full cumulative dividends, the dividend amount will be 12% per annum on the then-current liquidation preference of the senior preferred stock. This would not affect our ability to draw funds from Treasury under the Purchase Agreement.

The senior preferred stock is senior to our common stock and all other outstanding series of our preferred stock, as well as any capital stock we issue in the future, as to both dividends and rights upon liquidation. We are not permitted to redeem the senior preferred stock prior to the termination of Treasury's funding commitment under the Purchase Agreement.

We are also required under the Purchase Agreement to pay a quarterly commitment fee to Treasury, which was to be determined in an amount mutually agreed to by us and Treasury with reference to the market value of Treasury's funding commitment as then in effect. However, pursuant to the August 2012 amendment to the Purchase Agreement, as further amended by the January 2021 Letter Agreement, for each quarter commencing January 1, 2013, no periodic commitment fee under the Purchase Agreement will be set, accrue, or be payable. Pursuant to the January 2021 Letter Agreement, by the Capital Reserve End Date, we and Treasury, in consultation with the Chairman of the Federal Reserve, will mutually agree on a periodic commitment fee that we will pay for Treasury's remaining funding commitment with respect to the five-year period commencing on the first January 1 after the Capital Reserve End Date.

The Purchase Agreement and warrant also contain covenants that significantly restrict our business and capital activities. For example, the Purchase Agreement provides that, until the senior preferred stock is repaid or redeemed in full, we may not, without the prior written consent of Treasury:

- Pay dividends on our equity securities, other than the senior preferred stock or warrant, or repurchase our equity securities;
- Issue any additional equity securities, except in limited instances;
- Sell, transfer, lease, or otherwise dispose of any assets, other than dispositions for fair market value in the ordinary course of business, consistent with past practices, and in other limited circumstances; and
- Issue any subordinated debt.

For more information on the Purchase Agreement covenants, see **Note 2**.

Limits on Our Mortgage-Related Investments Portfolio and Indebtedness

Our ability to acquire and sell mortgage assets is significantly constrained by limitations under the Purchase Agreement and other limitations imposed by FHFA:

- Since 2014, we have been managing the mortgage-related investments portfolio so that it does not exceed 90% of the cap under the Purchase Agreement, which reached \$250 billion as of December 31, 2018. In February 2019, FHFA directed us to maintain the mortgage-related investments portfolio at or below \$225 billion at all times. In November 2019, FHFA instructed us, by January 31, 2020, to include 10% of the notional value of certain interest-only securities owned by

Freddie Mac in the calculation of this portfolio, while continuing to maintain the portfolio below the limit imposed by FHFA. Pursuant to the January 2021 Letter Agreement, the Purchase Agreement cap on our mortgage-related investments portfolio will be lowered from \$250 billion to \$225 billion at the end of 2022, and the calculation of mortgage assets subject to the cap will also include 10% of the notional value of interest-only securities. Our mortgage-related investments portfolio was \$188.8 billion as of December 31, 2020, including \$6.6 billion representing 10% of the notional amount of the interest-only securities we held as of December 31, 2020.

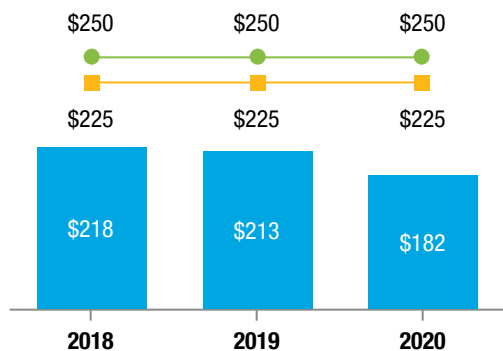
- With respect to the composition of our mortgage-related investments portfolio, in August 2020, FHFA instructed us to: (1) reduce the amount of agency MBS we hold to no more than \$50 billion by June 30, 2021 and no more than \$20 billion by June 30, 2022, with all dollar caps to be based on UPB; and (2) reduce the UPB of our existing portfolio of collateralized mortgage obligations (CMOs), which are also sometimes referred to as REMICs, to zero by June 30, 2021. We will have a holding period limit to sell any new CMO tranches created but not sold at issuance. CMOs do not include tranches initially retained from reperforming loans senior subordinate securitization structures.
- Under the Purchase Agreement, we may not incur indebtedness that would result in the par value of our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are permitted to own on December 31 of the immediately preceding calendar year. Our debt cap under the Purchase Agreement was \$346.1 billion in 2018 and reached \$300.0 billion on January 1, 2019. As of December 31, 2020, our aggregate indebtedness for purposes of the debt cap was \$286.5 billion. Our debt cap under the Purchase Agreement will decrease to \$270 billion on January 1, 2023 as a result of the decrease in the mortgage assets limit under the Purchase Agreement to \$225 billion on December 31, 2022 pursuant to the January 31, 2021 Letter Agreement.
- FHFA has indicated that any portfolio sales should be commercially reasonable transactions that consider impacts to the market, borrowers, and neighborhood stability.

Our decisions with respect to managing the mortgage-related investments portfolio affect all three business segments. In order to achieve all of our portfolio goals, it is possible that we may forgo economic opportunities in one business segment in order to pursue opportunities in another business segment.

Our results against the limits imposed on our mortgage-related investments portfolio and aggregate indebtedness for the year ended December 31, 2020 are shown below.

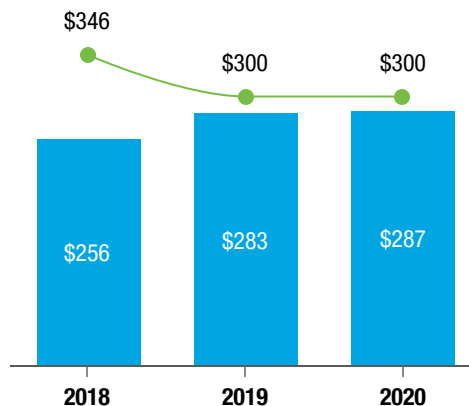
Mortgage Assets as of December 31,

(In billions)



Indebtedness as of December 31,

(In billions)



- 90% of mortgage-related investments portfolio limit
- Mortgage-related investments portfolio limit
- Mortgage-related investments portfolio ending balance

- Indebtedness limit
- Total debt of Freddie Mac outstanding

Managing Our Mortgage-Related Investments Portfolio Over Time

Our mortgage-related investments portfolio includes assets held by all three business segments and consists of:

- Agency securities, which include both single-family and multifamily Freddie Mac mortgage-related securities and non-Freddie Mac agency mortgage-related securities;
- Non-agency mortgage-related securities, which include single-family non-agency mortgage-related securities, CMBS, housing revenue bonds, and other multifamily securities; and
- Single-family and multifamily unsecuritized loans.

We evaluate the liquidity of the assets in our mortgage-related investments portfolio based on three categories (in order of liquidity):

- **Liquid** - Single-class and multi-class agency securities, excluding certain structured agency securities collateralized by non-agency mortgage-related securities;
- **Securitization Pipeline** - Primarily includes performing multifamily and single-family loans purchased for cash and primarily held for a short period until securitized, with the resulting Freddie Mac issued securities being sold or retained; and
- **Less Liquid** - Assets that are less liquid than both agency securities and loans in the securitization pipeline (e.g., reperforming loans, single-family seriously delinquent loans, and non-agency mortgage-related securities).

Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac.

The table below presents the UPB of our mortgage-related investments portfolio. For purposes of the limits imposed by the Purchase Agreement and FHFA, our mortgage-related investments portfolio was \$188.8 billion as of December 31, 2020, including \$6.6 billion representing 10% of the notional amount of the interest-only securities we held as of December 31, 2020.

Table 73 - Mortgage-Related Investments Portfolio Details

(Dollars in millions)	December 31, 2020				December 31, 2019			
	Liquid	Securitization Pipeline	Less Liquid	Total	Liquid	Securitization Pipeline	Less Liquid	Total
Capital Markets segment - Mortgage investments portfolio								
Single-family unsecuritized loans								
Performing loans	\$—	\$51,040	\$—	\$51,040	\$—	\$19,144	\$—	\$19,144
Reperforming loans	—	—	16,298	16,298	—	—	26,134	26,134
Total single-family unsecuritized loans	—	51,040	16,298	67,338	—	19,144	26,134	45,278
Agency securities	63,892	—	2,062	65,954	119,156	—	2,518	121,674
Non-agency mortgage-related securities	—	—	1,300	1,300	—	—	1,458	1,458
Total Capital Markets segment - Mortgage investments portfolio	63,892	51,040	19,660	134,592	119,156	19,144	30,110	168,410
Single-family Guarantee segment - Single-family unsecuritized seriously delinquent loans								
	—	—	10,005	10,005	—	—	8,589	8,589
Multifamily segment								
Unsecuritized mortgage loans	—	23,068	10,339	33,407	—	18,531	11,254	29,785
Mortgage-related securities	3,670	—	510	4,180	5,209	—	680	5,889
Total Multifamily segment	3,670	23,068	10,849	37,587	5,209	18,531	11,934	35,674
Total mortgage-related investments portfolio	\$67,562	\$74,108	\$40,514	\$182,184	\$124,365	\$37,675	\$50,633	\$212,673
Percentage of total mortgage-related investments portfolio	37 %	41 %	22 %	100 %	58 %	18 %	24 %	100 %

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

- Sales of \$8.3 billion in UPB of single-family reperforming loans and \$0.7 billion in UPB of seriously delinquent unsecuritized single-family loans;

- Securitizations of \$1.4 billion in UPB of single-family repurchasing loans and \$6.0 billion in UPB of less liquid multifamily loans; and
- Transfers of \$2.7 billion in UPB of less liquid multifamily loans to the securitization pipeline.

The less liquid assets in our mortgage-related investments portfolio decreased in 2020 but are likely to increase in future periods as we purchase delinquent loans from trusts after the forbearance period ends.

Limits on Certain of Our Other Business Activities

The Purchase Agreement, as amended by the January 2021 Letter Agreement, also established new covenants which placed additional restrictions on our secondary market activities and single-family and multifamily loan acquisitions:

- **Secondary Market Activities** - We cannot vary the pricing or any other term of the acquisition of a single-family loan based on the size, charter type, or volume of business of the seller of the loan and are required to:
 - Purchase loans for cash consideration;
 - Operate this cash window with non-discriminatory pricing;
 - Beginning on January 1, 2022, limit the volume purchased through the cash window to \$1.5 billion per lender during any period comprising four calendar quarters; and
 - Comply with directives, regulations, restrictions, or other requirements prescribed by FHFA related to equitable secondary market access by community lenders.
- **Multifamily New Business Activity** - We are required to cap multifamily loan purchases at \$80 billion in any 52-week period, subject to annual adjustment by FHFA based on changes in the Consumer Price Index. At least 50% of our multifamily loan purchases in any calendar year must be, at the time of acquisition, classified as mission-driven pursuant to FHFA guidelines.
- **Single-Family Loan Acquisitions** - We are required to limit our acquisition of certain single-family mortgage loans.
 - A maximum of 6% of purchase money mortgages and 3% of refinance mortgages over the preceding 52-week period can have two or more of the following characteristics at origination: combined LTV ratio greater than 90%; DTI ratio greater than 45%; and FICO or equivalent credit score less than 680.
 - We are required to limit acquisitions of single-family mortgage loans secured by either second homes or investment properties to 7% of the single-family mortgage loan acquisitions over the preceding 52-week period.
 - Subject to such exceptions as FHFA may prescribe to permit us to acquire single-family mortgage loans that are currently eligible for acquisition, we are required to implement by July 1, 2021 a program reasonably designed to ensure that each single-family mortgage is:
 - A qualified mortgage;
 - Exempt from the CFPB's ability-to-repay requirements;
 - Secured by an investment property, subject to the restrictions above;
 - A refinancing with streamlined underwriting for high LTV ratios;
 - A loan with temporary underwriting flexibilities due to exigent circumstances, as determined in consultation with FHFA; or
 - Secured by manufactured housing.

In addition, the Purchase Agreement requires us to comply with the ERCF as currently in effect, disregarding any subsequent amendment or other modification to that rule.

We continue to assess the effects of these new Purchase Agreement covenants on our business, and we are developing related business processes and controls, including with respect to monitoring and reporting.

FHFA's Strategic Plan: Fiscal Years 2021-2024

In October 2020, FHFA released its Strategic Plan for fiscal years 2021-2024. This new Strategic Plan establishes new goals needed for FHFA to fulfill its statutory duties, which include responsibly ending the conservatorships of Freddie Mac and Fannie Mae.

This new Strategic Plan formalizes the new direction of FHFA, and its regulated entities, by updating FHFA's mission, vision, and values, and by establishing three new strategic goals:

- Ensuring safe and sound regulated entities through world-class supervision;
- Fostering competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets; and
- Positioning FHFA as a model of operational excellence by strengthening its workforce and infrastructure.

For more information on the conservatorship and related matters, see **Regulation and Supervision, Risk Factors - Conservatorship and Related Matters, Note 2, Note 13**, and **Directors, Corporate Governance, and Executive Officers - Board and Committee Information - Authority of the Board and Board Committees**.

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

FHFA is an independent agency of the federal government responsible for oversight of the operations of Freddie Mac, Fannie Mae, and the FHLBs.

Under the GSE Act, FHFA has safety and soundness authority that is comparable to, and in some respects broader than, that of the federal banking agencies. FHFA is responsible for implementing the various provisions of the GSE Act that were added by the Reform Act.

Receivership

Under the GSE Act, FHFA must place us into receivership if FHFA determines in writing that our assets are less than our obligations for a period of 60 days. FHFA notified us that the measurement period for any mandatory receivership determination with respect to our assets and obligations would commence no earlier than the SEC public filing deadline for our quarterly or annual financial statements and would continue for 60 calendar days after that date. FHFA also advised us that, if, during that 60-day period, we receive funds from Treasury in an amount at least equal to the deficiency amount under the Purchase Agreement, the Director of FHFA will not make a mandatory receivership determination. In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons set forth in the GSE Act.

Certain aspects of conservatorship and receivership operations of Freddie Mac, Fannie Mae, and the FHLBs are addressed in an FHFA rule. Among other provisions, the rule indicates that FHFA generally will not permit payment of securities litigation claims during conservatorship and that claims by current or former shareholders arising as a result of their status as shareholders would receive the lowest priority of claim in receivership. In addition, the rule indicates that administrative expenses of the conservatorship will also be deemed to be administrative expenses of receivership and that capital distributions may not be made during conservatorship, except as specified in the rule.

Capital Standards

FHFA suspended capital classification of us during conservatorship in light of the Purchase Agreement. The existing statutory and FHFA regulatory capital requirements are not binding during the conservatorship. These capital standards are described in **Note 21**. Under the GSE Act, FHFA has the authority to increase our minimum capital levels temporarily or to establish additional capital and reserve requirements for particular purposes. See **Legislative and Regulatory Developments - FHFA Enterprise Capital Framework** below for additional information on the final capital rule issued by FHFA in November 2020.

Pursuant to an FHFA rule, FHFA-regulated entities are required to conduct annual stress tests to determine whether such companies have sufficient capital to absorb losses as a result of adverse economic conditions. Under the rule, Freddie Mac is required to conduct annual stress tests using scenarios specified by FHFA that reflect certain economic and financial conditions and publicly disclose the results of the stress test under the "severely adverse" scenario. In August 2020, FHFA temporarily waived the requirement that we disclose the results of our most recent "severely adverse" scenario stress test so that we could include alternative scenarios considered by the Federal Reserve Board following the onset of COVID-19 that were not included among the scenarios initially issued by FHFA.

New Products

The GSE Act requires Freddie Mac and Fannie Mae to obtain the approval of FHFA before initially offering any product (as defined in the statute), subject to certain exceptions. The GSE Act also requires us to provide FHFA with written notice of any new activity that we consider not to be a product. While FHFA published an interim final rule on prior approval of new products to implement these statutory requirements in July 2009, it stated that permitting us to engage in new products is inconsistent with the goals of conservatorship and instructed us not to submit such requests under the interim final rule. In October 2020, FHFA published a proposed rule that, if adopted, will replace the interim final rule. The proposed rule outlines the process for FHFA review and timelines for approving a new product. It sets forth the criteria for evaluating whether a new product is within the Enterprise's Charter, is in the public interest, and is consistent with maintaining the safety and soundness of the Enterprise or the mortgage finance system. It also establishes a new three-part objective test for determining whether an activity is a new activity. On January 8, 2021, we submitted comments to FHFA regarding the proposed rule. Our comments offered

suggestions on the proposed definitions and filing requirements, as well as other technical and procedural recommendations.

Affordable Housing Goals

We are subject to annual affordable housing goals. We view the purchase of loans that are eligible to count toward our affordable housing goals to be a principal part of our mission and business, and we are committed to facilitating the financing of affordable housing for very low-, low-, and moderate-income families. In light of the affordable housing goals, we may make adjustments to our strategies for purchasing loans, which could potentially increase our credit losses. These strategies could include entering into purchase and securitization transactions with lower expected economic returns than our typical transactions. In February 2010, FHFA stated that it does not intend for us to undertake uneconomic or high-risk activities in support of the housing goals nor does it intend for the state of conservatorship to be a justification for withdrawing our support from these market segments.

Current FHFA housing goals applicable to our purchases consist of four goals and one subgoal for single-family owner-occupied housing, one multifamily affordable housing goal, and two multifamily affordable housing subgoals. Single-family goals are expressed as a percentage of the total number of eligible loans underlying our total single-family loan purchases, while the multifamily goals are expressed in terms of minimum numbers of units financed.

Three of the single-family housing goals and the subgoal target purchase mortgage loans for low-income families, very low-income families, and/or families that reside in low-income areas. The single-family housing goals also include one goal that targets refinancing loans for low-income families. The multifamily affordable housing goal targets multifamily rental housing affordable to low-income families. The multifamily affordable housing subgoals target multifamily rental housing affordable to very low-income families and small (5- to 50-unit) multifamily properties affordable to low-income families.

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 goal by meeting or exceeding the actual share of the market that meets the criteria for that goal (Market Level).

If the Director of FHFA finds that we failed (or there is a substantial probability that we will fail) to meet a housing goal and that achievement of the housing goal was or is feasible, the Director may require the submission of a housing plan that describes the actions we will take to achieve the unmet goal. FHFA has the authority to take actions against us if we fail to submit a required housing plan, submit an unacceptable plan, fail to comply with a plan approved by FHFA, or fail to submit certain mortgage purchase data, information or reports as required by law. See **Risk Factors - Legal And Regulatory Risks - We may make certain changes to our business in an attempt to meet our housing goals and duty to serve requirements, which may adversely affect our profitability.**

Affordable Housing Goal Results

In October 2020, FHFA informed us that, for 2019, we achieved all five of our single-family affordable housing goals and all three of our multifamily goals. Our performance compared to our goals, as determined by FHFA for 2019 and 2018, is set forth below.

Table 74 - 2019 and 2018 Affordable Housing Goals Results

Affordable Housing Goals	2019			2018		
	Goals	Market Level	Results	Goals	Market Level	Results
Single-family purchase money goals (Benchmark levels)						
Low-income goal	24 %	26.6 %	27.4 %	24 %	25.5 %	25.8 %
Very low-income goal	6 %	6.6 %	6.8 %	6 %	6.5 %	6.3 %
Low-income areas goal	19 %	22.9 %	22.9 %	18 %	22.6 %	22.6 %
Low-income areas subgoal	14 %	18.1 %	18.0 %	14 %	18.0 %	17.3 %
Single-family refinance low-income goal (Benchmark level)	21 %	24.0 %	22.4 %	21 %	30.7 %	27.3 %
Multifamily (Benchmark levels in units)						
Low-income goal	315,000	N/A	455,451	315,000	N/A	474,062
Very low-income subgoal	60,000	N/A	112,773	60,000	N/A	105,612
Small property low-income subgoal	10,000	N/A	34,847	10,000	N/A	39,353

2020-2021 Affordable Housing Goals

In December 2020, FHFA announced its single-family and multifamily affordable housing goals for Freddie Mac for 2021. Due to the economic uncertainty related to the COVID-19 pandemic, FHFA announced benchmarks for 2021 only, and those levels remain the same as they were for 2018-2020.

Our current and proposed affordable housing goal benchmark levels are set forth below.

Table 75 - 2020-2021 Affordable Housing Goal Benchmark Levels

	2020	2021
Single-family purchase money goals (Benchmark levels):		
Low-income	24 %	24 %
Very low-income	6 %	6 %
Low-income areas	19 %	TBD
Low-income areas subgoal	14 %	14 %
Single-family refinance low-income goal (Benchmark level)	21 %	21 %
Multifamily low-income goal (In units)	315,000	315,000
Multifamily very low-income subgoal (In units)	60,000	60,000
Multifamily small property low-income subgoal (In units)	10,000	10,000

We expect to report our performance with respect to the 2020 affordable housing goals in March 2021. At this time, based on preliminary information, we believe we met four of our five single-family goals and all three of our multifamily goals. We expect that FHFA will make a final determination on our 2020 performance following the release of market data in 2021. Our risk appetite constraints may make it difficult for us to meet our affordable housing goals in the future.

Duty to Serve Underserved Markets Plan

The GSE Act establishes a duty for Freddie Mac and Fannie Mae to serve three underserved markets (manufactured housing, affordable housing preservation, and rural areas) by providing leadership in developing loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages for very low-, low-, and moderate-income families in those markets.

Freddie Mac is currently operating under an underserved markets plan for 2018-2020. In March 2020, we submitted our 2019 Duty to Serve Annual Report, which included information on activities and objectives undertaken during 2019. In July 2020, FHFA announced that, due to the market disruption and uncertainty caused by the COVID-19 pandemic, it has made temporary adjustments to the Duty to Serve program for 2020 and 2021 by amending the 2020 modification process and extending our 2018-2020 Duty to Serve Underserved Markets Plan by one year to include 2021 activities and objectives. In October 2020, we proposed modifications to our 2020 Duty to Serve Underserved Markets Plan and additions to our 2021 Duty to Serve Underserved Markets Plan. In January 2021, FHFA published our 2021 Duty to Serve Underserved Markets Plan, which became effective on January 1, 2021. FHFA expects that Freddie Mac's next three-year Duty to Serve Underserved Markets Plan, covering 2022-2024, will be due in May 2021.

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 such amount to certain housing funds. FHFA suspended this requirement when we were placed into conservatorship. However, in December 2014, FHFA terminated the suspension and instructed us to begin setting aside and paying amounts into those funds, subject to any subsequent guidance or instruction from FHFA.

During 2020, we completed \$1.2 trillion of new business purchases subject to this requirement and accrued \$490.7 million of related expense, of which \$319.0 million is related to the Housing Trust Fund administered by HUD and \$171.7 million is related to the Capital Magnet Fund administered by Treasury. We are prohibited from passing through the costs of these allocations to the originators of the loans that we purchase.

Portfolio Activities

The GSE Act provides FHFA with the power to regulate the size and composition of our mortgage-related investments portfolio. The GSE Act requires FHFA to establish, by regulation, criteria governing portfolio holdings to ensure the holdings are backed by sufficient capital and consistent with our mission and safe and sound operations. FHFA adopted the portfolio holdings criteria established in the Purchase Agreement, as it may be amended from time to time, for so long as we remain subject to

the Purchase Agreement. See **Conservatorship and Related Matters - Limits on Our Mortgage-Related Investments Portfolio and Indebtedness** for more information.

Department of Housing and Urban Development

HUD has regulatory authority over Freddie Mac with respect to fair lending. Our loan purchase activities are subject to federal anti-discrimination laws. In addition, the GSE Act prohibits discriminatory practices in our loan purchase activities, requires us to submit data to HUD to assist in its fair lending investigations of primary market lenders with which we do business, and requires us to undertake remedial actions against such lenders found to have engaged in discriminatory lending practices. HUD periodically reviews and comments on our underwriting and appraisal guidelines for consistency with the Fair Housing Act and the anti-discrimination provisions of the GSE Act.

Department of the Treasury

Treasury has significant rights and powers as a result of the Purchase Agreement. In addition, under our Charter, the Secretary of the Treasury has approval authority over our issuances of notes, debentures, and substantially identical types of unsecured debt obligations (including the interest rates and maturities of these securities), as well as new types of mortgage-related securities issued subsequent to the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The Secretary of the Treasury has performed this debt securities approval function by coordinating GSE debt offerings with Treasury funding activities. Our Charter also authorizes Treasury to purchase Freddie Mac debt obligations not exceeding \$2.25 billion in aggregate principal amount at any time.

Consumer Financial Protection Bureau

The CFPB regulates consumer financial products and services. The CFPB adopted a number of final rules relating to loan origination, finance, and servicing practices that generally went into effect in January 2014. The rules include an ability-to-repay rule, which requires loan originators to make a reasonable and good faith determination that a borrower has a reasonable ability to repay the loan according to its terms. This rule provides certain protection from liability for originators making loans that satisfy the definition of a qualified mortgage. The ability-to-repay rule applies to most loans acquired by Freddie Mac, and for loans covered by the rule, FHFA has directed us to limit our single-family acquisitions to loans that generally would constitute qualified mortgages under applicable CFPB regulations. The directive generally restricts us from acquiring loans that are not fully amortizing, have a term greater than 30 years, or have points and fees in excess of 3% of the total loan amount. Under CFPB rules, one category of qualified mortgages consists of loans that are eligible for purchase or guarantee by either Freddie Mac or Fannie Mae. In October 2020, the CFPB issued a final rule that extends the category of qualified mortgages that consists of loans that are eligible for purchase or guarantee by either Freddie Mac or Fannie Mae. Under the final rule, this category of qualified mortgages will expire upon the earlier of the Enterprise's exit from conservatorship or the mandatory compliance date of final amendments to the definition of a qualified mortgage in the ability-to-repay rule, rather than in January 2021 as previously scheduled. In December 2020, the CFPB issued a final rule that established pricing thresholds for loans to qualify as qualified mortgages, eliminated the DTI threshold, and refined the ability-to-repay definition to require lenders to consider and verify borrowers' income, assets, and debts. The mandatory compliance date of these final amendments to the definition of qualified mortgage is July 1, 2021. Under the amended ability-to-repay rule, qualified mortgages will include loans for which lenders consider the borrower's income, assets, debts, and DTI or residual income and that comply with our Guidelines as well as with the previously mentioned requirements regarding product features, pricing, points, and fees. In addition, under the January 2021 Letter Agreement, we are required to implement on or before July 1, 2021 a program that is reasonably designed to ensure that each single-family loan acquired falls within certain categories, one of which is "qualified mortgages."

Securities and Exchange Commission

We are subject to the reporting requirements applicable to registrants under the Exchange Act, including the requirement to file with the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. Although our common stock is required to be registered under the Exchange Act, we continue to be exempt from certain federal securities law requirements, including the following:

- Securities we issue or guarantee are "exempted securities" and may be sold without registration under the Securities Act of 1933;
- We are excluded from the definitions of "government securities broker" and "government securities dealer" under the Exchange Act;
- The Trust Indenture Act of 1939 does not apply to securities issued by us; and
- We are exempt from the Investment Company Act of 1940 and the Investment Advisers Act of 1940, as we are an "agency, authority, or instrumentality" of the U.S. for purposes of such Acts.

Legislative and Regulatory Developments

Legislation Related to Freddie Mac and Its Future Status

Our future structure and role will be determined by the Administration, Congress, and FHFA, and it is possible, and perhaps likely, that there will be significant changes beyond the near-term.

Several bills have been introduced in past sessions of Congress concerning the future status of Freddie Mac, Fannie Mae, and the mortgage finance system, including bills that provided for the wind down of Freddie Mac and Fannie Mae and modification of the terms of the Purchase Agreement. None of these bills have been enacted. It is possible that similar or new bills will be introduced and considered in the future. We cannot predict whether any of such bills will be introduced or enacted.

Treasury Blueprint on Next Steps for GSE Reform

On January 14, 2021, Treasury released a blueprint on next steps for GSE reform, which includes building GSE equity capital, determining GSE capital structure, setting a commitment fee for ongoing government support, establishing appropriate pricing oversight, and assessing appropriate market concentration. The blueprint states that while Treasury will continue to evaluate potential administrative actions to end the conservatorships, Congress is best positioned to adopt comprehensive housing finance reform. The goals of the current Administration with respect to the Enterprises and housing market reform are unclear.

January 2021 Letter Agreement with Treasury

On January 14, 2021, we, acting through FHFA as our Conservator, and Treasury entered into a letter agreement to further amend the Purchase Agreement and terms of the senior preferred stock. The principal modifications include:

- **Extend Capital Retention** - The net worth sweep dividend requirement has been revised to permit us to continue to build capital by retaining our earnings.
 - Beginning October 1, 2020, the applicable Capital Reserve Amount used in determining the dividend payable to Treasury is the amount of adjusted total capital necessary to meet capital requirements and buffers set forth in the ERCF, rather than \$20.0 billion as previously provided. This increased Capital Reserve Amount will remain in effect until the last day of the second fiscal quarter during which we have reached and maintained such level of capital (the Capital Reserve End Date). For additional information on the ERCF, see **FHFA Enterprise Regulatory Capital Framework**. The liquidation preference of the senior preferred stock will be increased, at the end of each fiscal quarter, from December 31, 2020 through the Capital Reserve End Date, by the increase in the Net Worth Amount, if any, during the immediately prior fiscal period. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period until the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and the applicable Capital Reserve Amount would thereafter be zero.
 - Upon the Capital Reserve End Date, our dividend requirement on the senior preferred stock each quarter will be an amount equal to the lesser of (i) 10% per annum on the then-current liquidation preference of the senior preferred stock and (ii) a quarterly amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. If for any reason we were not to pay our dividend requirement in full in any future period, after the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and immediately following such failure and for all dividend periods thereafter until the dividend period following the date on which we shall have paid in cash full cumulative dividends, the dividend amount will be 12% per annum on the then-current liquidation preference of the senior preferred stock.
 - By the Capital Reserve End Date, we and Treasury, in consultation with the Chairman of the Federal Reserve, will mutually agree on a periodic commitment fee that we will pay for Treasury's remaining funding commitment with respect to the five-year period commencing on the first January 1 after the Capital Reserve End Date.
- **Allow for Common Stock Issuance at Appropriate Time** - Treasury will not allow us to issue common stock until: (i) Treasury has exercised in full its warrant to acquire 79.9% of our common stock and (ii) all currently pending material litigation relating to the conservatorship and/or the Purchase Agreement has been resolved or settled. Treasury will allow us to use up to \$70 billion in proceeds of such a common stock issuance(s) to be used to build capital.
- **Establish Additional Requirements To Exit Conservatorship** - FHFA agrees that it will not, without the prior written consent of Treasury, terminate our conservatorship (other than in connection with receivership) unless (i) all currently pending material litigation relating to the conservatorship and/or the Purchase Agreement has been resolved or settled and (ii) for two or more consecutive quarters we have and maintain "common equity tier 1 capital" that (together with any stockholder equity that would result from the consummation of a firm commitment public underwritten offering of our common stock as set forth in an underwriting agreement with one or more broker-dealers reasonably acceptable to Treasury, which is fully consummated concurrently with the termination of conservatorship) is in an amount not less than

3% of our “adjusted total assets” (both as defined in the ERCF). “Common equity tier 1 capital” shall not include the senior preferred stock.

- **Limit Future Increases to the Retained Mortgage Portfolio** - The Purchase Agreement cap on our retained mortgage portfolio will be lowered from \$250 billion currently to \$225 billion at the end of 2022, and the calculation of mortgage assets subject to the cap will also include 10% of the notional value of interest-only securities. Our debt cap under the Purchase Agreement will decrease to \$270 billion on January 1, 2023 as a result of the decrease in the mortgage assets limit under the Purchase Agreement to \$225 billion on December 31, 2022. Under the Purchase Agreement, our debt cap is 120% of our mortgage assets limit as of December 31 of the immediately preceding calendar year.
- **Provide Small Lender Protections** - We cannot vary the pricing or any other term of the acquisition of a single-family loan based on the size, charter type, or volume of business of the seller of the loan. In addition, we are required to (i) purchase loans for cash consideration; (ii) operate the cash window with non-discriminatory pricing; (iii) beginning on January 1, 2022, limit the volume purchased through the cash window to \$1.5 billion per lender during any period comprising four calendar quarters; and (iv) comply with directives, regulations, restrictions, or other requirements prescribed by FHFA related to equitable secondary market access by community lenders.
- **Memorialize FHFA Multifamily Lending Caps** - We are required to cap multifamily loan purchases at \$80 billion in any 52-week period, subject to annual adjustment by FHFA based on changes in the Consumer Price Index. At least 50% of our multifamily loan purchases in any calendar year must be, at the time of acquisition, classified as mission-driven pursuant to FHFA guidelines.
- **Increase Restrictions on Single-Family Loan Acquisitions** - We are required to limit our acquisition of certain single-family mortgage loans.
 - A maximum of 6% of purchase money mortgages and 3% of refinance mortgages over the preceding 52-week period can have two or more of the following characteristics at origination: combined LTV ratio greater than 90%; debt-to-income ratio greater than 45%; and FICO or equivalent credit score less than 680.
 - Acquisitions of single-family mortgage loans secured by either second homes or investment properties will be limited to 7% of the single-family mortgage loan acquisitions over the preceding 52-week period.
 - Subject to such exceptions as FHFA may prescribe to permit us to acquire single-family mortgage loans that are currently eligible for acquisition, we will be required to implement by July 1, 2021 a program reasonably designed to ensure that each single-family mortgage loan acquired is (i) a qualified mortgage; (ii) exempt from the CFPB’s ability-to-repay requirements; (iii) secured by an investment property, subject to the restrictions above; (iv) a refinancing with streamlined underwriting for high LTV ratios; (v) a loan with temporary underwriting flexibilities due to exigent circumstances, as determined in consultation with FHFA; or (vi) secured by manufactured housing.
- **Require Compliance with ERCF** - For purposes of the Purchase Agreement Capital Covenant, we are required to comply with the ERCF as currently in effect (i.e., disregarding any subsequent modification of that rule).
- **Commit to Develop Proposal to Resolve Conservatorship** - We and Treasury commit to work to restructure Treasury’s investment and dividend amount in a manner that facilitates our orderly exit from conservatorship, ensures Treasury is appropriately compensated, and permits us to raise third-party capital and make distributions as appropriate.

See **Note 2** for more information about our Purchase Agreement with Treasury.

FHFA Enterprise Regulatory Capital Framework

On November 18, 2020, FHFA released a final rule that establishes a new ERCF for Freddie Mac and Fannie Mae. This final capital rule is substantively similar in terms of overall structure and approach to the proposed capital rule released in May 2020, which was a re-proposal of the capital rule published by FHFA in July 2018.

The final capital rule incorporates several bank regulatory concepts that are intended to increase both the quality and quantity of capital that the Enterprises will be required to hold. The final capital rule, which will become effective on February 16, 2021, has a transition period for compliance. In general, the compliance date for the regulatory capital requirements will be the later of the date of termination of our conservatorship and any later compliance date provided in a consent order or other transition order. We will be required to report our regulatory capital beginning on January 1, 2022 and certain buffer requirements become effective upon the termination of conservatorship, even if we are operating under a consent order or other transition order; however, we may begin implementing the ERCF sooner, upon the direction of FHFA or otherwise. The final capital rule specifies substantial capital requirements and could affect our business strategies, perhaps significantly.

The final capital rule establishes six capital requirements for the Enterprises: four risk-based requirements, which, in part, evaluate specified types of capital against a percentage of an Enterprise’s risk-weighted assets, and two leverage requirements, which evaluate specified types of capital against a percentage of an Enterprise’s adjusted total assets. The final capital rule also specifies certain capital buffer amounts. If an Enterprise does not maintain capital levels in excess of these supplemental buffer requirements, its ability to make certain capital distributions and discretionary executive bonus payments would be limited. We may hold capital above the capital requirements and buffers set forth in the ERCF, subject to the

restrictions on our ability to do so under the Purchase Agreement, such as post-recapitalization dividends and fees we will be required to pay to Treasury.

The final capital rule includes provisions for an Enterprise to calculate its risk-weighted assets under a “standardized approach,” which requires the Enterprises to determine a risk weight for the Enterprise’s assets and exposures. The standardized approach includes provisions to calculate risk weights for credit exposures to single-family and multifamily loans, credit risk transfers, derivatives, and other on- and off-balance sheet assets and exposures. The standardized approach also specifies requirements for including market and operational risks in the calculation of an Enterprise’s risk-weighted assets. In addition to requiring an Enterprise to use the standardized approach, the final capital rule also requires an Enterprise to calculate its risk-weighted assets using an “advanced approach,” which would rely entirely on the Enterprise’s models. In determining its risk-weighted assets for evaluating capital adequacy, an Enterprise would use the higher of the amounts calculated under the standardized approach and the advanced approach. We would not be required to comply with advanced approach requirements earlier than 2025.

Notable changes from the capital rule proposed in May 2020 include increased risk-weight floors for single-family and multifamily exposures from 15% to 20%, some increased capital relief for CRT, and reduced capital requirements for single-family mortgage exposures subject to COVID-19 related forbearance.

FHFA Proposed Rule on Enterprise Liquidity Requirements

In December 2020, FHFA issued a notice of proposed rulemaking regarding liquidity requirements for Freddie Mac and Fannie Mae. This proposed rule builds on current FHFA requirements and seeks to implement minimum Enterprise liquidity and funding requirements, daily management reporting of the Enterprise’s liquidity positions, monthly public disclosure reporting requirements, and other cash flow and liquidity-related requirements. The proposed rule has four liquidity requirements: two cash-flow based requirements and two long-term liquidity and funding requirements. The proposed requirements could result in higher funding costs and could negatively impact our net interest income. In addition, they could impact the size and the allowable investments in our other investments portfolio. We cannot predict whether and when FHFA will finalize new liquidity requirements for the Enterprises, what these final liquidity requirements will be, or whether FHFA may require us to implement additional or different liquidity requirements in the proposed rule or otherwise.

FHFA Proposed Rule on Resolution Planning

In December 2020, FHFA issued a notice of proposed rulemaking that would require Freddie Mac and Fannie Mae to develop credible resolution plans, also known as living wills. These resolution plans are intended to facilitate a rapid and orderly resolution should FHFA be appointed receiver for Freddie Mac or Fannie Mae. Under the proposed rule, the Enterprises must demonstrate how core or important business lines would be maintained to ensure continued support for mortgage finance and stabilize the housing finance system, without extraordinary government support to prevent an Enterprise from being placed in receivership, indemnify investors against losses, or fund the resolution of an Enterprise. FHFA has instructed us to take actions related to developing, in the near term, a resolution planning process and to provide FHFA with support and information related to its development of a resolution framework. We cannot predict whether or when FHFA will finalize new resolution planning requirements for the Enterprises, what these final resolution planning requirements will be, when we will be required to deliver a resolution plan, or the extent to which FHFA may require us to implement additional resolution planning requirements during conservatorship.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Our critical accounting policies and estimates relate to the single-family allowance for credit losses and fair value measurements. For additional information about our critical accounting policies and estimates and other significant accounting policies, as well as recently issued accounting guidance, see **Note 1**.

Single-Family Allowance for Credit Losses

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

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

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

Changes in forecasted house price growth rates can have a significant effect on our allowance for credit losses. Our estimate of expected credit losses leverages an internally based model and uses a nationwide house price growth forecast for the next three years. A Monte Carlo simulation generates many possible house price scenarios for up to 40 years for each metropolitan statistical area (MSA). These scenarios are used to estimate loan-level expected future cash flows and credit losses based on each loan's individual characteristics. The COVID-19 pandemic initially resulted in a decline in our near term forecasted house price growth rates compared to pre-pandemic estimates, but our forecast has since improved. The table below shows our nationwide forecasted house price growth rates for both full-year 2021 and 2022 that were used in determining our allowance for credit losses as of December 31, 2020. These growth rates are used as inputs to our models to develop the detailed forecasted life-of-loan house price growth rates for each MSA.

Table 76 - Forecasted House Price Growth Rates⁽¹⁾

	2021	2022
Forecasted house price growth rates	5.4 %	3.0 %

(1) Forecasted house price growth rates are from Freddie Mac's Economic and Housing Research Quarterly Forecast dated January 14, 2021.

Inputs used by the model are regularly updated for changes in the underlying data, assumptions, and market conditions. We review the output of this model by considering qualitative factors such as macroeconomic and other factors to see whether the model outputs are consistent with our expectations. Management adjustments may be necessary to take into consideration external factors and current economic events that have occurred but are not yet reflected in the factors used to derive the model outputs. Significant judgment is exercised in making these adjustments.

Some examples of the qualitative factors considered include:

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

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

Fair Value Measurements

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. Assets and liabilities within our consolidated financial statements measured at fair value include:

- Mortgage-related and non-mortgage related securities;
- Certain loans held-for-sale;
- Derivative instruments; and
- Certain debt securities of consolidated trusts held by third parties and certain debt of Freddie Mac.

The accounting guidance for fair value measurements establishes a framework for measuring fair value, and also establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on the assumptions a market participant would use at the measurement date. Fair value measurements under this hierarchy are distinguished among quoted market prices, observable inputs, and unobservable inputs. The measurement of fair value requires management to make judgments and assumptions. The process for determining fair value using unobservable inputs is generally more subjective and involves a higher degree of management judgment and assumptions than the measurement of fair value using observable inputs. These judgments and assumptions may have a significant effect on our measurements of fair value, and the use of different judgments and assumptions, as well as changes in market conditions, could have a material effect on our consolidated statements of comprehensive income and consolidated balance sheets. See **Note 19** for additional information regarding fair value hierarchy and measurements, valuation risk, and controls over fair value measurement.

Risk Factors

The following section discusses material risks and uncertainties that could adversely affect our business, financial condition, results of operations, cash flows, reputation, strategies, and/or prospects.

CONSERVATORSHIP AND RELATED MATTERS

Freddie Mac's future is uncertain.

Our future structure and role will be determined by the Administration, Congress, and FHFA, and it is possible, and perhaps likely, that there will be significant changes beyond the near-term that will materially affect our role in the mortgage industry, business model, structure, and results of operations. Some or all of our functions could be transferred to other institutions, and we could cease to exist as a stockholder-owned company. If any of these events occur, our shares could diminish in value, or cease to have any value. Our stockholders may not receive any compensation for such loss in value.

Several bills have been introduced in past sessions of Congress concerning the future status of Freddie Mac, Fannie Mae, and the mortgage finance system, including bills which provided for the wind down of Freddie Mac and Fannie Mae and modification of the terms of the Purchase Agreement. While none of these bills has been enacted, it is possible that similar or new bills will be introduced and considered in the future. On January 14, 2021, Treasury released a blueprint on next steps for GSE reform, which includes building equity capital, determining capital structure, setting a commitment fee for ongoing government support, establishing appropriate pricing oversight, and assessing appropriate market concentration. The blueprint states that while Treasury will continue to evaluate potential administrative actions to end our conservatorship, Congress is best positioned to adopt comprehensive housing finance reform. The goals of the current Congress and Administration with respect to the Enterprises and housing market reform are unclear.

The conservatorship is indefinite in duration. The timing, likelihood, and circumstances under which we might emerge from conservatorship are uncertain. Under the Purchase Agreement, as amended by the January 2021 Letter Agreement, we cannot exit from conservatorship, other than in connection with receivership, unless all currently pending material litigation relating to the conservatorship and/or the Purchase Agreement has been resolved or settled and for two or more consecutive periods we have common equity tier 1 capital (which does not include our senior preferred stock) of at least 3% of our adjusted total assets. While we will continue to increase our capital level as a result of the increase in the applicable Capital Reserve Amount under the Purchase Agreement, the increases in our capital level since September 30, 2019 have been or will be added to the aggregate liquidation preference of the senior preferred stock. In addition, our ability to increase our capital, other than through retained earnings, is limited, and it may not be possible for us to raise private capital on acceptable terms, if at all. We are permitted to raise up to \$70.0 billion to build capital through the issuance of common stock only after Treasury has exercised in full its warrant to purchase 79.9% of our common stock and pending material conservatorship-related litigation has been resolved or settled. Treasury's potential substantial equity ownership in our company, along with new or increased restrictions imposed on our business, and post-recapitalization dividends and fees we will be required to pay to Treasury, will reduce our attractiveness as an investment opportunity for third-party investors. It is uncertain whether or when we will be able to retain or raise sufficient capital to permit an end to our conservatorship, and this may not happen for several years or at all. For additional information on the January 2021 Letter Agreement, see **MD&A – Regulation and Supervision – January 2021 Letter Agreement with Treasury**.

Treasury would be required to consent to the termination of our conservatorship other than as discussed above, and there can be no assurance Treasury would do so. Even if the conservatorship is terminated, we would remain subject to the Purchase Agreement and the terms of the senior preferred stock unless they are terminated or amended. It is possible that the conservatorship could end with our being placed into receivership.

Even if the conservatorship ends and the voting rights of common stockholders are restored, we could effectively remain under the control of the U.S. government because of the Purchase Agreement, Treasury's warrant to acquire nearly 80% of our common stock for nominal consideration, or Treasury's ownership of our common stock after it exercises its warrant. If Treasury exercises the warrant, the ownership interest of our existing common stockholders will be substantially diluted.

Our current Net Worth Amount may not be sufficient to absorb potential losses and could result in our having to request additional draws from Treasury in future periods.

As a result of the net worth sweep dividend requirement, from 2013 to 2017 we could not retain capital from the earnings generated by our business operations in excess of the applicable Capital Reserve Amount, which decreased by \$600 million each year, from \$3 billion in 2013 to \$600 million in 2017. As a result of increases in the applicable Capital Reserve Amount since January 1, 2018, we have been able to retain earnings and build capital, and our Net Worth Amount was \$16.4 billion as of December 31, 2020. If we were to have a net worth deficit in a future period as a result of significant future comprehensive losses, we would be required to draw funds from Treasury under the Purchase Agreement.

A variety of factors could influence whether we could require a draw, including many of the other risk factors we have identified, as well as changes in tax rates and related changes in our deferred tax assets and reserves. Additional draws, which will

decrease the amount of Treasury's remaining commitment under the Purchase Agreement, may result in reputational risk and add to the uncertainty regarding our long-term financial sustainability.

FHFA, as our Conservator, controls our business activities. We may be required to take actions that reduce our profitability, are difficult to implement, or expose us to additional risk.

We are under the control of FHFA, as our Conservator, and are not managed to maximize stockholder returns. FHFA determines our strategic direction. We face a variety of different, and sometimes competing, business objectives and FHFA-mandated activities, such as the initiatives we are pursuing under the Conservatorship Scorecards. Some of the activities FHFA has required us to undertake have been costly and/or difficult to implement, such as development and support of the CSP.

FHFA has required us to make changes to our business that have adversely affected our financial results and could require us to make additional changes at any time. For example, FHFA may require us to undertake activities that (i) reduce our profitability; (ii) expose us to additional credit, market, funding, operational, and other risks; or (iii) provide additional support for the mortgage market that serves our public mission, but adversely affects our financial results.

FHFA also has required us to take other actions that may adversely affect our business or financial results, such as requiring us to maintain increased liquidity and directing us to amend the CSS LLC agreement in January 2020 in a manner that reduces our ability to control CSS Board decisions, even after conservatorship, including decisions about strategy, business operations, and funding. FHFA has also appointed three additional CSS Board members, and as a result, the CSS Board members we and Fannie Mae appoint could be outvoted by non-GSE designated Board members on any matter during conservatorship and on a number of significant matters after conservatorship. It is possible that FHFA may require us to make additional changes to the CSS LLC agreement, or may otherwise impose restrictions or provisions relating to CSS or the UMBS, that may adversely affect us.

From time to time, FHFA has prevented us from engaging in business activities or transactions that we believe would be profitable, and it may do so again in the future. For example, FHFA has limited the size and composition of our mortgage-related investments portfolio and the amount and type of new single-family and multifamily loans we may acquire. We may be required to adopt business practices that help serve our public mission and other non-financial objectives, but that may negatively affect our future financial results. Congress or FHFA may require us to set aside or otherwise pay monies to fund third-party initiatives, such as the existing requirement under the GSE Act that we allocate amounts for certain housing funds. FHFA also could require us to take actions that would adversely affect our ability to compete and innovate, such as through its proposed rule for new GSE products and activities; changing our risk appetite and risk limits; and limiting our control over pricing. FHFA is also Conservator of Fannie Mae, our primary competitor. FHFA's actions, as Conservator of both companies, could require us and Fannie Mae to take a uniform approach to certain activities, limiting innovation and competition and possibly putting us at a competitive disadvantage because of differences in our respective businesses. FHFA also could limit our ability to compete with new entrants and other institutions. The combination of the restrictions on our business activities and our potential inability to generate sufficient revenue through our guarantee activities to offset the effects of those restrictions may have an adverse effect on our results of operations and financial condition.

The Purchase Agreement and the terms of the senior preferred stock significantly limit our business activities. In the event of non-compliance with any Purchase Agreement covenants, Treasury may be entitled to specific performance, damages, and other remedies, and if the corrective actions we were to take were determined by FHFA to be insufficient, FHFA could impose penalties on us or take other remedial actions.

The Purchase Agreement and the terms of the senior preferred stock place significant restrictions on our ability to manage our business, including limiting (i) our secondary market activities; (ii) the amount and type of single-family and multifamily loans we may acquire; (iii) the amount of indebtedness we may incur; (iv) the size of our mortgage-related investments portfolio; (v) our ability to maintain alignment and competitiveness with Fannie Mae issued UMBS; and (vi) our ability to pay dividends, transfer certain assets, raise capital, and pay down the liquidation preference of the senior preferred stock.

The Purchase Agreement prohibits us from taking a variety of actions without Treasury's consent. Treasury has the right to withhold its consent for any reason. The warrant held by Treasury, restrictions on our business under the Purchase Agreement, and the senior status and net worth sweep dividend provisions of the senior preferred stock could adversely affect our ability to attract capital from the private sector in the future, should we be in a position to do so. For more information, see ***Conservatorship and Related Matters - Freddie Mac's Future is Uncertain.***

In the event of non-compliance with any Purchase Agreement covenants, Treasury may be entitled to specific performance, damages, and other such remedies as may be available at law or in equity. In addition, if the corrective actions we were to take or plan to take to comply with such covenants were determined by FHFA to be insufficient or unsuccessful, FHFA could impose penalties on us or take other remedial action.

If FHFA placed us into receivership, our assets would be liquidated. The liquidation proceeds might not be sufficient to pay claims outstanding against Freddie Mac, repay the liquidation preference of our preferred stock, or make any distribution to our common stockholders.

We can be put into receivership at the discretion of the Director of FHFA at any time for a number of reasons set forth in the GSE Act. Several bills were introduced in past sessions of Congress that provided for Freddie Mac to be placed into receivership. In addition, FHFA could be required to place us into receivership if Treasury were unable to provide us with funding requested under the Purchase Agreement to address a deficit in our net worth. Treasury might not be able to provide the requested funding if, for example, the U.S. government were not fully operational because Congress had failed to approve funding or the government had reached its borrowing limit. For more information, see **MD&A - Regulation and Supervision**.

Being placed into receivership would terminate the conservatorship. The purpose of receivership is to liquidate our assets and resolve claims against us. The appointment of FHFA as our receiver would terminate all rights and claims that our stockholders and creditors might have against our assets or under our Charter as a result of their status as stockholders or creditors, other than possible payment upon our liquidation.

The GSE Act provides that, if we were placed into receivership, the receiver would hold the mortgages underlying our mortgage-related securities (and the payments thereon) for the benefit of the holders of those securities. However, payments on the mortgages underlying our mortgage-related securities might not be sufficient to make full payments of principal and interest on the securities. If we were unable to fulfill our guarantee, the holders of our mortgage-related securities would experience delays in receiving payments because the relevant systems are not designed to make partial payments.

If our assets were liquidated, the liquidation proceeds might not be sufficient to pay the secured and unsecured claims against us (including claims on our guarantees), repay the liquidation preference on any series of our preferred stock, or make any distribution to our common stockholders. Proceeds would first be applied to the secured and unsecured claims against us, the administrative expenses of the receiver, and the liquidation preference of the senior preferred stock. Any remaining proceeds would then be available to repay the liquidation preference of other series of preferred stock. Only after the liquidation preference of all series of preferred stock is repaid would any proceeds be available for distribution to the holders of our common stock.

Our business and results of operations may be materially adversely affected if we are unable to attract and retain well-qualified, talented employees across the company. The conservatorship, the uncertainty of our future, and limitations on our compensation structure may put us at a disadvantage compared to other companies in attracting and retaining employees.

Our business is highly dependent on the talents and efforts of our employees. We face competition, particularly from the financial services and technology industries, for qualified talent. If we are unable to attract and retain talent, we increase our risk of operational failures.

Restrictions on employee compensation have been and may be imposed on us, while we remain in conservatorship, by Congress, FHFA, or Treasury. For example, FHFA as Conservator has the authority to approve the terms and amount of our executive compensation and may require us to make changes to our executive and employee compensation programs. For example, FHFA has imposed limits on executive and employee compensation and has required prior approval of certain compensation arrangements. Such limitations on our executive and employee compensation structure, as well as the ongoing conservatorship and uncertainty about our future, could have an adverse effect on our ability to attract and retain talent.

Leadership departures, such as the recent departure of our former CEO, or a combination of such departures at approximately the same time, could materially adversely affect our business, results of operations, and financial condition. For example, turnover in key positions and challenges in integrating new leaders could harm our ability to manage our business effectively and successfully implement current strategic initiatives and could adversely affect our financial performance.

COVID-19 PANDEMIC

The COVID-19 pandemic has significantly and adversely affected general economic conditions and the housing market. These adverse changes, as well as the effects of actions taken in response to the pandemic, such as forbearance for Freddie Mac-owned mortgages and other relief measures, have significantly and adversely affected our business, results of operations, and financial condition and elevated our credit, market, and operational risk levels in 2020 and will likely continue to do so in 2021, and perhaps beyond.

In response to the COVID-19 pandemic, Freddie Mac has taken several steps to support the mortgage market, such as forbearance for Freddie Mac-owned mortgages and other measures to assist homeowners, renters, multifamily property owners, lenders, and sellers. For additional information on our relief efforts, see **MD&A - Introduction - COVID-19 Pandemic Response Efforts**. These actions may not be successful and may negatively affect our financial condition and results of operations, perhaps significantly. Borrowers that obtain forbearance may be unable to resume making payments on their mortgage loans at the end of the forbearance period, which could result in losses. We expect serious delinquency rates and the volume of loss mitigation activity to remain elevated as a result of the pandemic and our forbearance programs, and we expect

to advance significant amounts to cover principal and interest payments to security holders for loans in forbearance in the coming months. The pandemic and forbearance programs have caused a significant increase in our allowance for credit losses. Estimates of expected credit losses are subject to significant uncertainty and may increase in the future depending on the depth and severity of the economic downturn caused by the pandemic.

The government has taken several actions to provide relief to those negatively affected by COVID-19, such as direct payments and federal unemployment insurance. In addition, the Federal Reserve has supported the financial markets, including by purchasing Freddie Mac mortgage-related securities. If the Federal Reserve discontinued or lessened this support, it could negatively affect our financial position and results of operations. For additional information on federal government relief efforts, see **MD&A - Introduction - COVID-19 Pandemic Response Efforts**. Current and future government relief efforts taken in response to the COVID-19 pandemic may provide insufficient support for the economy and the housing market.

Our credit risk and market risk levels have increased as a result of the COVID-19 pandemic, and may increase further depending on the duration and severity of the pandemic. For example:

- Our mortgage credit risk level is heightened, as a result of increased forbearance, modifications, and defaults due to the COVID-19 pandemic. These trends have adversely affected our results of operations through increased expected credit losses and are expected to continue. Payment defaults on mortgages could result in accelerated prepayments of certain of our securities as a result of our repurchase practices relating to seriously delinquent mortgages and mortgage modifications, foreclosures, and workouts.
- Our ability to transfer single-family credit risk was, and may in the future be, negatively affected by adverse market conditions resulting from the COVID-19 pandemic.
- We generally fund our obligations to advance principal and interest to security holders for loans in forbearance and our purchase of delinquent and modified loans from our securities trusts through debt issuances. Depending on the extent of forbearance and delinquencies as a result of the COVID-19 pandemic, it is possible that we may not be able to meet our contractual obligations as a result of the aggregate indebtedness limit and mortgage-related investments portfolio limit under the Purchase Agreement, without breaching limits or obtaining the prior written consent of Treasury and FHFA to increase these limits.
- Increased market instability and uncertainty associated with the volume of loans we may purchase from trusts may adversely affect our ability to hedge, and demand for Freddie Mac securities, other than from the Federal Reserve, may decrease substantially.

Our operational risk level has increased as a result of the COVID-19 pandemic. Freddie Mac has instituted temporary operational changes, such as shifting to remote work for the majority of our employees. While we have not experienced material impacts to operations, it is possible that certain procedures we have in place to monitor our employees may not be effective, or any significant technological or infrastructure-related disruptions during this period of remote work could adversely affect our ability to conduct normal business operations. The COVID-19 pandemic has presented potential risks to staffing, such as stress on our workforce as a result of home schooling, caring for themselves and loved ones, and potential burnout, and it is possible that key employees or a significant number of employees may be adversely affected by the virus. In addition, model risk levels are heightened. There is an increased degree of uncertainty concerning key inputs into our financial cash flows, such as projections of mortgage interest rates, house prices, credit defaults, negative yields, prepayments, and interest rates, and we expect our models to face significant challenges in accurately forecasting these inputs. We are attempting to mitigate this increased risk by applying model overlays and adjustments, where deemed appropriate, but these adjustments have an element of subjectivity, and are based upon difficult and complex judgments. Actual results could differ from our estimates, and the use of different judgments and assumptions related to these estimates could have a material impact on our consolidated financial statements. For additional information on operational risk, see **MD&A - Risk Management - Operational Risk**.

CREDIT RISKS

We are subject to mortgage credit risk. Credit losses and costs related to this risk could adversely affect our financial results.

Mortgage credit risk is the risk that a borrower will fail to make timely payments on a loan we own or guarantee. This exposes us to the risk of credit losses and credit-related expenses, which could adversely affect our financial results. We are primarily exposed to mortgage credit risk with respect to the single-family and multifamily loans and securities reflected as assets on our consolidated balance sheets. We are also exposed to mortgage credit risk with respect to guaranteed securities and guarantee arrangements that are not reflected as assets on our consolidated balance sheets, including K Certificates, SB Certificates, and certain senior subordinate securitization structures.

We continue to have loans in our single-family credit guarantee portfolio with certain characteristics, such as Alt-A loans, interest-only loans, option ARM loans, loans with original LTV ratios greater than 90%, and loans to borrowers with credit scores less than 620 at the time of origination, that expose us to greater credit risk than other types of loans. See **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Monitoring Loan Performance and Characteristics**. We also expect to continue acquiring loans with higher LTV ratios through our Home Possible and Home One initiatives, as well as

loans with higher DTI ratios, generally up to 50%, which will increase our exposure to credit risk. Our efforts to increase eligible borrowers' access to single-family mortgage credit, including our affordable housing program and our plan for fulfilling our duty to serve underserved markets, expose us to increased mortgage credit risk.

We face significant risks related to our delegated underwriting process for single-family loans, including risks related to data accuracy, mortgage fraud, and our sellers' origination operations. Changes to the process could increase our risks.

We delegate to our sellers the underwriting for the single-family loans we purchase or securitize. Our contracts with sellers describe mortgage eligibility and underwriting standards, and the sellers represent and warrant to us that the loans they deliver to us meet these standards.

We rely on the strength of our sellers' origination processes and controls. We perform risk-based audits to test our counterparties' control environments. However, our review may not detect weak operations that could lead to errors in seller decisions like correspondent approvals, property valuations, and insurance coverage.

We do not independently verify most of the information provided to us before we purchase or securitize a loan. This exposes us to the risk that one or more of the parties involved in a transaction (such as the borrower, property seller, broker, appraiser, title agent, loan officer, or lender) misrepresented facts about the borrower, property, or loan, or otherwise engaged in fraud.

We review a sample of loans after we purchase them to determine if they comply with our contractual standards. However, our review may not detect any misrepresentations by the parties involved in the transaction, deter loan fraud, or reduce our exposure to these risks.

We can exercise certain contractual remedies, including requiring repurchase of the loan, for loans that do not meet our standards. However, at the direction of FHFA, we have significantly revised our representation and warranty framework (including changes to remedies for certain defects) to relieve sellers of certain repurchase obligations in specific cases with respect to single-family loans. As a result, we may face greater exposure to credit and other losses under this revised framework, because our ability to seek recovery or repurchase from sellers is more limited and we must identify breaches of representations and warranties early in the life of the loan.

Our suite of tools, collectively referred to as Loan Advisor, offers limited representation and warranty relief for certain loan components that satisfy automated data analytics related to appraisal quality, collateral valuation, borrower assets, and borrower income. In general, limited representation and warranty relief is offered when information provided by the lender is validated against independent data sources. However, there is a risk that the enhanced tools and processes provided by Loan Advisor will not enable us to identify all breaches in a timely manner. In turn, this could increase our exposure to credit and other losses. For more information, see **MD&A - Risk Management - Single-Family Mortgage Credit Risk**.

Declines in national or regional house prices or other adverse changes in the housing market could negatively affect both our single-family and multifamily businesses.

Our financial results and business volumes can be negatively affected by declines in house prices and other adverse changes in the housing market. This could (i) significantly increase our expected credit losses; (ii) result in higher stress losses for both the single-family and multifamily portfolios; (iii) increase our losses on foreclosure alternatives, third-party sales, and dispositions of REO properties; (iv) reduce our return or result in losses on our single-family and multifamily guarantee business, as default rates could be higher than we expected when we issued the guarantees; (v) negatively affect loan pricing, which could cause us to change our disposition strategies for our single-family seasoned loans; or (vi) adversely impact our ability to transfer credit risk.

For more information regarding these risks, see **MD&A - Risk Management - Credit Risk**.

The proportion of our refinance loan purchases to total loan purchases could decrease if mortgage interest rates increase. This could increase our exposure to mortgage credit risk, as refinance loans (particularly those that do not involve "cash-out") generally present less credit risk than purchase loans. Some of our seller/servicer counterparties are highly dependent on refinance loan volumes. A decrease in such volumes could adversely affect these counterparties, which could increase our exposure to counterparty credit risk.

We are exposed to counterparty credit risk with respect to our business counterparties. Our financial results may be adversely affected if one or more of our counterparties fail to meet their contractual obligations to us.

We depend on our institutional counterparties to provide services that are critical to our business. We face the risk that one or more of our counterparties may fail to meet their contractual obligations to us. Our major counterparties include seller/servicers, credit enhancement providers, and counterparties to derivatives, short-term lending, and other funding transactions (e.g., cash and other investments transactions). For more information, see **MD&A - Counterparty Credit Risk**.

Many of our major counterparties provide several types of services to us. The concentration of our exposure to our counterparties remains high. Efforts we take to reduce exposure to financially weak counterparties could increase the relative concentration of our exposure to other counterparties, increase our costs, and reduce our revenue. It is possible that our counterparties could experience challenging market conditions that could adversely affect their liquidity and financial condition

and cause some of them to fail. Many of our counterparties are subject to increasingly complex regulatory requirements and oversight, which place additional stress on their resources and may affect their ability or willingness to do business with us.

Credit risk related to single-family seller/servicers

We are exposed to credit risk from the seller/servicers of our single-family loans, as described below.

- **A decline in servicing performance** - A decline in a servicer's performance, such as delayed foreclosures or missed opportunities for loan modifications, could significantly affect our ability to mitigate credit losses and could affect the overall credit performance of our single-family credit guarantee portfolio. A large volume of seriously delinquent loans, the complexity of the servicing function, and heightened liquidity requirements are significant factors contributing to the risk of a decline in performance by servicers. Servicers may experience financial and other difficulties due to the advances they are required to make to us on delinquent single-family mortgages, including mortgages subject to forbearance plans. We could be adversely affected if our servicers lack appropriate controls, experience a failure in their controls, or experience a disruption in their ability to service loans, including as a result of legal or regulatory actions or ratings downgrades. We also are exposed to fraud by third parties in the loan servicing function, particularly with respect to short sales and other dispositions of non-performing assets.

We could attempt to mitigate our exposure to a poorly performing servicer by terminating its right to service our loans; however, in a highly adverse economic environment, there could be a scarce capacity in the marketplace and we may not be able to find successor servicers who have the capacity to service the affected loans and who are also willing to assume the representations and warranties of the terminated servicer. In addition, terminating a large servicer may not be feasible because of the operational and capacity challenges related to transferring large servicing portfolios. There is also a possibility that the performance of some loans may degrade during the transition to new servicers. During a period of heightened delinquencies, we may incur costs and potential increases in servicing fees if we replace a servicer with a high concentration of loans in default which are more costly to service. We may also be exposed to concentrations of credit risk among certain servicers.

- **A failure by seller/servicers to fulfill their obligations to repurchase loans or indemnify us as a result of breaches of representations and warranties** - While we may have the contractual right to require a seller or servicer to repurchase loans from us, it may be difficult, expensive, and time-consuming to enforce such repurchase obligations. We could enter into settlements to resolve repurchase obligations; however, the amounts we receive under any such settlements may be less than the losses we ultimately incur on the underlying loans.

Under our representation and warranty framework, revised as directed by FHFA, we are required in some cases to utilize an alternative remedy, such as indemnification, in lieu of repurchase. The amount we recover under an alternative remedy may be less than the amount we could have recovered in a repurchase.

- **Increased exposure to non-depository and smaller financial institutions** - A large and increasing volume of our single-family loans is acquired from and serviced by non-depository and smaller financial institutions. Some of these institutions may not have the same financial strength or operational capacity, or be subject to the same level of regulatory oversight, as large depository institutions. As a result, we face increased risk that these counterparties could fail to perform their obligations to us. In particular, non-depository servicers rapidly grew their servicing portfolios in the last several years. This appears to have resulted in operational strains that have subjected some of these servicers to regulatory scrutiny. This rapid growth could expose us to increased risks if any operational strain adversely affects these servicers' servicing performance or their financial strength. These institutions also service portfolios for other investors and guarantors and operational issues related to those portfolios could affect the performance of our portfolio. In addition, these servicers may not always have ready access to appropriate sources of liquidity to finance their operations, particularly during periods when the mortgage market is experiencing a downturn. If these servicers reduce their servicing portfolios, overall servicing capacity may be constrained.

Our seller/servicers also have a significant role in servicing loans in our multifamily mortgage portfolio. We are exposed to the risk that multifamily seller/servicers could come under financial pressure, which could potentially cause a decline in their servicing performance and cause us to terminate their right to service our loans, potentially resulting in further concentration of exposure to other seller/servicers.

We are also exposed to settlement risk on the non-performance of sellers and servicers as a result of our forward settlement loan purchase programs in our single-family and multifamily businesses.

Credit risk related to counterparties to derivatives, funding, short-term lending, securities, and other transactions

We have significant exposure to institutions in the financial services industry relating to derivatives, funding, short-term lending, securities, securities purchased under agreements to resell, secured lending transactions and forward settlement of our loans and securities, and other transactions (e.g., cash and other investments transactions). These transactions are critical to our business, including our ability to:

- Manage interest-rate risk and other risks related to our investments in mortgage-related assets;
- Fund our business operations; and

- Service our customers.

We face the risk of operational failure of the clearing members, exchanges, clearinghouses, or other financial intermediaries we use to facilitate derivatives, short-term lending, securities, and other transactions. If a clearing member or clearinghouse were to fail, we could lose the collateral or margin posted with the clearing member or clearinghouse.

We are a clearing member of the clearinghouses through which we execute mortgage-related and Treasury securities transactions. As a result, we could be subject to losses because we are required to participate in the coverage of losses incurred by other clearing members if they fail to meet their obligations to the clearinghouse.

If our counterparties to short-term lending transactions fail, we are exposed to losses to the extent the transaction is unsecured or the collateral posted to us is insufficient.

Credit risk related to credit enhancement providers

If a mortgage insurer fails to meet its obligations to reimburse us for claims, our credit losses could increase. In addition, if a regulator determines that a mortgage insurer lacks sufficient capital to pay all claims when due, the regulator could take action that might affect the timing and amount of claim payments made to us. We face similar risks with respect to our counterparties on ACIS transactions.

We cannot differentiate pricing based on the strength of a mortgage insurer or revoke a mortgage insurer's status as an eligible insurer without FHFA approval. In addition, we generally do not select the mortgage insurance provider on a specific loan because the selection is usually made by the lender at the time the loan is originated. As a result, we could acquire a concentration of risk to certain insurance providers. We continue to acquire new loans with mortgage insurance from mortgage insurers that have credit ratings below investment grade.

Our loss mitigation activities may be unsuccessful or costly and may adversely affect our financial results.

Our loss mitigation activities may not be successful. The costs we incur related to loan modifications and other loss mitigation activities have been, and could continue to be, significant. For example, we generally bear the full cost of the monthly payment reductions related to modifications of loans we own or guarantee, as well as all applicable servicer incentive fees for our mortgage modifications.

We could be required to make changes to our loss mitigation activities that could make these activities more costly to us. FHFA, as Conservator, may continue to issue directives and Advisory Bulletins to assist borrowers and align servicing practices for the GSEs. These directives could make these activities more costly to us, especially with regard to loan modification initiatives. FHFA may continue to issue these directives for a variety of reasons, including consumer relief and alignment of the prepayment behavior of our and Fannie Mae's respective UMBS.

We have loans on trial period plans as required under certain loan modification programs. Some of these loans will fail to complete the trial period or fail to qualify for our other borrower assistance programs. For these loans, the trial period will have effectively delayed the foreclosure process and could increase our costs.

Many of our HAMP loans, which initially were set at a below-market interest rate, have provisions for the interest rates to increase gradually until they reach the market rate that was in effect at the time of the modification. The resulting increase in the borrowers' payments may increase the risk that these borrowers will default.

The type of loss mitigation activities we pursue could affect prepayments on our single-family securities (e.g., UMBS, 55-day MBS, PCs, and REMICs), which could affect the value of these securities or the earnings from mortgage-related assets in our Capital Markets segment mortgage investments portfolio. In addition, loss mitigation activities may adversely affect our ability to securitize, resecuritize, and sell the loans subject to those activities.

We devote significant resources to our borrower assistance initiatives. The size and scope of these efforts may compete with other business opportunities or corporate initiatives.

For more information on our loss mitigation activities, see **MD&A - Our Business Segments - Single-Family Guarantee - Business Results - Loss Mitigation Activities** and **MD&A - Risk Management - Single-Family Mortgage Credit Risk - Engaging in Loss Mitigation Activities**.

We have been, and will continue to be, adversely affected by delays and deficiencies in the single-family foreclosure process.

The average length of time for foreclosure of a Freddie Mac single-family loan has significantly increased since 2008, particularly in states that require a judicial foreclosure process, and may further increase. Delays in the foreclosure process could:

- Cause our expenses to increase. For example, properties awaiting foreclosure could deteriorate until we acquire them, resulting in increased expenses to repair and maintain the properties and
- Adversely affect trends in house prices regionally or nationally, which could adversely affect our financial results.

We are exposed to increased credit losses and credit-related expenses in the event of a major natural disaster, other catastrophic event, including a pandemic, or significant climate change effects.

The occurrence, severity, and duration of a major natural or environmental disaster or other catastrophic event, including a pandemic, as well as significant climate change effects such as rising sea levels or wildfires, in an area where we own or guarantee mortgage loans or REO properties, especially in densely populated geographic areas, could increase our credit losses and credit related expenses. A natural disaster or catastrophic event or other significant climate change effect that either damages or destroys single-family or multifamily real estate underlying mortgage loans or REO properties we own or guarantee, or negatively affects the ability of borrowers to continue to make payments on mortgage loans we own or guarantee, could increase our serious delinquency rates and average loan loss severity in the affected areas. Such events could have a material adverse effect on our business and financial results. We may not have adequate insurance coverage for some of these natural, catastrophic, or climate change-related events.

Our CRT transactions may not be available to us in adverse economic conditions. These transactions also lower our profitability.

Our ability to transfer credit risk (and the cost to us of doing so) could change rapidly depending on market conditions. Adverse market conditions may result in insufficient investor demand for CRT transactions at acceptable prices. It is possible that our CRT strategies may not prevent us from incurring substantial losses. Some of our CRT transactions have termination dates that are earlier than the maturities of the reference mortgage loans, and we are exposed to credit risk on those mortgage loans after termination of such transactions. The costs associated with CRT transactions are significant and may increase. For some CRT transactions, there may be a significant difference in time between when we recognize a credit loss in earnings and when we recognize the related recovery in earnings, and this lag could adversely affect our financial results in the earlier period. In addition, the implementation of the ERCF or additional guidance from FHFA may cause us to modify our credit risk transfer activities and could affect our risk appetite and our capital requirements. For more information regarding these transactions, see **Note 8**.

MARKET RISKS

Changes in interest rates could negatively affect the fair value of financial assets and liabilities, our results of operations, and our net worth.

Our financial results can be significantly affected by changes in interest rates.

Interest rates can fluctuate for many reasons, including changes in the fiscal and monetary policies of the federal government and its agencies as well as geopolitical events or changes in general economic conditions.

Changes in interest rates could adversely affect the cash flows and prepayment rates on assets that we own and related debt and derivatives. In addition, changes in interest rates could adversely affect the prepayment rate or default rate on the loans that we guarantee. For example:

- When interest rates decrease, borrowers are more likely to prepay their loans by refinancing them at a lower rate. An increased likelihood of prepayment on the loans underlying our mortgage-related securities may adversely affect the value of these securities.
- When interest rates increase:
 - Borrowers with higher risk adjustable-rate loans may have fewer opportunities to refinance into fixed-rate loans and
 - A borrower's payments on loans with adjustable payment terms, including any additional debt obligations (such as home equity lines of credit and second liens) with such terms, may increase, which in turn increases the risk that the borrower may default on a loan we own or guarantee.

Additionally, we issue callable debt instruments to manage the duration and prepayment risk of expected cash flows of the mortgage assets we own. We may exercise the option to repay the outstanding principal balance when interest rates decrease. However, we may replace the called debt at a higher spread rate due to the market conditions at that time. In the event we decide not to call our debt, we may incur higher hedging costs.

We incur costs as a result of our risk management activities, which may not be successful. Our interest-rate risk management activities are designed to reduce our economic exposure to changes in interest rates to a low level as measured by our models. However the accounting treatment for certain of our assets and liabilities, including derivatives, creates variability in our earnings that may not be indicative of the economics of our business when interest rates fluctuate, as some assets and liabilities are measured at amortized cost and some are measured at fair value, while all derivatives are measured at fair value. In addition, differences in amortization between our assets and the liabilities we use to fund them, including amortization of fair value hedging basis adjustments, may also contribute to earnings variability.

We use hedge accounting for certain single-family mortgage loans and long-term debt, which is intended to reduce the interest-rate volatility in our GAAP earnings. Our single-family mortgage hedge accounting program is complex and unique in the industry. We may fail to properly execute this program and related changes to systems and processes. Even if implemented

properly, our hedge accounting programs may not be effective in reducing earnings volatility, and our hedges may fail in any given future period, which could expose us to significant earnings variability in that period.

Changes in market spreads could negatively affect the fair value of financial assets and liabilities, our results of operations, and net worth.

Changes in market conditions, including changes in interest rates, liquidity, prepayment, and/or default expectations and the level of uncertainty in the market for a particular asset class, may cause fluctuations in market spreads (also referred to as OAS). Our financial results and net worth can be significantly affected by changes in market spreads, especially results driven by financial instruments that are measured at fair value. These instruments include trading securities, available-for-sale securities, derivatives, loans held-for-sale, and loans and debt with the fair value option elected.

A widening of the market spreads on a given asset is typically associated with a decline in the fair value of that asset or tightening of the market spread on a given liability is typically associated with a decline in the fair value of that liability, which may adversely affect our near-term financial results and net worth. While wider market spreads may create favorable investment opportunities, our ability to take advantage of any such opportunities is limited due to various restrictions on our mortgage-related investments portfolio activities. See **MD&A - Conservatorship and Related Matters**.

A narrowing or tightening of the market spreads on a given asset is typically associated with an increase in the fair value of that asset. Narrowing market spreads may reduce the number of attractive investment opportunities and could increase the cost of our activities to support the liquidity and price performance of our UMBS and other securities. Consequently, a tightening of the market spreads on our assets may adversely affect our future financial results and net worth.

Changes in market spreads also affect the fair value of our debt with the fair value option elected. A narrowing or tightening of the market spreads on a given liability is typically associated with an increase in the fair value of that liability, which is recognized as a loss by us.

A significant decline in the price performance of or demand for our UMBS could have an adverse effect on the volume and/or profitability of our new single-family guarantee business.

Our UMBS are an integral part of our loan purchase program. Our competitiveness in purchasing single-family loans from our sellers and the volume and profitability of our new single-family guarantee business are directly affected by the price performance of UMBS issued by us relative to comparable Fannie Mae-issued UMBS. If our UMBS were to trade at a discount relative to comparable Fannie Mae securities due to prepayment performance or other factors, such a difference in relative pricing may create an incentive for sellers to conduct a disproportionate share of their single-family business with Fannie Mae.

It is possible that a liquid market for our UMBS may not be sustained over the short- or long-term, which could adversely affect their price performance and our single-family market share. A significant reduction in our market share, and thus in the volume of loans that we securitize, or a reduction in the trading volume of our UMBS could reduce the liquidity of our UMBS. While we may decide to employ various strategies to support the liquidity and price performance of our UMBS, any such strategies may fail or adversely affect our business and financial results. We may cease any such activities at any time, or FHFA could require us to do so, which could adversely affect the liquidity and price performance of our UMBS. We may incur costs to support our presence in the agency securities market and to support the liquidity and price performance of our securities.

Liquidity-related price differences could occur between UMBS issued by us and comparable Fannie Mae-issued UMBS due to factors that are largely outside of our control. For example, the level of the Federal Reserve's purchases and sales of agency mortgage-related securities could affect the demand for and values of our UMBS. Therefore, any strategies we employ to reduce any liquidity-related price differences may not reduce or eliminate any such price differences over the long term.

We may experience price differences with Fannie Mae on individual new production pools of TBA-eligible mortgages, particularly with respect to specified pools and our multilender securities. From time to time, we may need to adjust our pricing for a particular new production pool category to maintain alignment and competitiveness with Fannie Mae with respect to the acquisition of such pools. Depending on the amount of pricing adjustments in any period, it is possible they could adversely affect the profitability of our single-family guarantee business for that period. This risk is heightened with diminished cash window volumes per the amended Purchase Agreement, and FHFA restrictions on pooling, limiting our pooling flexibility and ability to manage alignment. For more information, see **MD&A - Our Business Segments - Capital Markets Segment - Business Overview - Products and Activities**.

If the UMBS does not continue to receive widespread market acceptance, the liquidity and price performance of our single-family mortgage-related securities and our market share and profitability could be adversely affected. Commingling certain Fannie Mae securities in resecuritizations has increased our counterparty risk.

As part of the combined UMBS market, we have been required by FHFA to align certain of our single-family mortgage purchase offerings, servicing, and securitization programs, policies and practices with Fannie Mae to achieve market acceptance of the UMBS. We cannot provide any assurance that these efforts will reduce the pricing disparities discussed above over the long-term. Aligning prepayment outcomes of Freddie Mac UMBS with Fannie Mae UMBS is the focus of the FHFA Uniform Mortgage-Backed Security Final Rule issued in February 2019. This alignment is more challenging during periods of increased refinances, automation, innovation, and change in the industry, which we experienced in 2020. These alignment activities may

adversely affect our business and our ability to compete with Fannie Mae. We may be required to further align our business processes with those of Fannie Mae. Uncertainty concerning the extent of the alignment between Freddie Mac's and Fannie Mae's mortgage purchase, servicing, and securitization programs, policies, and practices may affect the degree to which the UMBS receives widespread market acceptance.

If investors do not continue to accept the fungibility of Freddie Mac and Fannie Mae UMBS and instead prefer Fannie Mae UMBS over Freddie Mac UMBS, it could have a significant adverse impact on our business, liquidity, financial condition, net worth, and results of operations, and could affect the liquidity or market value of our single-family mortgage-related securities.

We have counterparty credit exposure to Fannie Mae due to investors' ability to commingle certain Freddie Mac and Fannie Mae securities in resecuritizations. When we resecuritize Fannie Mae securities, our guarantee of timely principal and interest extends to the underlying Fannie Mae securities. In the event Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, Freddie Mac would be responsible for making the payment. We do not control or limit the amount of resecuritized Fannie Mae securities that we could be required to guarantee. We are dependent on FHFA, Fannie Mae, and Treasury (pursuant to Fannie Mae's and our respective Purchase Agreements with Treasury) to avoid a liquidity event or default. We have not modified our liquidity strategies to address the possibility of non-timely payment by Fannie Mae, but we may do so in the future.

We and Fannie Mae both rely on the Federal Reserve Banks to make payments on our respective mortgage-related securities. As noted above, in the event Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, Freddie Mac would be responsible for providing the Federal Reserve Banks with the funds to make the payment. If we failed to provide the Federal Reserve Banks with all funds to make such payment on such resecuritized Fannie Mae securities, the Federal Reserve Banks would not make any payment on any of our outstanding Freddie Mac-issued UMBS, Supers, REMICs, or other securities to be paid on that payment date, regardless of whether such Freddie Mac-issued securities were backed by Fannie Mae-issued securities.

The profitability of our multifamily business could be adversely affected by a significant decrease in demand for our K Certificates and SB Certificates.

Our current multifamily business model is highly dependent on our ability to finance purchased multifamily loans through securitization into K Certificates and SB Certificates. A significant decrease in demand for K Certificates and SB Certificates could have an adverse impact on the profitability of the multifamily business to the extent that our holding period for the loans increases and we are exposed to credit, spread, and other market risks for a longer period of time or receive reduced proceeds from securitization. We employ various strategies to support the liquidity of our K Certificates and SB Certificates, but those strategies may fail or adversely affect our business. We may cease such activities at any time, or FHFA could require us to do so, which could adversely affect the liquidity and price performance of our K Certificates and SB Certificates.

The expected discontinuance of LIBOR could negatively affect the fair value of our financial assets and liabilities, results of operations, and net worth. A transition to an alternative reference interest rate could present operational problems and subject us to possible litigation risk. We may be unable to take a consistent approach across our financial products.

We are not able to predict whether LIBOR will actually cease to exist in the future, whether SOFR will become the market-accepted benchmark in its place, or what impact such a transition may have on our business, results of operations, and financial condition. In early December 2020, the ICE Benchmark Administration Limited, the administrator of LIBOR, began a consultation on its intention to cease the publication of the most relevant tenors of U.S. Dollar LIBOR after June 2023. The transition from LIBOR could affect the financial performance of instruments we hold, require changes to hedging strategies, and adversely affect our financial performance. For example, if for market or regulatory reasons we are required to prematurely unwind our existing LIBOR-based derivatives or are not allowed to engage in new LIBOR-based derivatives without adequate liquidity in alternate indices such as SOFR, we may incur economic costs. We have various financial products, including mortgage loans, mortgage-related securities, and derivatives, that are tied to LIBOR, and many of these products will mature after June 2023. While the documentation for certain of these products provides us with discretion to select an alternative reference rate if LIBOR is discontinued, there is a possibility of disputes arising with investors and counterparties concerning our exercise of this discretion. In certain cases, the documentation may not provide us with discretion to select an alternative reference rate if LIBOR is discontinued or our discretion may be limited, creating uncertainty and the risk of legal disputes. These potential challenges in implementing an alternative reference rate could result in investors and counterparties acquiring fewer products and entering into fewer transactions, which could adversely affect our business. The large volume of products and transactions that may require changes to documentation or remediation could present substantial operational and legal challenges and result in significant costs. We may be unable to have a consistent approach to a LIBOR transition, including within a particular class of products, which could disrupt the market for that product. It is possible that actions we take in connection with the discontinuance of LIBOR, including the adoption of SOFR or an alternative reference rate for certain products, could subject us to basis risk, monetary losses, and possible litigation.

The use of SOFR as the alternative reference rate for LIBOR-based products may present certain market concerns. Among the concerns, a term structure for SOFR has not yet been developed and there is not yet a generally accepted or endorsed methodology for adjusting SOFR for all our products so that it will be substantially comparable to LIBOR. SOFR represents an

overnight, risk-free rate, whereas LIBOR has various tenors and reflects a credit risk component. There is no guarantee that a market-accepted term structure for SOFR will exist prior to the expected discontinuance of LIBOR. It is still uncertain how soon widespread market adoption of SOFR will occur.

As described above, we have identified material exposures to LIBOR but cannot reasonably estimate the expected impact of such exposure. For additional information regarding the actions we have taken to prepare for an orderly transition from LIBOR, see **MD&A - Risk Management - Market Risk - Transition from LIBOR**.

LIQUIDITY RISKS

Our activities may be adversely affected by limited availability of financing and increased funding costs.

The amount, type, and cost of our unsecured funding directly affects our interest expense and results of operations. A number of factors could make such financing more difficult to obtain, more expensive, or unavailable on any terms, including market and other factors; changes in U.S. government support for us; and reduced demand for our debt securities.

Market and Other Factors

Our ability to obtain funding in the public unsecured debt markets or by selling or pledging mortgage-related and other securities as collateral to other institutions could change rapidly or cease. The cost of available funding could increase significantly due to changes in interest rates, market confidence, operational risks, regulatory requirements, or other factors.

Prolonged wide market spreads on long-term debt could cause us to reduce our long-term debt issuances and increase our reliance on short-term and callable debt issuances. Such increased reliance on short-term and callable debt could increase the risk that we may be unable to refinance our debt when it becomes due and result in a greater use of derivatives. Greater derivatives use could increase the variability of our comprehensive income or increase our credit exposure to our counterparties. Additionally, we may incur higher hedging costs in the event we decide not to call our debt.

We may incur higher funding costs due to our liquidity management requirements, practices, and procedures. For example, in June 2020, FHFA provided us with updated minimum short-, medium-, and long-term liquidity requirements. These updated requirements have been effective since December 1, 2020, and are more stringent than our previous liquidity requirements and result in higher funding costs. In addition, the updated requirements have impacted the size and the allowable investments in our other investments portfolio.

Our practices and procedures may not provide us with sufficient liquidity to meet our ongoing cash obligations under all circumstances. In particular, we believe that our liquidity contingency plans may be inadequate or difficult to execute during a liquidity crisis or period of significant market turmoil. If we cannot access the unsecured debt markets, our ability to repay maturing indebtedness and fund our operations could be significantly impaired or eliminated, as our alternative sources of liquidity (e.g., cash and other investments) may not be sufficient to meet our liquidity needs. We have limited ability to use the less liquid assets in our mortgage-related investments portfolio as a significant source of liquidity (e.g., through sales or as collateral in secured borrowing transactions).

We make extensive use of the Federal Reserve's payment system in our business activities. The Federal Reserve requires that we fully fund accounts at the Federal Reserve Bank of New York to the extent necessary to cover cash payments on our debt and mortgage-related securities each day, before the Federal Reserve Bank of New York, acting as our fiscal agent, will initiate such payments. Although we seek to maintain sufficient intraday liquidity to fund our activities through the Federal Reserve's payment system, we have limited access to cash once the debt markets are closed for the day. Insufficient cash may cause our account to be overdrawn, potentially resulting in penalties and reputational harm. Unlike certain of our competitors, we do not have access to the Federal Reserve's discount window.

Changes in U.S. Government Support

Treasury supports us through the Purchase Agreement and Treasury's ability to purchase up to \$2.25 billion of our obligations under its permanent statutory authority. Changes or perceived changes in the U.S. government's support for us could have a severe negative effect on our access to the unsecured debt markets and our debt funding costs. Our access to the unsecured debt markets and the costs of our debt funding could be adversely affected by several factors relating to U.S. government support, including uncertainty about the future of the GSEs; any concerns by debt investors that we face increasing risk of being placed in receivership; and future draws that significantly reduce the amount of available funding remaining under the Purchase Agreement.

Pursuant to the January 2021 Letter Agreement, it is possible that we may be required to pay a dividend to Treasury in the future that would cause us to fall below our capital requirements under the ERCF. In addition, we and Treasury are required to agree to a periodic commitment fee that we will pay to Treasury for a five-year period (after we have reached prescribed capital levels) in return for Treasury's remaining funding commitment.

Reduced Demand for Debt Securities

If investor demand for our debt securities were to decrease, our liquidity, business, and results of operations could be materially

adversely affected. The willingness of investors to purchase and hold our debt securities can be influenced by many factors, including changes in the world economy, changes in exchange rates, and regulatory and political factors, as well as the availability of and investor preferences for other investments. We compete for debt funding with Fannie Mae, the FHLBs, and other institutions. Our funding costs and liquidity contingency plans may also be affected by changes in the amount of, and demand for, debt issued by Treasury.

If investors were to reduce their purchases of our debt securities or divest their holdings, our funding costs could increase and our business activities could be curtailed. The market for our debt securities may become less liquid as a result of our having reached the Purchase Agreement limits on the size of our mortgage-related investments portfolio and the amount of our unsecured debt. This could lead to a decrease in demand for our debt securities and an increase in our funding costs.

Any downgrade in the credit ratings of the U.S. government would likely be followed by a downgrade in our credit ratings. A downgrade in the credit ratings of our debt could adversely affect our liquidity and other aspects of our business.

Our credit ratings are important to our liquidity. We currently receive ratings for our unsecured debt from three nationally recognized statistical rating organizations (S&P, Moody's, and Fitch). These ratings are primarily based on the support we receive from Treasury, and therefore are affected by changes in the credit ratings of the U.S. government. Any downgrade in the credit ratings of the U.S. government would be expected to be accompanied by a downgrade in our credit ratings.

In addition to a downgrade in the credit ratings of or outlook on the U.S. government, several other events could adversely affect our debt credit ratings, including actions by governmental entities, changes in government support for us, future GAAP losses, and additional draws under the Purchase Agreement. Any such downgrades could lead to major disruptions in the mortgage and financial markets and to our business due to lower liquidity, higher borrowing costs, lower asset values, and higher credit losses, and could cause us to experience net losses and net worth deficits.

For more information, see **MD&A - Liquidity and Capital Resources.**

OPERATIONAL RISKS

A failure in our operational systems or infrastructure, or those of third parties, could impair our ability to provide market liquidity, disrupt our business, damage our reputation, and cause financial losses.

Operational risk is elevated due to the volume, complexity, and pace of change across the company. We face significant levels of operational risk due to a variety of factors, including the size and complexity of our business operations, the amount of change to our core systems required to keep pace with market demands, regulatory requirements, and business initiatives, and the ever-changing cybersecurity landscape. Shortcomings or failures in our internal processes, people, or systems, or those of third parties with which we interact, could lead to impairment of our liquidity, disruption of our business (e.g., issuing mortgage and/or debt securities), incorrect payments to investors in our securities, errors in our financial statements, liability to customers or investors, further legislative or regulatory intervention, reputational damage, and financial and economic loss.

Our business is highly dependent on our ability to process a large number of transactions on a daily basis and manage and analyze significant amounts of information, much of which is provided by third parties. This information may be incorrect, or we may fail to properly manage or analyze it.

The transactions we process are complex and are subject to various legal, accounting, tax, and regulatory standards, which can change rapidly in response to external events, such as the implementation of government-mandated programs and changes in market conditions. Our financial, accounting, data processing, or other operating systems and facilities may contain design flaws or may fail to operate properly, adversely affecting our ability to process these transactions, including our ability to compile and process legally required information. We have certain systems that require manual support and intervention, which may lead to heightened risk of system failures. The inability of our systems to accommodate an increasing volume of transactions or new types of transactions or products could constrain our ability to pursue new business initiatives or improve existing business activities.

Our technological connections with our customers, counterparties, service providers, and other financial institutions continue to increase, which increases our risk exposure with respect to an operational failure of their infrastructure systems. We have developed, and expect to continue to develop, software tools for use by our customers in the customers' loan production and other processes. These tools may fail to operate properly, which could disrupt our or our customers' business and adversely affect our relationships with our customers.

We continue to increase our use of a third-party cloud infrastructure platform for both customer-facing applications as well as internal-use applications. If we do not implement changes to this platform in a well-managed, secure, and effective manner, we may experience unplanned service disruption or unplanned costs which may harm our business and operating results. In addition, our cloud infrastructure providers, or other service providers, could experience system breakdowns or failures, outages, downtime, cyber-attacks, adverse changes to financial condition, bankruptcy, or other adverse conditions, which could have a material adverse effect on our business and reputation. Thus, our plans to increase the amount of our infrastructure that we outsource to the cloud or to other third parties may increase our risk exposure.

We face increased operational risk due to the magnitude and complexity of the new initiatives we are undertaking, including our efforts to help build a better housing finance system. Some of these initiatives require significant changes to our operational systems. In some cases, the changes must be implemented within a short period of time. Our legacy systems may create increased operational risk for these new initiatives. Internal corporate reorganizations may also increase our operational risk, particularly during the period of implementation.

We also face significant risks related to CSS and the operation and continued development of the CSP. We rely on CSS and the CSP (which is owned and operated by CSS) for the operation of many of our single-family securitization activities. Our business activities would be adversely affected and the market for Freddie Mac securities would be disrupted if the CSP were to fail or otherwise become unavailable to us or if CSS were unable to perform its obligations to us, including as a result of an operational failure by Fannie Mae. In the event of a CSS operational failure, we may be unable to issue certain new single-family mortgage-related securities, and investors in mortgage-related securities hosted on the CSS platform may experience payment delays. Any measures we could take to mitigate these risks might not be sufficient to prevent our business from being harmed. We update our internal systems and processes on a regular basis, including to improve existing processes and respond to market and regulatory developments. We could be adversely affected if CSS and/or the CSP are unable to make any necessary corresponding changes to their systems and processes in a timely manner. CSS could adopt or prioritize strategies that could adversely affect its ability to perform its obligations to us. Amendments to the CSS LLC agreement in January 2020 reduced Freddie Mac's and Fannie Mae's ability to control CSS Board decisions, even after conservatorship, including decisions about strategy, business operations, and funding.

Our employees could act improperly for their own or third-party gain and cause unexpected losses or reputational damage. While we have processes and systems in place designed to prevent and detect fraud, these processes may not be successful.

Most of our key business activities are conducted in the Washington D.C. metropolitan area and represent a concentrated risk of people, technology, and facilities. As a result, an infrastructure disruption in or around our offices or affecting the power grid, such as from a terrorist event, active shooter, or natural disaster, could significantly adversely affect our ability to conduct normal business operations. Any measures we take to mitigate this risk may not be sufficient to respond to the full range of events that may occur or allow us to resume normal business operations in a timely manner.

Potential cybersecurity threats are changing rapidly and growing in sophistication. We may not be able to protect our systems or the confidentiality of our information from cyberattack and other unauthorized access, disclosure, and disruption.

Our operations rely on the secure, accurate, and timely receipt, processing, storage, and transmission of confidential and other information in our systems and networks and with counterparties, service providers, and financial institutions.

Information risks for companies like ours have significantly increased in recent years, in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties, including foreign state-sponsored actors. There have been several highly publicized cases involving financial services companies, consumer-based companies, and other organizations reporting the unauthorized disclosure of client, customer, or other confidential information, as well as cyberattacks involving the dissemination, theft, or destruction of corporate information, intellectual property, cash, or other valuable assets. There have also been several highly publicized cases where hackers have requested "ransom" payments in exchange for not disclosing customer information or for not making the targets' computer systems unavailable. In addition, there have been cases where hackers have misled company personnel into making unauthorized transfers of funds to the hackers' accounts.

Like many companies and government entities, from time to time we have been, and likely will continue to be, the target of attempted cyberattacks, including malware, denial-of-service, and phishing, as part of an effort to disrupt operations, potentially test cybersecurity capabilities, or obtain confidential, proprietary, or other information. We could also be adversely affected by cyberattacks that target the infrastructure of the internet, as such attacks could cause widespread unavailability of websites and degrade website performance. Our risk and exposure to these matters remain heightened because of, among other things, the evolving nature of these threats, our role in the financial services industry, the outsourcing of some of our business operations, and the current global economic and political environment.

Because we are interconnected with and dependent on third-party vendors, exchanges, clearinghouses, fiscal and paying agents, and other financial institutions, we could be adversely affected if any of them is subject to a successful cyberattack or other information security event. Third parties with which we do business may also be sources of cybersecurity or other technology risks. We routinely transmit and receive personal, confidential, and proprietary information by electronic means. This information could be subject to interception, misuse, or mishandling. Our exposure to these risks could increase as a result of our migration of core systems and applications to a third-party cloud environment.

Although we devote significant resources to protecting our critical assets and provide employee awareness training about phishing, malware, and other cyber risks, these measures may not provide effective security. Our computer systems, software, end point devices, and networks may be vulnerable to cyberattack, unauthorized access, supply chain disruptions, computer viruses or other malicious code, or other attempts to harm them or misuse or steal information. We routinely identify cyber

threats as well as vulnerabilities in our systems and work to address them, but these efforts may be insufficient. Breaches of our security measures may result from employee error or misconduct. Outside parties may attempt to induce employees, customers, counterparties, service providers, financial institutions, or other users of our systems to disclose sensitive information in order to gain access to our systems and the information they contain. We may not be able to anticipate, detect, or recognize threats to our systems and assets, or implement effective preventative measures against security breaches, especially because the techniques used change frequently or are not recognized until launched.

A cyberattack could occur and persist for an extended period of time without detection. We expect that any investigation of a cyberattack would take time, during which we would not necessarily know the extent of the harm or how best to remediate it. Although to date we have not experienced any cyberattacks resulting in significant impacts to the company, our cybersecurity risk management program may not prevent cyberattacks from having significant impacts in the future. We have obtained insurance coverage relating to cybersecurity risks, but this insurance may not be sufficient to provide adequate loss coverage.

The occurrence of one or more cyberattacks could result in thefts of important assets (such as cash or source code) or the unauthorized disclosure, misuse, or corruption of confidential and other information (including information about our borrowers, our customers, or our counterparties) or could otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. This could result in significant losses or reputational damage, adversely affect our relationships with our customers and counterparties, negatively affect our competitive position, or otherwise harm our business. We could also face regulatory and other legal action, including for any failure to provide timely disclosure concerning, or appropriately to limit trading in our securities following, an attack. We might be required to expend significant additional resources to modify our internal controls and other protective measures or to investigate and remediate vulnerabilities or other exposures, and we might be subject to litigation and financial losses that are not fully insured. In addition, customers, counterparties, financial intermediaries, and governmental organizations may not be adequately protecting the information that we share with them. As a result, a cyberattack on their systems and networks, or a breach of their security measures, may result in harm to our business and business relationships.

We rely on third parties, or their vendors and other business partners, for certain important functions. Any failures by those third parties to deliver products or services, or to manage risks effectively, could disrupt our business operations, or expose us to other operational risks.

Our use of third-parties, including service providers, sellers, servicers and other financial counterparties, exposes us to the risk of failures in their risk and control environments. We outsource certain key functions to these external parties, including some that are critical to financial reporting (including our use of hedge accounting), valuations, our mortgage-related investment activity, loan underwriting, loan servicing, and UMBS issuance and administration (i.e., CSS). We may enter into other key outsourcing relationships in the future and continue to expand our existing reliance on public cloud services. If one or more of these key external parties were not able to perform their functions for a period of time, perform them at an acceptable service level or handle increased volumes, or if one of them experiences a disruption in its own business or technology from any cause, our business operations could be constrained, disrupted, or otherwise negatively affected. Our use of third-parties also exposes us to other harm, such as breach of our data, fraud or damage to our reputation if one or more of these third parties fails to maintain adequate risk and control environments. Our ability to monitor the activities or performance of third-parties may be constrained, which may make it difficult for us to assess and manage the risks associated with these relationships.

We face risks and uncertainties associated with the models that we use to inform business and risk management decisions and for financial accounting and reporting purposes.

We use models to project significant factors in our businesses, including, but not limited to, interest rates and house prices under a variety of scenarios. We also use models to project borrower prepayment and default behavior and loss severity over long periods of time. Models are inherently imperfect predictors of actual results. There is inherent uncertainty associated with model projections of economic variables and the downstream projections of prepayment and default behavior dependent on these variables.

Uncertainty and risks related to models may arise from a number of sources, including the following:

- We could fail to design, implement, operate, adjust, or use our models as intended. We may fail to code a model correctly, we could use incorrect or insufficient data inputs or fail to fully understand the data inputs, or model implementation software could malfunction. We may not have performed user acceptance testing appropriately or correctly, including allowing sufficient testing time and resources and using the right subject matter experts before deploying the model. The complexity and interconnectivity of our models create additional risk regarding the accuracy of model output. We may not be able to deploy or update models in a timely manner.
- When market conditions change in unforeseen ways, our model projections may not accurately reflect these conditions, or we may not fully understand the model outputs. For example, models may not fully reflect the effect of certain government policy changes or new industry trends. In such cases, it is often necessary to make assumptions and judgments to accommodate the effect of scenarios that are not sufficiently well represented in the historical data. While we may adjust our models in response to new events, considerable residual uncertainty remains.

- We also use selected third-party models. While the use of such models may reduce our risk where no internal model is available, it exposes us to additional risk, as third parties typically do not provide us with proprietary information regarding their models. We have little control over the processes by which these models are adjusted or changed. As a result, we may be unable to fully evaluate the risks associated with the use of such models.

Our use of models could affect decisions concerning the purchase, sale, securitization, and credit risk transfer of loans; the purchase and sale of securities; funding; the setting of guarantee fee prices; and the management of interest-rate, market, and credit risk. Our use of models also affects our quality-control sampling strategies for loans in our single-family credit guarantee portfolio and potential settlements with our counterparties. We also use models in our financial reporting process, including when measuring our allowance for credit losses and applying hedge accounting. See **MD&A - Risk Management - Market Risk and Critical Accounting Policies and Estimates** for more information on our use of models.

LEGAL AND COMPLIANCE RISKS

Legislative or regulatory actions could adversely affect our business activities and financial results. We face risk of non-compliance with our legal and regulatory obligations as a result of identified weaknesses in our compliance program.

We operate in a highly regulated industry and are subject to heightened supervision from FHFA, as our Conservator. Our compliance systems and programs may not be adequate to ensure that we are in compliance with all legal and other requirements. We could incur fines or other negative consequences for violations. For example, FHFA has raised concerns that we need to strengthen our compliance risk management practices by documenting and implementing an effective comprehensive framework for identifying, assessing, testing and reporting compliance risk. Although we are taking steps to strengthen our compliance program and address FHFA's concerns, our efforts may not be successful. Until we satisfactorily remediate FHFA's concerns, we may be subject to continued regulatory criticism. We also rely upon third parties and their respective compliance risk management programs, and the failure or limits of any such third-party compliance programs may expose us to legal and compliance risk.

Our business may be directly adversely affected by future legislative, regulatory, or judicial actions at the federal, state, and local levels. Such actions could affect us in a number of ways, including by imposing significant additional legal, compliance, and other costs on us, limiting our business activities, and diverting management attention or other resources. Such actions, and any required changes to our business or operations or those of third parties upon whom we rely in response thereto, could result in reduced profitability and increased compliance risk, particularly because of the identified weaknesses in our compliance program noted above. If we were not to comply with our legal and regulatory obligations, this could result in fines and penalties and harm to our reputation.

We may make certain changes to our business in an attempt to meet our housing goals and duty to serve requirements, which may adversely affect our profitability.

We may make adjustments to our loan sourcing and purchase strategies in an effort to meet our housing goals and subgoals, including modifying some of our underwriting standards and expanding the use of targeted initiatives to reach underserved populations. For example, we may purchase loans that offer lower expected returns on our investment and potentially increase our exposure to credit losses. We may also make changes to our business in response to our duty to serve underserved markets that could adversely affect our profitability.

If we do not meet our housing goals or duty to serve requirements, and FHFA finds that the goals or requirements were feasible, we may become subject to a housing plan that could require us to take additional steps that could potentially adversely affect our profitability. At this time, based on preliminary information, we believe we met four of our five single-family goals and all three of our multifamily goals. We expect that FHFA will make a final determination on our 2020 performance following the release of market data in 2021. In addition, our risk appetite constraints may make it difficult for us to meet our affordable housing goals in the future.

Legal Proceedings

We are involved as a party to a variety of legal proceedings arising from time to time in the ordinary course of business. See **Note 20** for more information regarding our involvement as a party to various legal proceedings. We discuss below certain litigation against the U.S. government concerning conservatorship and the Purchase Agreement.

Over the last several years, numerous lawsuits have been filed against the U.S. government and, in some cases, the Secretary of the Treasury and the Director of FHFA. These lawsuits challenge certain government actions related to the conservatorship (including actions taken in connection with the imposition of conservatorship) and the Purchase Agreement. Several of the lawsuits seek to invalidate the net worth sweep dividend provisions of the senior preferred stock, which were implemented pursuant to the August 2012 amendment to the Purchase Agreement. Some of these cases also have challenged the constitutionality of the structure of FHFA. A number of cases have been dismissed. Cases are currently pending in the U.S. Court of Federal Claims and the U.S. District Court for the Eastern District of Pennsylvania. 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. The plaintiffs and defendants filed separate petitions for writ of certiorari to the U.S. Supreme Court seeking review of the Fifth Circuit's decision, which the Supreme Court granted on July 9, 2020. Oral arguments were held on December 9, 2020. In addition, plaintiffs are appealing a July 2018 order by the U.S. District Court for the District of Minnesota to dismiss the case in that Court, a September 2020 order by the U.S. District Court for the Western District of Michigan to dismiss the case in that Court, and several orders by the U.S. Court of Federal Claims dismissing certain claims filed in that Court.

Freddie Mac is not a party to any of these lawsuits. However, a number of other lawsuits have been filed against Freddie Mac concerning the August 2012 amendment to the Purchase Agreement. See **Note 20** for information on the lawsuits filed against Freddie Mac. Pershing Square Capital Management, L.P. (Pershing) is a plaintiff in one of the lawsuits filed against Freddie Mac. Pershing has filed reports with the SEC, most recently in March 2014, indicating that it beneficially owned more than 5% of our common stock. We do not know Pershing's current beneficial ownership of our common stock. For more information, see **Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**.

It is not possible for us to predict the outcome of these lawsuits (including the outcome of any appeal), or the actions the U.S. government (including Treasury and FHFA) might take in response to any ruling or finding in any of these lawsuits or any future lawsuits. However, it is possible that we could be adversely affected by these events, including, for example, by changes to the Purchase Agreement, or any resulting actual or perceived changes in the level of U.S. government support for our business. Pursuant to the January 2021 Letter Agreement, all currently pending material litigation related to our conservatorship and/or the Purchase Agreement must be resolved or settled and we must indemnify Treasury and the United States from and against any loss, cost, or damage of any kind arising out of our placement into conservatorship or the August 2012 amendment to the Purchase Agreement in order to (i) use up to \$70 billion in proceeds from issuances of common stock to build capital or (ii) exit from conservatorship.

Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

MARKET INFORMATION

Common Stock

Our common stock is traded in the over-the-counter market and quoted on the OTCQB, operated by OTC Markets Group Inc., under the ticker symbol "FMCC." Over-the-counter market quotations for our common stock reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions.

Holders

As of January 29, 2021, we had 1,584 common stockholders of record.

Recent Sales of Unregistered Securities

The securities we issue are "exempted securities" under the Securities Act of 1933. 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 these plans to employees and members of our 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. At December 31, 2020, no stock options were outstanding. See **Note 13** for more information.

ISSUER PURCHASES OF EQUITY SECURITIES

We did not repurchase any of our common or preferred stock during 2020. Additionally, we do not currently have any outstanding authorizations to repurchase common or preferred stock. Under the Purchase Agreement, we cannot repurchase our common or preferred stock without Treasury's prior consent, and we may only purchase or redeem the senior preferred stock in certain limited circumstances set forth in the certificate of designation of the senior preferred stock.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.

P.O. Box 505000

Louisville, KY 40233-5000

Telephone: 877-373-6374

<https://www-us.computershare.com/investor>

Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Freddie Mac

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Freddie Mac, a stockholder-owned government sponsored enterprise, and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income (loss), of equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because a material weakness in internal control over financial reporting existed as of that date related to disclosure controls and procedures that do not provide adequate mechanisms for information known to the Federal Housing Finance Agency (FHFA) that may have financial statement disclosure ramifications to be communicated to management of Freddie Mac.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2020 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Change in Accounting Principle

As discussed in Notes 1 and 7 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses in 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Emphasis of Matter – Conservatorship

As discussed in Note 2, in September 2008, the Company was placed into conservatorship by FHFA. The U.S. Department of the Treasury (Treasury) has committed financial support to the Company, and FHFA, as 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 during conservatorship. The Company is dependent upon the continued support of Treasury and FHFA.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses - Single-Family Mortgage Loans Held-for-Investment

As described in Note 7 to the consolidated financial statements, as of December 31, 2020, the allowance for credit losses for single-family mortgage loans held-for-investment was \$5.6 billion. Management estimates the allowance for credit losses for single-family loans on a pooled basis using a discounted cash flow model that evaluates a variety of factors to estimate the cash flows they expect to collect. Management forecasts cash flows they expect to collect using historical experience, such as historical default rates and severity of loss based on loan characteristics, adjusted for current and future economic forecasts. As disclosed by management, the process involves the use of models that require management to make judgments about matters that are difficult to predict, the most significant of which are the probability of default, prepayment, and loss severity, which are based on management's reasonable and supportable forecast of certain future economic conditions, such as house prices and interest rates.

The principal considerations for our determination that performing procedures relating to the allowance for credit losses for single-family mortgage loans held-for-investment is a critical audit matter are (i) the significant judgment and estimation by management when determining the probability of default, prepayment, and loss severity assumptions, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's determination, and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the determination of the allowance for credit losses, including controls over the models, data, and significant assumptions. These procedures also included, among others (i) testing management's process for determining the allowance for credit losses, (ii) testing the completeness, accuracy, reliability and relevance of data used by management, including underlying loan portfolio data, historical loan data, macroeconomic data, and industry data, (iii) evaluating the reasonableness of significant assumptions related to the probability of default, prepayment, and loss severity through comparison to historical loan data, macroeconomic data, and industry data, as applicable, and (iv) involving professionals with specialized skill and knowledge to assist in evaluating the appropriateness of the models used in the allowance for credit losses and the reasonableness of significant assumptions related to the probability of default, prepayment, and loss severity, as well as management's forecast of house prices.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia

February 11, 2021

We have served as the Company's auditor since 2002.

FREDDIE MAC

Consolidated Statements of Comprehensive Income (Loss)

(In millions, except share-related amounts)	Year Ended December 31,		
	2020	2019	2018
Net interest income			
Interest income	\$62,340	\$72,895	\$70,054
Interest expense	(49,569)	(61,047)	(58,033)
Net interest income	12,771	11,848	12,021
Non-interest income (loss)			
Guarantee fee income	1,442	1,089	866
Investment gains (losses), net	1,813	818	1,921
Other income (loss)	633	323	762
Non-interest income (loss)	3,888	2,230	3,549
Net revenues	16,659	14,078	15,570
Benefit (provision) for credit losses	(1,452)	746	736
Non-interest expense			
Salaries and employee benefits	(1,344)	(1,434)	(1,227)
Professional services	(398)	(445)	(486)
Other administrative expense	(793)	(685)	(580)
<i>Total administrative expense</i>	<i>(2,535)</i>	<i>(2,564)</i>	<i>(2,293)</i>
Credit enhancement expense	(1,058)	(749)	(409)
Benefit for (decrease in) credit enhancement recoveries	323	41	(8)
REO operations expense	(149)	(229)	(169)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(1,836)	(1,617)	(1,484)
Other expense	(723)	(657)	(469)
Non-interest expense	(5,978)	(5,775)	(4,832)
Income (loss) before income tax (expense) benefit	9,229	9,049	11,474
Income tax (expense) benefit	(1,903)	(1,835)	(2,239)
Net income (loss)	7,326	7,214	9,235
Other comprehensive income (loss), net of taxes and reclassification adjustments			
Changes in unrealized gains (losses) related to available-for-sale securities	192	535	(722)
Changes in unrealized gains (losses) related to cash flow hedge relationships	38	71	114
Changes in defined benefit plans	(25)	(33)	(5)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	205	573	(613)
Comprehensive income (loss)	\$7,531	\$7,787	\$8,622
Net income (loss)	\$7,326	\$7,214	\$9,235
Undistributed net worth sweep, senior preferred stock dividends, or future increase in senior preferred stock liquidation preference	(7,291)	(7,787)	(5,623)
Net income (loss) attributable to common stockholders	\$35	(\$573)	\$3,612
Net income (loss) per common share — basic and diluted	\$0.01	(\$0.18)	\$1.12
Weighted average common shares outstanding (in millions) — basic and diluted	3,234	3,234	3,234

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

FREDDIE MAC

Consolidated Balance Sheets

(In millions, except share-related amounts)	December 31,	
	2020	2019
Assets		
Cash and cash equivalents (Notes 1, 3, 18) (includes \$17,379 and \$991 of restricted cash and cash equivalents)	\$23,889	\$5,189
Securities purchased under agreements to resell (Notes 3, 11, 18)	105,003	56,271
Investment securities, at fair value (Notes 3, 6)	59,825	75,711
Mortgage loans held-for-sale (Notes 3, 4) (includes \$14,199 and \$15,035 at fair value)	33,652	35,288
Mortgage loans held-for-investment (Notes 1, 3, 4) (net of allowance for credit losses of \$5,732 and \$4,234)	2,350,236	1,984,912
Accrued interest receivable (Note 3, 4, 6, 11) (net of allowance of \$140 and \$0)	7,754	6,848
Derivative assets, net (Notes 10, 11)	1,205	844
Deferred tax assets, net (Note 16)	6,557	5,918
Other assets (Notes 3, 12) (includes \$5,775 and \$4,627 at fair value)	39,294	22,799
Total assets	\$2,627,415	\$2,193,780
Liabilities and equity		
<i>Liabilities</i>		
Accrued interest payable (Note 3)	\$6,210	\$6,559
Debt (Notes 3, 9) (includes \$2,592 and \$3,938 at fair value)	2,592,546	2,169,685
Derivative liabilities, net (Notes 10, 11)	954	372
Other liabilities (Notes 3, 12)	11,292	8,042
Total liabilities	2,611,002	2,184,658
Commitments and contingencies (Notes 5, 10, 20)		
<i>Equity (Note 13)</i>		
Senior preferred stock (liquidation preference of \$86,539 and \$79,322)	72,648	72,648
Preferred stock, at redemption value	14,109	14,109
Common stock, \$0.00 par value, 4,000,000,000 shares authorized, 725,863,886 shares issued and 650,059,292 shares and 650,059,033 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(67,102)	(74,188)
<i>AOCl, net of taxes, related to:</i>		
Available-for-sale securities	810	618
Cash flow hedge relationships	(206)	(244)
Defined benefit plans	39	64
<i>Total AOCl, net of taxes</i>	<i>643</i>	<i>438</i>
Treasury stock, at cost, 75,804,594 shares and 75,804,853 shares	(3,885)	(3,885)
Total equity	16,413	9,122
Total liabilities and equity	\$2,627,415	\$2,193,780

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

(In millions)	December 31,	
	2020	2019
Consolidated Balance Sheet Line Item (Note 3)		
Assets:		
Mortgage loans held-for-investment	\$2,273,347	\$1,940,523
All other assets	83,982	40,598
Total assets of consolidated VIEs	\$2,357,329	\$1,981,121
Liabilities:		
Debt	\$2,308,176	\$1,898,355
All other liabilities	5,610	5,537
Total liabilities of consolidated VIEs	\$2,313,786	\$1,903,892

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

FREDDIE MAC

Consolidated Statements of Equity

(In millions)	Shares Outstanding			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
	Senior Preferred Stock	Preferred Stock	Common Stock								
Balance at December 31, 2017	1	464	650	\$72,336	\$14,109	\$—	\$—	(\$83,261)	\$389	(\$3,885)	(\$312)
<i>Comprehensive income (loss):</i>											
Net income (loss)	—	—	—	—	—	—	—	9,235	—	—	9,235
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	(613)	—	(613)
Comprehensive income (loss)	—	—	—	—	—	—	—	9,235	(613)	—	8,622
Cumulative effect of change in accounting principle ⁽¹⁾	—	—	—	—	—	—	—	(89)	89	—	—
Increase in liquidation preference	—	—	—	312	—	—	—	—	—	—	312
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(4,145)	—	—	(4,145)
Ending balance at December 31, 2018	1	464	650	\$72,648	\$14,109	\$—	\$—	(\$78,260)	(\$135)	(\$3,885)	\$4,477
Balance at December 31, 2018	1	464	650	\$72,648	\$14,109	\$—	\$—	(\$78,260)	(\$135)	(\$3,885)	\$4,477
<i>Comprehensive income (loss):</i>											
Net income (loss)	—	—	—	—	—	—	—	7,214	—	—	7,214
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	573	—	573
Comprehensive income (loss)	—	—	—	—	—	—	—	7,214	573	—	7,787
Senior preferred stock dividends paid	—	—	—	—	—	—	—	(3,142)	—	—	(3,142)
Ending balance at December 31, 2019	1	464	650	\$72,648	\$14,109	\$—	\$—	(\$74,188)	\$438	(\$3,885)	\$9,122
Balance at December 31, 2019	1	464	650	\$72,648	\$14,109	\$—	\$—	(\$74,188)	\$438	(\$3,885)	\$9,122
<i>Comprehensive income (loss):</i>											
Net income (loss)	—	—	—	—	—	—	—	7,326	—	—	7,326
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	205	—	205
Comprehensive income (loss)	—	—	—	—	—	—	—	7,326	205	—	7,531
Cumulative effect from adoption of CECL	—	—	—	—	—	—	—	(240)	—	—	(240)
Ending balance at December 31, 2020	1	464	650	\$72,648	\$14,109	\$—	\$—	(\$67,102)	\$643	(\$3,885)	\$16,413

(1) Includes the effect of adopting the accounting guidance on reclassification of stranded tax effects of the Tax Cuts and Jobs Act. See **Note 13** for additional information.

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

FREDDIE MAC

Consolidated Statements of Cash Flows

(In millions)	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities			
Net income (loss)	\$7,326	\$7,214	\$9,235
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization of cost basis adjustments	214	(466)	(2,117)
(Benefit) provision for credit losses	1,452	(746)	(736)
Investment (gains) losses, net	(3,390)	(1,100)	(2,084)
(Benefit for) decrease in credit enhancement recoveries	(289)	(2)	(18)
Hedge accounting earnings mismatch	(162)	(288)	658
Deferred income tax expense (benefit)	(590)	817	1,391
Purchases of mortgage loans acquired as held-for-sale	(69,908)	(65,516)	(70,482)
Proceeds from sales of mortgage loans acquired as held-for-sale	68,065	71,557	66,889
Proceeds from repayments of mortgage loans acquired as held-for-sale	116	517	494
Payments to servicers for pre-foreclosure expense and servicer incentive fees	(232)	(282)	(282)
Change in accrued interest receivable	(1,046)	(120)	(373)
Change in interest payable	(238)	177	440
Change in income taxes receivable	845	712	(1,269)
Other, net	(1,256)	(277)	(1,072)
Net cash provided by (used in) operating activities	907	12,197	674
Cash flows from investing activities			
Purchases of trading securities	(146,074)	(102,169)	(131,977)
Proceeds from sales of trading securities	129,035	84,296	126,012
Proceeds from maturities and repayments of trading securities	27,850	14,528	11,375
Purchases of available-for-sale securities	(13,128)	(8,967)	(19,701)
Proceeds from sales of available-for-sale securities	46,387	12,978	21,952
Proceeds from maturities and repayments of available-for-sale securities	3,654	4,258	6,002
Purchases of mortgage loans acquired as held-for-investment	(695,645)	(228,628)	(151,836)
Proceeds from sales of mortgage loans acquired as held-for-investment	11,657	15,218	10,661
Proceeds from repayments of mortgage loans acquired as held-for-investment	744,571	348,387	248,115
Advances under secured lending arrangements	(144,828)	(54,176)	(27,463)
Repayments of secured lending arrangements	1,515	1,275	1,592
Net proceeds from dispositions of real estate owned and other recoveries	670	1,150	1,336
Net (increase) decrease in securities purchased under agreements to resell	(39,143)	(31,343)	21,132
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	(9,185)	(8,163)	3,020
Other, net	(691)	(492)	(572)
Net cash provided by (used in) investing activities	(83,355)	48,152	119,648
Cash flows from financing activities			
Proceeds from issuance of debt securities of consolidated trusts held by third parties	811,707	264,373	217,574
Repayments and redemptions of debt securities of consolidated trusts held by third parties	(713,382)	(351,099)	(275,402)
Proceeds from issuance of debt of Freddie Mac	465,260	554,812	411,948
Repayments of debt of Freddie Mac	(452,548)	(531,103)	(469,483)
Net increase (decrease) in securities sold under agreements to repurchase	(9,843)	3,856	(3,662)
Increase in liquidation preference of senior preferred stock	—	—	312
Payment of cash dividends on senior preferred stock	—	(3,142)	(4,145)
Other, net	(46)	(130)	(2)
Net cash provided by (used in) financing activities	101,148	(62,433)	(122,860)
Net (decrease) increase in cash and cash equivalents (includes restricted cash and cash equivalents)	18,700	(2,084)	(2,538)
Cash and cash equivalents (includes restricted cash and cash equivalents) at the beginning of year	5,189	7,273	9,811
Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period	\$23,889	\$5,189	\$7,273
Supplemental cash flow information			
Cash paid for:			
Debt interest	\$70,073	\$70,918	\$65,721
Income taxes	1,690	306	2,125
Non-cash investing and financing activities (Notes 4, 6, and 9)			

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

Notes to 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**. Throughout our consolidated financial statements and related notes, we use certain acronyms and terms which are defined in the **Glossary**.

Basis of Presentation

The accompanying 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.

Beginning January 1, 2020, we elected to offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell, when such amounts meet the conditions for balance sheet offsetting under GAAP. See **Note 11** for additional information. We also began presenting a further break out of the amount of cash inflows and cash outflows related to securities purchased under agreements to resell as a single net line item within the cash flows from financing activities section on our consolidated statements of cash flows beginning 3Q 2020. These amounts were previously presented with other debt activity on a gross basis as proceeds from issuance of debt of Freddie Mac and repayments of debt of Freddie Mac within the cash flows from financing activities section of our consolidated statements of cash flows. As a result, the change in presentation did not have any impact on net cash provided by financing activities. Certain amounts in prior periods' consolidated financial statements have been reclassified to conform to the current presentation.

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

Use of Estimates

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

Consolidation and Equity Method Accounting

For each entity with which we are involved, we determine whether the entity should be consolidated in our financial statements. We generally consolidate entities in which we have a controlling financial interest. The method for determining whether a controlling financial interest exists varies depending on whether the entity is a VIE. For entities that are not VIEs, we hold a controlling financial interest in entities where we hold a majority of the voting rights or a majority of a limited partnership's kick-out rights through voting interests. We do not currently consolidate any entities which are not VIEs. We use the equity method to account for our interests in entities in which we do not have a controlling financial interest, but over which we have significant influence.

Cash and Cash Equivalents

Highly liquid investment securities that have an original maturity of three months or less are accounted for as cash equivalents. Original maturity means the original maturity to us when we acquire the investment, not the original maturity of the instrument itself. Cash collateral accepted from counterparties that we do not have the right to use for general corporate purposes is classified as restricted cash and cash equivalents on our consolidated balance sheets. Restricted cash and cash equivalents include cash remittances received from servicers of the underlying assets of our consolidated trusts which are deposited into a separate custodial account. We invest the cash held in the custodial account in short-term investments and are entitled to the interest income earned on these short-term investments, which is recorded as interest income on our consolidated statements of comprehensive income.

Comprehensive Income

Comprehensive income includes all changes in equity during a period, except those resulting from investments by stockholders. We define comprehensive income as consisting of net income (loss) plus after-tax changes in:

- Unrealized gains and losses on available-for-sale securities;
- Unrealized gains and losses related to cash flow hedge relationships; and
- Defined benefit plans.

Other Significant Accounting Policies

The table below identifies our other significant accounting policies and the related note in which information about them can be found.

Note	Accounting Policy
Note 3	Variable Interest Entities
Note 4	Mortgage Loans
Note 5	Guarantees and Other Off-Balance Sheet Credit Exposures
Note 6	Investments in Securities
Note 7	Allowance for Credit Losses
Note 8	Credit Enhancements
Note 9	Debt
Note 10	Derivatives
Note 11	Collateralized Agreements and Offsetting Arrangements
Note 13	Stockholder's Equity
Note 13	Earnings Per Share
Note 16	Income Taxes
Note 17	Segment Reporting
Note 19	Fair Value Disclosures

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Consolidated Financial Statements
<p>ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</p> <p>ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses; and</p> <p>ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses</p>	The amendments in this Update replace the incurred loss impairment methodology in 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	Due to the adoption of these Updates, we recognized a reduction to retained earnings of \$0.2 billion through a cumulative-effect adjustment on January 1, 2020. See the CECL Transition Impacts section below for additional information on transition impacts. See Note 4 , Note 5 , Note 6 , Note 7 , and Note 8 or additional information on the changes in our significant accounting policies as a result of our adoption of CECL.
ASU 2018-13 , Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurements, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. Certain disclosure requirements were either removed, modified, or added.	January 1, 2020	We added disclosure of the change in unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period. See Note 19 for additional information.
ASU 2018-15 , Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The amendments in this Update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).	January 1, 2020	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.
ASU 2018-17 , Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	The amendments in this Update require that indirect interests held through related parties under common control be considered on a proportional basis when determining whether fees paid to decision makers or service providers are variable interests. These amendments align with the determination of whether a reporting entity within a related party group is the primary beneficiary of a VIE.	January 1, 2020	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.
ASU 2019-01 , Leases (Topic 842): 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	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.
ASU 2020-04 , Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this Update provide temporary optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or other interbank offered rates expected to be discontinued.	January 1, 2020	The adoption of the amendments did not have a material effect on our consolidated financial statements or on our disclosures.

CECL Transition Impacts

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

Table 1.1 CECL Transition Impacts

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

Upon adoption of CECL on January 1, 2020, we did not recognize an allowance for credit losses on cash equivalents, investments in debt securities classified as available-for-sale, or securities purchased under agreements to resell. See **Note 6** and **Note 11**, respectively, for additional information.

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

Standard	Description	Date of Planned Adoption	Effect on Consolidated Financial Statements
ASU 2020-06 , Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40); Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	The amendments in this Update simplify an issuer's accounting for certain financial instruments with characteristics of liabilities and equity, primarily by eliminating many of the current separation models used to account for convertible debt and convertible preferred stock.	January 1, 2021	The adoption of these amendments will not have a material effect on our consolidated financial statements.
ASU 2020-08 , Codification Improvements to Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs	The amendments in this Update clarify the guidance for the reevaluation of whether a callable debt security's amortized cost basis exceeds the amount repayable by the issuer at the next call date.	January 1, 2021	The adoption of these amendments will not 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.

Our current business objectives reflect direction we have received from the Conservator (including the Conservatorship Scorecards). At the direction of the Conservator, we have made changes to certain business practices that are designed to provide support for the mortgage market in a manner that serves our public mission and other non-financial objectives but may not contribute to our profitability. Certain of these objectives are intended to help homeowners and the mortgage market and may help to mitigate future credit losses. Some of these initiatives affect our near- and long-term financial results. Given our public mission and the important role the Administration and our Conservator have placed on Freddie Mac in addressing housing and mortgage market conditions, we may be required to take actions that could have a negative impact on our business, operating results, or financial condition, and thus contribute to a need for additional draws under the Purchase Agreement.

In October 2020, FHFA released its Strategic Plan for fiscal years 2021-2024. This new Strategic Plan establishes new goals needed for FHFA to fulfill its statutory duties, which include responsibly ending the conservatorships of Freddie Mac and Fannie Mae.

This new Strategic Plan formalizes the new direction of FHFA, and its regulated entities, by updating FHFA's mission, vision, and values, and by establishing three new strategic goals:

- Ensuring safe and sound regulated entities through world-class supervision;
- Fostering competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets; and
- Positioning FHFA as a model of operational excellence by strengthening its workforce and infrastructure.

We continue to align our resources and internal business plans to meet the objectives provided to us by FHFA.

Under the Purchase Agreement, we cannot return capital to stockholders other than Treasury, the holder of our senior preferred stock. 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 Conservator has not made us aware of any plans to make any significant changes that would affect our ability to continue as a going concern. Our future structure and role will be determined by the Administration, Congress, and FHFA, and the goals of the current Congress and Administration with respect to Freddie Mac and the secondary mortgage market are unclear. It is possible, and perhaps likely, that there will be significant changes to our business beyond the near term.

On January 14, 2021, we, acting through FHFA as our Conservator, and Treasury entered into a letter agreement to further amend the Purchase Agreement and the terms of the senior preferred stock. The January 2021 Letter Agreement establishes additional requirements for us to exit from conservatorship, including with respect to capital and the resolution of currently pending material litigation related to our conservatorship and the Purchase Agreement; allows us to (i) issue common stock after Treasury's exercise in full of its warrant to acquire 79.9% of common stock and resolution of currently pending material litigation relating to our conservatorship and the Purchase Agreement and (ii) use up to \$70 billion in proceeds from such issuances to build capital; and imposes further limits on our business, including limits on our retained mortgage portfolio, cash window activities, and single-family and multifamily loan acquisitions. Pursuant to the January 2021 Letter Agreement, Treasury and Freddie Mac also commit to work to restructure Treasury's investment and dividend amount in a manner that facilitates our orderly exit from conservatorship, ensures Treasury is appropriately compensated, and permits us to raise third-party capital and make distributions as appropriate. We are still evaluating the effect that the January 2021 Letter Agreement will have on our financial statements.

Purchase Agreement and Warrant

Overview

On September 7, 2008, we, through FHFA, in its capacity as Conservator, entered into the Purchase Agreement with Treasury. The Purchase Agreement was subsequently amended and restated on September 26, 2008, and further amended on May 6, 2009, December 24, 2009, August 17, 2012, December 21, 2017, September 27, 2019, and January 14, 2021. The amount of available funding remaining under the Purchase Agreement was \$140.2 billion as of December 31, 2020. This amount will be reduced by any future draws.

The Purchase Agreement requires Treasury, upon the request of the Conservator, to provide funds to us after any quarter in which we have a negative net worth (that is, our total liabilities exceed our total assets, as reflected on our consolidated balance sheets). In addition, the Purchase Agreement requires Treasury, upon the request of the Conservator, to provide funds to us if the Conservator determines, at any time, that it will be mandated by law to appoint a receiver for us unless we receive these funds from Treasury. In exchange for Treasury's funding commitment, we issued to Treasury, as an aggregate initial commitment fee, one million shares of Variable Liquidation Preference Senior Preferred Stock (with an initial liquidation preference of \$1 billion), which we refer to as the senior preferred stock, and a warrant to purchase, for a nominal price, shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis at the time the warrant is exercised, which we refer to as the warrant. We received no cash proceeds or other consideration from Treasury for issuing the senior preferred stock or the warrant. The amount of any draw will be added to the aggregate liquidation preference of the senior preferred stock. Deficits in our net worth have made it necessary for us to make substantial draws on Treasury's funding commitment under the Purchase Agreement. Pursuant to the December 2017 Letter Agreement, the liquidation preference of the senior preferred stock increased by \$3.0 billion on December 31, 2017, and pursuant to the September 2019 and January 2021 Letter Agreements, the liquidation preference of the senior preferred stock has and will be increased, at the end of each fiscal quarter, from September 30, 2019 through the Capital Reserve End Date, by an amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. As a result, the liquidation preference of the senior preferred stock increased from \$84.1 billion on September 30, 2020 to \$86.5 billion on December 31, 2020 based on the \$2.4 billion increase in our Net Worth Amount during 3Q 2020 and will increase to \$89.1 billion on March 31, 2021 based on the \$2.5 billion increase in our Net Worth Amount during 4Q 2020. Under the Purchase Agreement, our ability to repay the liquidation preference of the senior preferred stock is limited, and we will not be able to do so for the foreseeable future, if at all. In addition to increases based on quarterly increases in our Net Worth Amount, as discussed above, the liquidation preference will increase if we receive additional draws under the Purchase Agreement or if any dividends or quarterly commitment fees payable under the Purchase Agreement are not paid in cash.

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. Through December 31, 2012, the senior preferred stock accrued quarterly cumulative dividends at a rate of 10% per year. However, under the August 2012 amendment to the Purchase Agreement, the fixed dividend rate was replaced with a net worth sweep dividend beginning in the first quarter of 2013.

Under the August 2012 amendment to the Purchase Agreement, for each quarter from January 1, 2013, 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. The term Net Worth Amount is defined as the total assets of Freddie Mac (excluding Treasury's commitment and any unfunded amounts thereof), less our total liabilities (excluding any obligation in respect of capital stock), in each case as reflected on our consolidated balance sheets prepared in accordance with GAAP. If the calculation of the dividend payment for a quarter does not exceed zero, then no dividend will accrue or be payable for that quarter. Pursuant to the January 2021 Letter Agreement, the applicable Capital Reserve Amount from October 1, 2020 is the amount of adjusted total capital necessary to meet capital requirements and buffers set forth in the ERCF. This increased Capital Reserve Amount will remain in effect until the last day of the second fiscal quarter during which we have reached and maintained such level of capital (the Capital Reserve End Date). As a result, we will not be required to pay a dividend on the senior preferred stock to Treasury until we have built sufficient capital to meet the capital requirements and buffers set forth in the ERCF. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period until the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and the applicable Capital Reserve Amount would thereafter be zero.

Upon the Capital Reserve End Date, our quarterly senior preferred stock dividend requirement will be an amount equal to the lesser of (i) 10% per annum on the then-current liquidation preference of the senior preferred stock and (ii) a quarterly amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period after the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and immediately following such failure and for all dividend periods thereafter until the dividend period following the date on which we shall have paid in cash full cumulative dividends, the dividend amount will be 12% per annum on the then-current liquidation preference of the senior preferred stock. The amounts payable for dividends on the senior preferred stock could be substantial and will have an adverse impact on our financial

position and net worth. The senior preferred stock is senior in liquidation preference to our common stock and all other series of preferred stock.

In addition to the issuance of the senior preferred stock and warrant, we are required under the Purchase Agreement to pay a quarterly commitment fee to Treasury. Under the Purchase Agreement, the fee was to be determined in an amount mutually agreed to by us and Treasury with reference to the market value of Treasury's funding commitment as then in effect. However, pursuant to the August 2012 amendment to the Purchase Agreement, as further amended by the January 2021 Letter Agreement, for each quarter commencing January 1, 2013, no periodic commitment fee under the Purchase Agreement will be set, accrue, or be payable. Pursuant to the January 2021 Letter Agreement, by the Capital Reserve End Date, we and Treasury, in consultation with the Chairman of the Federal Reserve, will mutually agree on a periodic commitment fee that we will pay for Treasury's remaining funding commitment with respect to the five-year period commencing on the first January 1 after the Capital Reserve End Date.

The Purchase Agreement includes significant restrictions on our ability to manage our business, including limits on the amount of indebtedness we can incur, the size of our mortgage-related investments portfolio, our secondary market activities, and our single-family and multifamily loan acquisitions.

The Purchase Agreement has an indefinite term and can terminate only in limited circumstances, which do not include the end of the conservatorship. The Purchase Agreement therefore could continue after the conservatorship ends. However, Treasury's consent is required for a termination of conservatorship other than in connection with receivership or under the limited circumstances specified in the Purchase Agreement as mandated by the January 2021 Letter Agreement involving maintenance of certain capital and resolution of currently pending material litigation related to our conservatorship and the Purchase Agreement. Treasury has the right to exercise the warrant, in whole or in part, at any time on or before September 7, 2028.

Purchase Agreement Covenants

The Purchase Agreement provides that, until the senior preferred stock is repaid or redeemed in full, we may not, without the prior written consent of Treasury:

- Declare or pay any dividend (preferred or otherwise) or make any other distribution with respect to any Freddie Mac equity securities (other than with respect to the senior preferred stock or warrant);
- Redeem, purchase, retire, or otherwise acquire any Freddie Mac equity securities (other than the senior preferred stock or warrant);
- Sell or issue any Freddie Mac equity securities (other than the senior preferred stock, the warrant, and the common stock issuable upon exercise of the warrant; provided that issuance(s) of common stock with aggregate gross proceeds of up to \$70.0 billion after Treasury's exercise in full of its warrant to acquire 79.9% of our common stock and resolution of currently pending material litigation relating to our conservatorship and the Purchase Agreement are permitted pursuant to the January 2021 Letter Agreement; and as required by the terms of any binding agreement in effect on the date of the Purchase Agreement);
- Terminate the conservatorship (other than in connection with a receivership or under the limited circumstances specified in the Purchase Agreement as amended by the January 2021 Letter Agreement involving maintenance of certain capital and resolution of currently pending material litigation related to our conservatorship and the Purchase Agreement);
- Sell, transfer, lease, or otherwise dispose of any assets, other than dispositions for fair market value:
 - To a limited life regulated entity (in the context of a receivership);
 - Of assets and properties in the ordinary course of business, consistent with past practice;
 - Of assets and properties having fair market value individually or in aggregate less than \$250 million in one transaction or a series of related transactions;
 - In connection with our liquidation by a receiver;
 - Of cash or cash equivalents for cash or cash equivalents; or
 - To the extent necessary to comply with the covenant described below relating to the reduction of our mortgage-related investments portfolio;
- Issue any subordinated debt;
- Enter into a corporate reorganization, recapitalization, merger, acquisition, or similar event; or
- Engage in transactions with affiliates unless the transaction is:
 - Pursuant to the Purchase Agreement, the senior preferred stock, or the warrant;
 - Upon arm's length terms; or
 - A transaction undertaken in the ordinary course or pursuant to a contractual obligation or customary employment arrangement in existence on the date of the Purchase Agreement.

The Purchase Agreement also required us to reduce the UPB of our mortgage assets to a limit of \$250 billion at December 31, 2018. Pursuant to the January 2021 Letter Agreement, the calculation of mortgage assets subject to the Purchase Agreement

cap also includes 10% of the notional value of interest-only securities, and at the end of 2022, the Purchase Agreement cap on our mortgage-related investments portfolio will be lowered from \$250 billion to \$225 billion.

Under the Purchase Agreement, we also may not, without the prior written consent of Treasury, incur indebtedness that would result in the par value of our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are permitted to own on December 31 of the immediately preceding calendar year. Our debt cap under the Purchase Agreement is currently \$300 billion and will decrease to \$270 billion on January 1, 2023 as a result of the decrease in the mortgage assets limit under the Purchase Agreement to \$225 billion on December 31, 2022 pursuant to the January 2021 Letter Agreement. The mortgage asset and indebtedness limitations are determined without giving effect to the changes to the accounting guidance for transfers of financial assets and consolidation of VIEs, under which we consolidated certain VIEs in our financial statements as of January 1, 2010.

In addition, the Purchase Agreement provides that we may not enter into any new compensation arrangements or increase amounts or benefits payable under existing compensation arrangements of any named executive officer or other executive officer (as such terms are defined by SEC rules) without the consent of the Director of FHFA, in consultation with the Secretary of the Treasury.

The Purchase Agreement also provides that, on an annual basis, we are required to deliver a risk management plan to Treasury setting out our strategy for reducing our enterprise-wide risk profile and the actions we will take to reduce the financial and operational risk associated with each of our reportable business segments.

The Purchase Agreement, as amended by the January 2021 Letter Agreement, also established new covenants which placed additional restrictions on our secondary market activities and single-family and multifamily loan acquisitions:

- **Secondary Market Activities** - We cannot vary the pricing or any other term of the acquisition of a single-family loan based on the size, charter type, or volume of business of the seller of the loan and are required to:
 - Purchase loans for cash consideration;
 - Operate this cash window with non-discriminatory pricing;
 - Beginning on January 1, 2022, limit the volume purchased through the cash window to \$1.5 billion per lender during any period comprising four calendar quarters; and
 - Comply with directives, regulations, restrictions, or other requirements prescribed by FHFA related to equitable secondary market access by community lenders.
- **Multifamily New Business Activity** - We are required to cap multifamily loan purchases at \$80 billion in any 52-week period, subject to annual adjustment by FHFA based on changes in the Consumer Price Index. At least 50% of our multifamily loan purchases in any calendar year must be, at the time of acquisition, classified as mission-driven pursuant to FHFA guidelines.
- **Single-Family Loan Acquisitions** - We are required to limit our acquisition of certain single-family mortgage loans.
 - A maximum of 6% of purchase money mortgages and 3% of refinance mortgages over the preceding 52-week period can have two or more of the following characteristics at origination: combined LTV ratio greater than 90%; DTI ratio greater than 45%; and FICO or equivalent credit score less than 680.
 - We are required to limit acquisitions of single-family mortgage loans secured by either second homes or investment properties to 7% of the single-family mortgage loan acquisitions over the preceding 52-week period.
 - Subject to such exceptions as FHFA may prescribe to permit us to acquire single-family mortgage loans that are currently eligible for acquisition, we are required to implement by July 1, 2021 a program reasonably designed to ensure that each single-family mortgage is:
 - A qualified mortgage;
 - Exempt from the CFPB's ability-to-repay requirements;
 - Secured by an investment property, subject to the restrictions above;
 - A refinancing with streamlined underwriting for high LTV ratios;
 - A loan with temporary underwriting flexibilities due to exigent circumstances, as determined in consultation with FHFA; or
 - Secured by manufactured housing.

In addition, the Purchase Agreement requires us to comply with the ERCF as currently in effect, disregarding any subsequent amendment or other modification to that rule.

We continue to assess the effects of these new Purchase Agreement covenants on our business, and we are developing related business processes and controls, including with respect to monitoring and reporting.

Warrant Covenants

The warrant we issued to Treasury includes, among others, the following covenants:

- Our SEC filings under the Exchange Act will comply in all material respects as to form with the Exchange Act and the rules and regulations thereunder;
- Without the prior written consent of Treasury, we may not permit any of our significant subsidiaries to issue capital stock or equity securities, or securities convertible into or exchangeable for such securities, or any stock appreciation rights or other profit participation rights to any person other than Freddie Mac or its wholly-owned subsidiaries;
- We may not take any action that will result in an increase in the par value of our common stock;
- Unless waived or consented to in writing by Treasury, we may not take any action to avoid the observance or performance of the terms of the warrant and we must take all actions necessary or appropriate to protect Treasury's rights against impairment or dilution; and
- We must provide Treasury with prior notice of specified actions relating to our common stock, such as setting a record date for a dividend payment, granting subscription or purchase rights, authorizing a recapitalization, reclassification, merger or similar transaction, commencing a liquidation of the company, or any other action that would trigger an adjustment in the exercise price or number or amount of shares subject to the warrant.

Termination Provisions

The Purchase Agreement provides that the Treasury's funding commitment will terminate under any of the following circumstances:

- The completion of our liquidation and fulfillment of Treasury's obligations under its funding commitment at that time;
- The payment in full of, or reasonable provision for, all of our liabilities (whether or not contingent, including mortgage guarantee obligations); and
- The funding by Treasury of the maximum amount of the commitment under the Purchase Agreement.

In addition, Treasury may terminate its funding commitment and declare the Purchase Agreement null and void if a court vacates, modifies, amends, conditions, enjoins, stays, or otherwise affects the appointment of the Conservator or otherwise curtails the Conservator's powers. Treasury may not terminate its funding commitment under the Purchase Agreement solely by reason of our being in conservatorship, receivership or other insolvency proceeding, or due to our financial condition or any adverse change in our financial condition.

Waivers and Amendments

The Purchase Agreement provides that most provisions of the agreement may be waived or amended by mutual written agreement of the parties; however, no waiver or amendment of the agreement is permitted that would decrease Treasury's aggregate funding commitment or add conditions to Treasury's funding commitment if the waiver or amendment would adversely affect in any material respect the holders of our debt securities or mortgage guarantee obligations.

Third-Party Enforcement Rights

In the event of our default on payments with respect to our debt securities or mortgage guarantee obligations, if Treasury fails to perform its obligations under its funding commitment and if we and/or the Conservator are not diligently pursuing remedies in respect of that failure, the holders of these debt securities or mortgage guarantee obligations may file a claim in the United States Court of Federal Claims for relief requiring Treasury to fund to us the lesser of:

- The amount necessary to cure the payment defaults on our debt securities and mortgage guarantee obligations and
- The lesser of:
 - The deficiency amount and
 - The maximum amount of the commitment less the aggregate amount of funding previously provided under the commitment.

Any payment that Treasury makes under those circumstances will be treated for all purposes as a draw under the Purchase Agreement that will increase the liquidation preference of the senior preferred stock.

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

In February 2019, FHFA directed us to maintain the mortgage-related investments portfolio at or below \$225 billion at all times. We began including 10% of the notional value of certain interest-only securities owned by Freddie Mac in the calculation of this portfolio during 1Q 2020 as instructed by FHFA in November 2019.

Pursuant to the January 2021 Letter Agreement, the Purchase Agreement cap on our mortgage-related investments portfolio will be lowered from \$250 billion to \$225 billion at the end of 2022, and the calculation of mortgage assets subject to the cap will include 10% of the notional value of interest-only securities. The UPB of this portfolio was \$188.8 billion at December 31, 2020, including \$6.6 billion representing 10% of the notional amount of the interest-only securities we held as of December 31, 2020. Our ability to acquire and sell mortgage assets continues to be significantly constrained by limitations imposed by the Purchase Agreement and FHFA.

With respect to the composition of our mortgage-related investments portfolio, in August 2020, FHFA instructed us to: (1) reduce the amount of agency MBS we hold to no more than \$50 billion by June 30, 2021 and no more than \$20 billion by June 30, 2022, with all dollar caps to be based on UPB; and (2) reduce the UPB of our existing portfolio of collateralized mortgage obligations (CMOs), which are also sometimes referred to as REMICs, to zero by June 30, 2021. We will have a holding period limit to sell any new CMO tranches created but not sold at issuance. CMOs do not include tranches initially retained from reperforming loans senior subordinate securitization structures.

Government Support for Our Business

We receive substantial support from Treasury and are dependent upon its continued support in order 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 September 30, 2020, our assets exceeded our liabilities under GAAP; therefore, FHFA 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 the three months ended December 31, 2020. Since conservatorship began through December 31, 2020, we have paid cash dividends of \$119.7 billion to Treasury at the direction of the Conservator.

At December 31, 2020, our assets exceeded our liabilities under GAAP. As a result, FHFA will not submit a draw request from Treasury on our behalf. Based on our Net Worth Amount at December 31, 2020 and the applicable Capital Reserve Amount, we will not have a dividend requirement to Treasury in March 2021.

Additionally, in recent years, the Federal Reserve purchased significant amounts of mortgage-related securities issued by us, Fannie Mae and Ginnie Mae.

See **Note 9** and **Note 13** for more information on the conservatorship and the Purchase Agreement.

Related Parties as a Result of Conservatorship

As a result of our issuance to Treasury of the warrant to purchase shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding, on a fully diluted basis, we are deemed a related party to the U.S. government. During the years ended December 31, 2020, 2019, and 2018, no transactions outside of normal business activities have occurred between us and the U.S. government (or any of its related parties), except for the following:

- The transactions with Treasury discussed above in **Purchase Agreement and Warrant** and **Government Support for Our Business**;
- The transactions entered into whereby we and Fannie Mae, in conjunction with Treasury, provided assistance to state and local HFAs. Treasury will reimburse Freddie Mac for initial guarantee losses on these transactions;
- The transactions discussed in **Note 4**, **Note 9**, and **Note 13**; and
- The allocation or transfer of 4.2 basis points of each dollar of new business purchases to certain housing funds as required under the GSE Act.

In addition, we are deemed a related party with Fannie Mae as both we and Fannie Mae have the same relationships with FHFA and Treasury. All transactions between us and Fannie Mae have occurred in the normal course of business in conservatorship.

In October 2013, FHFA announced the formation of CSS. CSS is a limited liability company equally-owned by Freddie Mac and Fannie Mae, and CSS is also deemed a related party. In connection with the formation of CSS, we entered into a limited liability company (LLC) agreement with Fannie Mae. Additionally, we and Fannie Mae 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 2019. In June 2019, we entered into an agreement with Fannie Mae regarding the commingling of certain of our mortgage securities and related indemnification obligations. During the year ended December 31, 2020, we contributed \$88 million of capital to CSS, and we have contributed \$658 million since the fourth quarter of 2014. The carrying value of our investment in CSS was \$16 million and \$35 million as of December 31, 2020 and December 31, 2019, respectively, and was included in other assets on our consolidated balance sheets.

In January 2020, FHFA directed Freddie Mac and Fannie Mae to amend the LLC agreement for CSS to change the structure of the Board of Managers (CSS Board). The revised LLC agreement also removed the requirement that any CSS Board decision must be approved by at least one of the CSS Board members appointed by Freddie Mac and one appointed by Fannie Mae. These amendments reduce Freddie Mac's and Fannie Mae's ability to control CSS Board decisions, even after conservatorship, including decisions about strategy, business operations, and funding.

Under the revised CSS LLC agreement, the CSS Board will continue to include two Freddie Mac and two Fannie Mae representatives, and it will also include two additional members: the Chief Executive Officer of CSS and an independent, non-Executive Chair. During conservatorship, the CSS Board Chair shall be designated by FHFA, and all CSS Board decisions will require the affirmative vote of the Board Chair. During conservatorship, FHFA also may appoint up to three additional independent members to the CSS Board, who along with the Board Chair and the Chief Executive Officer of CSS may continue to serve on the CSS Board after conservatorship. FHFA appointed a CSS Board member to serve as Chair in January 2020, and FHFA subsequently appointed three additional CSS Board members, one in June 2020 and two in January 2021. As a result, the CSS Board members we and Fannie Mae appoint could be outvoted by non-GSE designated Board members on any matter during conservatorship and on a number of significant matters, including approval of the annual budget and strategic plan for CSS, if either we or Fannie Mae exits from conservatorship. Certain material post-conservatorship decisions, however, would require approval of at least one Board member designated by us and one designated by Fannie Mae, including those decisions involving a material change in CSS's functionality, such as the addition of a new business line or reduction in CSS's support of the UMBS, capital contributions beyond those necessary to support CSS's ordinary business operations, appointment or removal of the Chief Executive Officer of CSS, and admission of new members.

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. See **Note 5** for additional information on our guarantee activities. We also use trusts that are VIEs in certain single-family credit risk transfer products.

We consolidate VIEs when we have a controlling financial interest in the VIE and are therefore considered the primary beneficiary of the VIE. We are the primary beneficiary of a VIE when we have both the power to direct the activities of the VIE that most significantly impact its economic performance and exposure to losses or benefits of the VIE that could potentially be significant to the VIE. We evaluate whether we are the primary beneficiary of VIEs in which we have interests at both inception and on an ongoing basis, and the primary beneficiary determination may change over time as our interest in the VIE changes.

We do not believe the maximum exposure to loss from our involvement with VIEs for which we are not the primary beneficiary discussed below is representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancements. See **Note 8** for additional information on credit enhancements. Certain of our interest-rate risk-related guarantees to VIEs for which we are not the primary beneficiary may create exposure to loss that is unlimited. We account for these interest-rate risk-related guarantees at fair value as discussed further in **Note 5** and generally reduce our exposure to these guarantees with unlimited interest rate exposure through separate derivative contracts with third parties. See **Note 10** for additional information on derivatives.

Securitization Activities

Single-family Guarantee

Level 1 Securitization Products

Level 1 Securitization Products consist of UMBS, 55-day MBS, and PCs, which are all pass-through debt securities that represent undivided beneficial interests in a pool of loans held by a securitization trust. All Level 1 Securitization Products are backed only by mortgage loans we have acquired. We serve as both administrator and guarantor for these trusts. As administrator, we have the right to establish servicing terms and direct loss mitigation activities for the loans held by these trusts. As guarantor, we guarantee the payment of principal and interest on these securities in exchange for a guarantee fee, and we have the right to purchase delinquent loans from the trust to help improve the economic performance of the trust. We absorb all credit losses of these trusts through our guarantee of the principal and interest payments.

The economic performance of these trusts is most significantly affected by the performance of the underlying loans. Our rights as administrator and guarantor provide us with the power to direct the activities that most significantly affect the performance of the underlying loans. We also have the obligation to absorb losses of these trusts that could potentially be significant through our guarantee of principal and interest payments. Accordingly, we concluded that we are the primary beneficiary of, and therefore, consolidate these trusts.

Loans held by these trusts are recognized on our consolidated balance sheets as mortgage loans held-for-investment. The corresponding securities held by third parties are recognized on our consolidated balance sheets as debt. We extinguish the outstanding debt securities of the related consolidated trust and recognize gains or losses on debt extinguishment for the difference between the consideration paid and the debt carrying value when we purchase these securities as investments in our mortgage-related investments portfolio. Sales of these securities that were previously held as investments in our mortgage-related investments portfolio are accounted for as debt issuances.

We no longer issue securities with a 45-day payment delay. As a result, we are offering an optional exchange program for security holders to exchange certain existing fixed-rate Gold PCs and Giant PCs for corresponding UMBS and other applicable 55-day payment delay Freddie Mac securities. We make a one-time payment to exchanging security holders for the value of the 10 additional days of payment delay based on float compensation rates we calculate. When existing PCs are exchanged for UMBS or 55-day MBS under our exchange program, we account for the exchange as a debt modification, as the terms of the securities are not substantially different and the exchange does not result in a change in the creditor. The float compensation we pay in conjunction with the exchange is deferred as a basis adjustment to the debt and amortized into interest expense over the remaining life of the debt. See **Note 4** and **Note 9** for additional information on loans and debt securities of consolidated trusts.

At December 31, 2020 and December 31, 2019, we were the primary beneficiary of, and therefore consolidated, Level 1 securitization trusts with assets totaling \$2.3 trillion and \$1.9 trillion, respectively. During 2020 and 2019, we issued

approximately \$1.1 trillion and \$0.4 trillion, respectively, of guaranteed Level 1 Securitization Products. Our exposure for guarantees to consolidated securitization trusts is generally equal to the UPB of the loans recorded on our consolidated balance sheets.

Resecuritization Products

We create resecuritization products primarily by using Level 1 Securitization Products or our previously issued resecuritization products (or similar TBA-eligible products issued and guaranteed by Fannie Mae) as the underlying collateral. In a typical resecuritization transaction, previously issued Level 1 Securitization Products or resecuritization products are transferred to a resecuritization trust that issues beneficial interests in the underlying collateral. We establish parameters that define eligibility standards for assets that may be used as collateral for each of our resecuritization programs. Resecuritization products can then be created based on the parameters that we have established. Similar to our Level 1 Securitization Products, we guarantee the full payment of principal and interest to the investors in our resecuritization products. When we issue resecuritization products that do not use Fannie Mae securities as collateral, we do not assume any incremental credit risk as we have already guaranteed the underlying assets. When we issue commingled resecuritization products, our guarantee of the Fannie Mae securities used as collateral creates incremental exposure to loss, but we view the likelihood of being required to perform on our guarantee as remote 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 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 payment of principal and interest on such products from underlying Fannie Mae securities. If Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, we would be responsible for making the payment. We do not charge an incremental guarantee fee to commingle Fannie Mae collateral in resecuritization transactions.

The main types of resecuritization products we create are single-class resecuritization products (Supers, Giant MBS, and Giant PCs) and multiclass resecuritization products (REMICs and Strips).

- **Single-class resecuritization products** - These securities are direct pass-throughs of the cash flows of the underlying collateral, which may be previously issued Level 1 Securitization Products or single-class resecuritization products (or similar TBA-eligible products issued and guaranteed by Fannie Mae). We do not consolidate these securities as their resecuritization does not result in any new or incremental risk to the holders of the securities issued by the resecuritization trust and because we are not exposed to any incremental rights to receive benefits or obligations to absorb losses that could be significant to the resecuritization trust.

We account for purchases of single-class resecuritization products that we issue that are substantially the same as the underlying collateral as debt extinguishment of a pro-rata portion of the underlying Level 1 Securitization Product. We account for purchases of single-class resecuritization products that we issue that are not considered substantially the same as the underlying collateral as investments in debt securities. Single-class resecuritization products that we issue that are backed entirely by Freddie Mac collateral are considered substantially the same as the underlying collateral, while commingled single-class resecuritization products that we issue are not considered substantially the same as the underlying collateral.

- **Multiclass resecuritization products** - These securities are multiclass resecuritizations of the cash flows of the underlying collateral, which may be previously issued Level 1 Securitization Products, single-class resecuritization products, or multiclass resecuritization products (or similar TBA-eligible products issued and guaranteed by Fannie Mae). The activity that most significantly impacts the economic performance of our multiclass resecuritization trusts is typically the initial design and structuring of the trust. Substantially all multiclass resecuritization trusts are created as part of customer-driven transactions in which an investor or dealer participates in the decisions made during the design and establishment of the trust. As a result, we do not have the unilateral ability to direct the activities of our multiclass resecuritization trusts that most significantly impact the economic performance of those trusts. In addition, unless we retain a portion of the issued multiclass resecuritization products, we do not have the right to receive benefits or the obligation to absorb losses that could potentially be significant to the trusts because we have already provided a guarantee on the underlying assets. As a result, we have concluded that we are not the primary beneficiary of our multiclass resecuritization trusts and, therefore, do not consolidate those trusts.

Because we (or Fannie Mae) have already guaranteed the underlying assets, we do not receive any incremental guarantee fees in exchange for our guarantee, and, accordingly, we do not recognize any additional guarantee assets, guarantee obligations or reserves for guarantee losses related to multiclass resecuritization trusts. Instead, we receive a one-time transaction fee which represents compensation for both the structuring and creation of the securities and for our ongoing administrative responsibilities to service the securities. We recognize the portion of the transaction fee related to creation of the securities immediately in earnings. We defer the portion of the fee related to ongoing administrative responsibilities and amortize it over the life of the associated trust.

When we purchase a multiclass resecuritization product as an investment in our mortgage-related investments portfolio, we generally record the security as an investment in debt securities rather than extinguishment of debt since we are generally investing in the debt securities of a nonconsolidated entity. We do not consolidate multiclass resecuritization

trusts in which we hold variable interests, as we are not deemed to be the primary beneficiary of the trusts, unless we have the unilateral ability to liquidate the trust. Similarly, sales of multiclass securitization products previously held as investments in our mortgage-related investments portfolio are accounted for as sales of investments in debt securities. See **Note 6** for additional information on accounting for investments in debt securities.

With the exception of commingled securities, our investments in and guarantees of securities issued by securitization trusts for which we are not the primary beneficiary typically do not create any incremental exposure to loss because we already guarantee and consolidate the underlying collateral. The fair value of these investments in our securitization trusts for which we are not the primary beneficiary was \$28.5 billion and \$37.9 billion as of December 31, 2020 and December 31, 2019, respectively. While our guarantee of Fannie Mae securities underlying commingled securitization products creates incremental exposure to loss, we view the likelihood of being required to perform on our guarantee as remote 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. The UPB of Fannie Mae securities underlying commingled Freddie Mac securitization trusts for which we are not the primary beneficiary totaled \$85.3 billion and \$26.8 billion as of December 31, 2020 and December 31, 2019, respectively. See **Note 5** for additional information on our guarantee of Fannie Mae securities.

Senior Subordinate Securitization Structures

We are the primary beneficiary of and, therefore, consolidate our single-family senior subordinate securitization structures backed by recently originated loans because we have both the ability to direct the loss mitigation activities of the underlying loans and the obligation to absorb credit losses through our guarantee of the issued senior securities. As a result, we consolidated the trusts used in these senior subordinate securitization structures with underlying assets totaling \$8.9 billion and \$19.9 billion, at December 31, 2020 and December 31, 2019, respectively. We no longer issue these products on a regular basis.

We do not consolidate our single-family senior subordinate securitization structures backed by seasoned loans because we do not have the ability to direct the loss mitigation activities of the underlying loans, which is the most significant activity affecting the economic performance of the VIE. For those securitizations that we do not consolidate where we sell loans to the VIE, we derecognize the transferred loans and account for our guarantee to the nonconsolidated VIE. We account for our investments in the beneficial interests issued by the nonconsolidated VIE, if any, as investments in debt securities. During 2020 and 2019, we issued approximately \$7.0 billion and \$11.2 billion, respectively, of guaranteed securities in these senior subordinate securitization structures for which a guarantee asset and guarantee obligation were generally recognized. The maximum exposure to loss for our single-family senior subordinate securitization structures for which we are not the primary beneficiary totaled \$28.1 billion and \$24.3 billion at December 31, 2020 and December 31, 2019, respectively, and represents the guaranteed UPB of the assets held by these unconsolidated VIEs. The total assets of these unconsolidated VIEs totaled \$33.7 billion and \$28.8 billion at December 31, 2020 and December 31, 2019, respectively.

Other Securitization Products

We are the primary beneficiary of and, therefore, consolidate the trusts used to issue our single-family other securitization products when we have the ability to direct the activities that most significantly affect the economic performance of the trusts and we have the obligation to absorb credit losses through our guarantee of some or all of the issued securities. As a result, we consolidated trusts used to issue these products with underlying assets totaling \$2.3 billion and \$2.8 billion at December 31, 2020 and December 31, 2019, respectively. We do not consolidate the trusts used to issue our single-family other securitization products that do not meet these conditions. The maximum exposure to loss for these single-family securitizations for which we are not the primary beneficiary totaled \$1.7 billion and \$2.5 billion at December 31, 2020 and December 31, 2019, respectively. The total assets of these unconsolidated VIEs totaled \$1.8 billion and \$2.6 billion at December 31, 2020 and December 31, 2019, respectively. We have not entered into single-family other securitization products in several years.

Multifamily

K Certificates

In a K Certificate transaction, we sell multifamily loans to a non-Freddie Mac securitization trust that issues senior, mezzanine, and subordinate securities, and simultaneously purchase and place the senior securities into a Freddie Mac securitization trust that issues guaranteed K Certificates. In these transactions, we guarantee the senior securities issued by the Freddie Mac securitization trust and do not issue or guarantee the mezzanine or subordinate securities issued by the non-Freddie Mac securitization trust. We receive a guarantee fee in exchange for our guarantee. We serve as guarantor of our K Certificate trusts and, from time to time, as master servicer. However, in contrast to single-family transactions, the rights to direct loss mitigation activities of the underlying loans and to purchase delinquent loans from the securitization trust are generally held by the investor in the most subordinate remaining securities issued by the non-Freddie Mac trust, and therefore we do not have any power to direct those activities unless we are the investor in the most subordinate remaining securities. We do not typically invest in the subordinate securities issued in K Certificate transactions.

The economic performance of our K Certificate trusts is most significantly affected by the performance of the underlying loans. Because our rights in a K Certificate transaction do not provide us with the power to direct the activities that most significantly affect the performance of the underlying loans if we do not hold the most subordinate remaining securities, we are not the

primary beneficiary of our K Certificate trusts and, therefore, do not consolidate those trusts.

When we sell loans in a K Certificate transaction, we derecognize the transferred loans and account for our guarantee to the nonconsolidated K Certificate trust. We account for our investments in the beneficial interests issued by the trusts used in our K Certificate transactions as investments in debt securities.

During 2020 and 2019, we issued approximately \$55.6 billion and \$53.6 billion, respectively, of K Certificates for which a guarantee asset and guarantee obligation were generally recognized. The maximum exposure to loss for our K Certificate securitizations for which we are not the primary beneficiary totaled \$253.0 billion and \$220.7 billion at December 31, 2020 and December 31, 2019, respectively, and primarily represents the UPB of the beneficial interests that we have guaranteed. The total assets of these nonconsolidated VIEs totaled \$291.3 billion and \$256.9 billion at December 31, 2020 and December 31, 2019, respectively.

SB Certificates

In SB Certificate transactions, we securitize multifamily small balance loans using a non-Freddie Mac SB Certificate trust that issues senior classes of securities that we guarantee, as well as subordinated classes of securities that we do not guarantee. Similar to our K Certificate transactions, we are not the primary beneficiary of and, therefore, do not consolidate our SB Certificate trusts, as we do not have the ability to direct loss mitigation activities of the underlying loans, which is the most significant activity affecting the economic performance of the VIE.

In a typical SB Certificate transaction, we sell loans to a SB Certificate trust, derecognize the transferred loans and account for our guarantee to the nonconsolidated SB Certificate trust. We account for our investments in the beneficial interests issued by nonconsolidated SB Certificate trusts as investments in debt securities.

During 2020 and 2019, we issued approximately \$4.4 billion and \$6.2 billion, respectively, of SB Certificates for which a guarantee asset and guarantee obligation were recognized. The maximum exposure to loss for our SB Certificate securitizations for which we are not the primary beneficiary totaled \$21.5 billion and \$19.4 billion at December 31, 2020 and December 31, 2019, respectively, and primarily represents the UPB of the beneficial interests that we have guaranteed. The total assets of these nonconsolidated VIEs totaled \$23.9 billion and \$21.6 billion at December 31, 2020 and December 31, 2019, respectively.

Other Securitization Products

We are the primary beneficiary of and, therefore, consolidate the trusts used to issue certain of our other securitization products because we have the ability to direct the activities that most significantly affect the economic performance of the trusts and we have the obligation to absorb credit losses through our guarantee of some or all of the issued securities. As a result, we consolidated trusts used in these other securitization products with underlying assets totaling \$14.3 billion and \$8.7 billion at December 31, 2020 and December 31, 2019, respectively. During 2020 and 2019, we issued approximately \$6.0 billion and \$4.0 billion, respectively, of other securitization products that we consolidated.

We do not consolidate the trusts used to issue our other securitization products when we do not meet the above conditions. For those products, we account for our guarantee to the nonconsolidated VIE. We issued approximately \$3.1 billion of these securities, during both 2020 and 2019, for which a guarantee asset and guarantee obligation were generally recognized.

The maximum exposure to loss for our other securitization products for which we are not the primary beneficiary totaled \$14.9 billion and \$14.0 billion at December 31, 2020 and December 31, 2019, respectively, and primarily represents the UPB of the beneficial interests that we have guaranteed. The total assets of these nonconsolidated VIEs totaled \$16.9 billion and \$16.0 billion at December 31, 2020 and December 31, 2019, respectively.

CRT Activities

STACR Trust Notes

In a STACR Trust note transaction, a trust issues credit-linked notes whose repayments are based on the credit performance of a reference pool of mortgage loans. The trust makes periodic payments of principal and interest on the notes to investors. We make payments to the trust to support payment of the interest due on the notes, and we receive payments from the trust that otherwise would have been made to the noteholders to the extent there are credit events on the mortgages in the reference pool. The note balances are reduced by the amount of the payments to us. STACR Trust was designed to create and pass along to its interest holders the variability related to the credit risk of the mortgages in the reference pool. Because our credit risk transfer arrangement is a creator rather than an absorber of that variability, we do not have a variable interest in the risk that the STACR Trust was designed to create and pass along to its interest holders and do not consolidate the trusts used in the STACR Trust note transactions. The maximum exposure to loss for our STACR Trust Notes for which we are not the primary beneficiary represents our recorded expected recovery receivable totaled \$420 million and \$21 million at December 31, 2020 and December 31, 2019, respectively. The total assets of these nonconsolidated VIEs totaled \$17.3 billion and \$9.7 billion at December 31, 2020 and December 31, 2019, respectively. See **Note 8** for additional information on the amount of available coverage.

Consolidated VIEs

We consolidated the VIEs for which we are the primary beneficiary as discussed above. Our exposure on debt securities of consolidated trusts represents our liability to third parties that hold beneficial interests in our consolidated securitization trusts.

When we consolidate a VIE, we recognize the assets and liabilities of the VIE on our consolidated balance sheets and account for those assets and liabilities based on the applicable GAAP for each specific type of asset or liability. Assets and liabilities that we transfer to a VIE at, after or shortly before the date we become the primary beneficiary of the VIE are initially measured at the same amounts that they would have been measured if they had not been transferred, and no gain or loss is recognized on these transfers. For all other VIEs that we consolidate, we recognize the assets and liabilities of the VIE at fair value, and we recognize a gain or loss for the difference between:

- The sum of the fair value of the consideration paid, the fair value of any noncontrolling interests, and the reported amount of any previously held interests and
- The net fair value of the assets and liabilities recognized. Guarantees to consolidated VIEs are eliminated in consolidation and are therefore not separately recognized on our consolidated balance sheets.

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

Table 3.1 - Consolidated VIEs

(In millions)	December 31, 2020	December 31, 2019
Consolidated Balance Sheet Line Item		
Assets:		
Cash and cash equivalents (includes \$17,289 and \$869 of restricted cash and cash equivalents)	\$17,290	\$870
Securities purchased under agreements to resell	38,487	23,137
Investment securities, at fair value	591	597
Mortgage loans held-for-investment	2,273,347	1,940,523
Accrued interest receivable, net	7,134	6,170
Other assets	20,480	9,824
Total assets of consolidated VIEs	\$2,357,329	\$1,981,121
Liabilities:		
Accrued interest payable	\$5,610	\$5,536
Debt	2,308,176	1,898,355
Other liabilities	—	1
Total liabilities of consolidated VIEs	\$2,313,786	\$1,903,892

Nonconsolidated VIEs

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our consolidated balance sheets related to VIEs for which we are not the primary beneficiary and with which we were involved in the design and creation and have a significant continuing involvement. Our involvement with such VIEs primarily consists of investments in debt securities issued by resecuritization trusts and guarantees of senior securities issued by certain Multifamily securitization trusts.

Table 3.2 - Nonconsolidated VIEs

(In millions)	December 31, 2020	December 31, 2019
Assets and Liabilities Recorded on our Consolidated Balance Sheets⁽¹⁾		
<i>Assets:</i>		
Investment securities, at fair value	\$28,459	\$37,918
Accrued interest receivable, net	239	212
Derivative assets, net	61	14
Other assets	5,553	3,951
<i>Liabilities:</i>		
Derivative liabilities, net	47	108
Other liabilities	4,515	3,761

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

We also obtain interests in various other entities created by third parties through the normal course of business that may be VIEs, such as through our investments in certain non-Freddie Mac mortgage-related securities, purchases of multifamily loans, guarantees of multifamily housing revenue bonds, as a derivative counterparty or through other activities. To the extent that we were not involved in the design or 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. As a result, we do not consolidate these VIEs and we account for our interests in these VIEs in the same manner that we account for our interests in other third-party transactions. See **Note 6** for additional information regarding our investments in non-Freddie Mac mortgage-related securities. See **Note 4** for more information regarding multifamily loans.

NOTE 4**Mortgage Loans**

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

The table below provides details of the loans on our consolidated balance sheets as of December 31, 2020 and December 31, 2019.

Table 4.1 - Mortgage Loans

(In millions)	December 31, 2020			December 31, 2019		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total
Held-for-sale UPB	\$10,702	\$23,789	\$34,491	\$18,543	\$18,954	\$37,497
Cost basis and fair value adjustments, net	(1,637)	798	(839)	(2,800)	591	(2,209)
Total held-for-sale loans, net	9,065	24,587	33,652	15,743	19,545	35,288
Held-for-investment UPB	2,271,576	21,923	2,293,499	1,938,282	17,473	1,955,755
Cost basis adjustments	62,415	54	62,469	33,375	16	33,391
Allowance for credit losses	(5,628)	(104)	(5,732)	(4,222)	(12)	(4,234)
Total held-for-investment loans, net	2,328,363	21,873	2,350,236	1,967,435	17,477	1,984,912
Total mortgage loans, net	\$2,337,428	\$46,460	\$2,383,888	\$1,983,178	\$37,022	\$2,020,200

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

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

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

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

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

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

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

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

(In billions)	Year Ended December 31,		
	2020	2019	2018
Single-family:			
Purchases			
Held-for-investment loans	\$1,085.9	\$451.2	\$307.7
Reclassified from held-for-investment to held-for-sale ⁽¹⁾	4.6	13.6	21.7
Sale of held-for-sale loans ⁽²⁾	9.0	13.1	10.2
Multifamily:			
Purchases			
Held-for-investment loans	9.6	9.5	5.0
Held-for-sale loans	69.7	65.3	70.3
Reclassified from held-for-investment to held-for-sale ⁽¹⁾	2.7	1.9	1.8
Sale of held-for-sale loans ⁽³⁾	66.7	71.3	68.1

(1) We reclassify loans from held-for-investment to held-for-sale when we no longer have both the intent and ability to hold for the foreseeable future. For additional information regarding the fair value of our loans classified as held-for-sale, see **Note 19**.

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

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

Reclassifications

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

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

Prior to adoption of CECL, when we reclassified a loan from held-for-investment to held-for-sale, we wrote off the entire difference between the loan's amortized cost basis and its fair value if the loan had a history of credit-related issues. If the write-off amount exceeded the existing allowance for credit losses amount, an additional provision for credit losses was recorded. Any declines in loan fair value after the date of reclassification were recognized as a valuation allowance, with an offset recorded to investment gains (losses), net.

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

Table 4.3 - Loan Reclassifications

(In millions)	2020		
	UPB	Allowance for Credit Losses Reversed or (Established)	Valuation Allowance (Established) or Reversed
Single-family reclassifications from:			
Held-for-investment to held-for-sale ⁽¹⁾	\$4,628	\$300	\$—
Held-for-sale to held-for-Investment ⁽²⁾	1,721	147	34
Multifamily reclassifications from:			
Held-for-investment to held-for-sale	2,703	9	(6)
Held-for-sale to held-for-Investment	775	(1)	4

(1) Prior to reclassification from held-for-investment to held-for-sale, we charged off \$264 million against the allowance for credit losses during 2020.

(2) Allowance for credit losses reversed upon reclassifications from held-for-sale to held-for-investment for loans that were previously charged off and the present values of expected future cash flows were in excess of the amortized cost basis upon reclassification.

Interest Income

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

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

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

For loans in active forbearance plans that were current prior to receiving forbearance, we continue to accrue interest income while the loan is in forbearance and is three or more monthly payments past due when we believe the available evidence indicates that collectability of principal and interest is reasonably assured based on management judgment, taking into consideration additional factors, the most important of which is current LTV ratio. When we accrue interest on loans that are three or more monthly payments past due, we measure an allowance for expected credit losses on unpaid accrued interest receivable balances such that the balance sheet reflects the net amount of interest we expect to collect. See **Note 7** for additional information on the allowance for credit losses on accrued interest receivable and **Note 14** for additional information on interest income on mortgage loans.

The table below presents the amortized cost basis of non-accrual loans as of January 1, 2020 and December 31, 2020, including the interest income recognized during 2020 that is related to the loans on non-accrual status as of December 31, 2020.

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

(In millions)	Non-accrual Amortized Cost Basis		Interest Income Recognized ⁽¹⁾
	January 1, 2020	December 31, 2020	Year Ended December 31, 2020
Single-family:			
20- and 30-year or more, amortizing fixed-rate	\$5,598	\$12,151	\$235
15-year amortizing fixed-rate	242	696	10
Adjustable-rate	91	193	3
Alt-A, interest-only, and option ARM	439	637	10
Total single-family	6,370	13,677	258
Total multifamily	13	—	—
Total single-family and multifamily	\$6,383	\$13,677	\$258

(1) Represents the amount of payments received during 2020, including those received while the loans were on accrual status, for the held-for-investment loans on non-accrual status as of December 31, 2020.

The table below provides the amount of accrued interest receivable, net presented on our consolidated balance sheets and the amount of accrued interest receivable related to loans on non-accrual status as of December 31, 2020 that was written off through reversal of interest income on our consolidated statements of comprehensive income (loss) by portfolio.

Table 4.5 - Accrued Interest Receivable, Net and Related Charge-offs Through Reversal of Interest Income

(In millions)	December 31, 2020	Year Ended December 31, 2020
	Accrued Interest Receivable, Net	Accrued Interest Receivable Related Charge-offs
Single-family loans	\$7,292	(\$333)
Multifamily loans	139	—

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 18**.

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

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

Table 4.6 - Amortized Cost Basis of Single-Family Held-for-Investment Loans by Current LTV Ratio and Vintage

(In millions)	December 31, 2020						Total
	Year of Origination						
	2020	2019	2018	2017	2016	Prior	
Current LTV Ratio:							
20- and 30-year or more, amortizing fixed-rate							
≤ 60	\$203,333	\$52,820	\$33,139	\$64,834	\$115,978	\$431,406	\$901,510
> 60 to 80	437,107	141,094	64,236	59,110	40,614	44,636	786,797
> 80 to 100	206,457	53,926	8,822	2,117	654	3,983	275,959
> 100 ⁽¹⁾	202	7	25	64	61	948	1,307
Total 20- and 30-year or more, amortizing fixed-rate	847,099	247,847	106,222	126,125	157,307	480,973	1,965,573
15-year amortizing fixed-rate							
≤ 60	78,269	17,753	9,914	19,650	29,916	83,842	239,344
> 60 to 80	67,904	12,169	2,195	961	215	135	83,579
> 80 to 100	8,553	400	17	12	9	17	9,008
> 100 ⁽¹⁾	21	—	3	5	3	7	39
Total 15-year amortizing fixed-rate	154,747	30,322	12,129	20,628	30,143	84,001	331,970
Adjustable-rate							
≤ 60	1,427	850	731	2,429	2,042	12,993	20,472
> 60 to 80	1,403	877	537	1,061	329	528	4,735
> 80 to 100	232	125	34	29	2	8	430
> 100 ⁽¹⁾	—	—	—	—	—	1	1
Total Adjustable-rate	3,062	1,852	1,302	3,519	2,373	13,530	25,638
Alt-A, Interest-only, and option ARM							
≤ 60	—	—	—	—	—	8,620	8,620
> 60 to 80	—	—	—	—	—	1,818	1,818
> 80 to 100	—	—	—	—	—	314	314
> 100 ⁽¹⁾	—	—	—	—	—	58	58
Total Alt-A, Interest-only, and option ARM	—	—	—	—	—	10,810	10,810
Total single-family loans	\$1,004,908	\$280,021	\$119,653	\$150,272	\$189,823	\$589,314	\$2,333,991
Total for all loan product types by Current LTV ratio:							
≤ 60	\$283,029	\$71,423	\$43,784	\$86,913	\$147,936	\$536,861	\$1,169,946
> 60 to 80	506,414	154,140	66,968	61,132	41,158	47,117	876,929
> 80 to 100	215,242	54,451	8,873	2,158	665	4,322	285,711
> 100 ⁽¹⁾	223	7	28	69	64	1,014	1,405
Total single-family loans	\$1,004,908	\$280,021	\$119,653	\$150,272	\$189,823	\$589,314	\$2,333,991

Referenced footnotes are included after the next table.

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

(1) The serious delinquency rate for the total of single-family held-for-investment mortgage loans with current LTV ratios in excess of 100% was 11.17% and 4.51% as of December 31, 2020 and December 31, 2019, respectively.

Multifamily

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

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

Table 4.7 - Amortized Cost Basis of Multifamily Held-for-Investment Loans by Credit Quality Indicator by Vintage

(In millions)	December 31, 2020								December 31, 2019
	Year of Origination							Total	Total
	2020	2019	2018	2017	2016	Prior	Revolving Loans		
Category:									
Pass	\$7,486	\$6,491	\$1,075	\$722	\$590	\$2,715	\$2,024	\$21,103	\$17,227
Special mention	—	524	115	—	8	108	—	755	141
Substandard	—	—	6	41	—	72	—	119	121
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$7,486	\$7,015	\$1,196	\$763	\$598	\$2,895	\$2,024	\$21,977	\$17,489

Past Due Status

The tables below present the amortized cost basis of our single-family and multifamily loans, held-for-investment, by payment status. Pursuant to FHFA guidance and the CARES Act, we offer mortgage relief options for borrowers affected by the COVID-19 pandemic. Among other things, we are offering forbearance to single-family and multifamily borrowers experiencing a financial hardship, either directly or indirectly, related to COVID-19. We report single-family loans in forbearance as past due during the forbearance period to the extent that payments are past due based on the loan's original contractual terms, irrespective of the forbearance plan, based on the information reported to us by our servicers. We report multifamily loans in forbearance as current as long as the borrower is in compliance with the forbearance agreement, including the agreed upon repayment plan. As a result, all multifamily loans in forbearance are reported as current in the tables below, even if payments are past due based on the loan's original contractual terms.

Table 4.8 - Amortized Cost Basis of Held-for-Investment Loans by Payment Status

(In millions)	December 31, 2020						
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure ⁽¹⁾	Total	Three Months or More Past Due, and Accruing	Non-accrual With No Allowance ⁽²⁾
Single-family:							
20- and 30-year or more, amortizing fixed-rate	\$1,891,981	\$15,798	\$5,941	\$51,853	\$1,965,573	\$40,162	\$648
15-year amortizing fixed-rate	326,651	1,439	429	3,451	331,970	2,723	11
Adjustable-rate	24,483	192	79	884	25,638	690	5
Alt-A, interest-only, and option ARM	9,227	292	130	1,161	10,810	538	115
Total single-family	2,252,342	17,721	6,579	57,349	2,333,991	44,113	779
Total multifamily⁽³⁾	21,977	—	—	—	21,977	—	—
Total single-family and multifamily	\$2,274,319	\$17,721	\$6,579	\$57,349	\$2,355,968	\$44,113	\$779
(In millions)	December 31, 2019						
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure ⁽¹⁾	Total	Non-accrual	
Single-family:							
20- and 30-year or more, amortizing fixed-rate	\$1,653,113	\$15,481	\$3,326	\$5,348	\$1,677,268	\$5,822	
15-year amortizing fixed-rate	242,177	1,131	175	240	243,723	252	
Adjustable-rate	36,537	238	45	89	36,909	104	
Alt-A, interest-only, and option ARM	12,690	489	161	417	13,757	205	
Total single-family	1,944,517	17,339	3,707	6,094	1,971,657	6,383	
Total multifamily	17,489	—	—	—	17,489	13	
Total single-family and multifamily	\$1,962,006	\$17,339	\$3,707	\$6,094	\$1,989,146	\$6,396	

(1) Includes \$1.0 billion and \$1.8 billion of loans that were in the process of foreclosure as of December 31, 2020 and December 31, 2019, respectively.

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

(3) As of December 31, 2020, includes \$0.7 billion of multifamily loans in forbearance that are reported as current.

FHFA requires us to purchase single-family loans from the trust if they are delinquent for 120 days, and we have the option to purchase sooner under certain circumstances (e.g., imminent default and seller breaches of representations and warranties). We generally have been purchasing loans from the trust when the loans have been delinquent for 120 days or more. In April 2020, we announced that FHFA has instructed us to maintain loans in payment forbearance plans (including COVID-19 payment forbearance plans) in mortgage-related security pools for at least the duration of the forbearance plan. Once the forbearance period expires, the loan will remain in the related securities pool while:

- An offer to reinstate the loan or enter into either a payment deferral solution, repayment plan or trial period plan pursuant to a loan modification remains outstanding;
- The loan is in an active repayment plan or trial period plan; or
- A payment deferral solution is in effect.

Beginning on January 1, 2021, at the instruction of FHFA and in alignment with Fannie Mae, we extended the trigger to purchase delinquent single-family loans out of securitization trusts to 24 months of delinquency, except for loans that are paid off, permanently modified, repurchased by sellers or servicers, subject to foreclosure alternatives, or referred to foreclosure.

When we purchase loans from the trust, we record an extinguishment of the corresponding portion of the debt securities of the consolidated trusts and we reclassify the loans from mortgage loans held-for-investment by consolidated trusts to mortgage loans held-for-investment by Freddie Mac. We purchased \$5.6 billion in UPB of loans from consolidated trusts (or purchased delinquent loans associated with other mortgage-related guarantees) during both the years ended December 31, 2020 and December 31, 2019, respectively.

Troubled Debt Restructurings

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

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

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

Section 4013 of the CARES Act provides temporary relief from the accounting and reporting requirements for TDRs for certain loan modifications related to COVID-19. Specifically, the CARES Act provides that a qualifying financial institution may elect to suspend:

- The requirements under U.S. GAAP for certain loan modifications that would otherwise be categorized as a TDR and
- Any determination that such loan modifications would be considered a TDR, including the related impairment for accounting purposes.

The relief provided by Section 4013 of the CARES Act is extended by the Consolidated Appropriations Act, 2021. As a result, Section 4013 of the CARES Act applies to any modification related to an economic hardship as a result of the COVID-19 pandemic, including a forbearance arrangement, an interest rate modification, a repayment plan, or any similar arrangement that defers or delays payment of principal or interest, that occurs during the period beginning on March 1, 2020 and ending on the earlier of January 1, 2022 or the date that is 60 days after the declaration of the national emergency related to the COVID-19 pandemic ends for a loan that was not more than 30 days past due as of December 31, 2019. We have elected to suspend TDR accounting for eligible modifications under Section 4013 of the CARES Act.

In addition, Section 4022 and Section 4023 of the CARES Act require us to offer forbearance to certain single-family and multifamily borrowers, respectively, with an economic hardship related to the COVID-19 pandemic. Recent guidance issued by federal banking regulators and endorsed by the FASB staff has indicated that government-mandated modification or deferral programs related to the COVID-19 pandemic should not be accounted for as TDRs as the lender did not choose to grant a concession to the borrower. We have concluded that the forbearance programs we are offering under Section 4022 and Section 4023 of the CARES Act are government-mandated deferral programs related to the COVID-19 pandemic, and therefore we will not account for such modifications as TDRs.

We recognize an allowance for credit losses on TDRs as discussed in **Note 7**. We recognize interest income at the modified interest rate, subject to our non-accrual policy as discussed in the **Interest Income** section above, with all other changes in the present value of expected future cash flows being recognized as a component of benefit (provision) for credit losses on our consolidated statements of comprehensive income (loss). We report single-family loans with modifications that were classified as TDRs based on the original product categories of the loans before modifications. The tables below include loans that were reclassified from held-for-investment to held-for-sale after TDR modifications.

The table below provides details of our single-family loan modifications that were classified as TDRs during the periods presented.

Table 4.9 - Single-Family TDR Modification Metrics

	2020	2019	2018
Percentage of TDRs with:			
Interest rate reductions and related term extensions	15%	9%	12%
Principal forbearance and related interest rate reductions and term extensions	22	23	24
Average coupon interest rate reduction	0.3 %	0.1 %	0.2 %
Average months of term extension	179	180	132

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

The table below presents the volume of single-family and multifamily loans that were newly classified as TDRs. 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

(Dollars in millions)	Year Ended December 31,					
	2020		2019		2018	
	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis
<i>Single-family:</i> ⁽¹⁾⁽²⁾						
20- and 30-year or more, amortizing fixed-rate	22,471	\$4,169	25,924	\$4,331	43,742	\$7,084
15-year amortizing fixed-rate	2,584	283	3,018	296	5,944	584
Adjustable-rate	334	59	529	86	902	140
Alt-A, interest-only, and option ARM	1,300	204	1,523	219	2,602	432
Total single-family	26,689	4,715	30,994	4,932	53,190	8,240
Multifamily	—	\$—	—	\$—	1	\$15

(1) The pre-TDR amortized cost basis for single-family loans initially classified as TDR during the years ended December 31, 2020, December 31, 2019, and December 31, 2018 was \$4.7 billion, \$4.9 billion, and \$8.3 billion, respectively.

(2) Includes certain bankruptcy events and forbearance plans, repayment plans, payment deferrals, and modification activities that do not qualify the temporary relief related to TDR provided by the CARES Act based on servicer reporting at the time of TDR event.

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.

Table 4.11 - Payment Defaults of Completed TDR Modifications

(Dollars in millions)	Year Ended December 31,					
	2020		2019		2018	
	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis	Number of Loans	Post-TDR Amortized Cost Basis
<i>Single-family:</i>						
20- and 30-year or more, amortizing fixed-rate	10,339	\$1,869	13,428	\$1,702	13,548	\$1,847
15-year amortizing fixed-rate	482	58	451	36	565	44
Adjustable-rate	130	19	132	15	176	25
Alt-A, interest-only, and option ARM	749	144	871	129	1,178	199
Total single-family	11,700	2,090	14,882	1,882	15,467	2,115
Multifamily	—	\$—	—	\$—	—	\$—

In addition to modifications, loans may be classified as TDRs as a result of other loss mitigation activities (i.e., repayment plans, forbearance plans, or loans in modification trial periods). During the years ended December 31, 2020, December 31, 2019, and

December 31, 2018, 3,862, 5,158, and 8,488, respectively, of such loans (with a post-TDR amortized cost basis of \$0.6 billion, \$0.6 billion, and \$1.0 billion, respectively) experienced a payment default within a year after the loss mitigation activity occurred.

Non-Cash Investing and Financing Activities

During the years ended December 31, 2020, December 31, 2019, and December 31, 2018, we acquired \$435.5 billion, \$238.4 billion, and \$164.0 billion, respectively, of loans held-for-investment in exchange for the issuance of debt securities of consolidated trusts in guarantor swap transactions. We received approximately \$141.7 billion, \$50.0 billion, and \$25.8 billion of loans held-for-investment from sellers during the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively, to satisfy advances to lenders that were recorded in other assets on our consolidated balance sheets.

In addition, we acquired REO properties through foreclosure sales or by deed in lieu of foreclosure. These acquisitions represent non-cash transfers. During the years ended December 31, 2020, December 31, 2019, and December 31, 2018, we had transfers of \$0.2 billion, \$0.8 billion, and \$1.0 billion, respectively, from loans to REO.

NOTE 5

Guarantees and Other Off-Balance Sheet Credit Exposures

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

Guarantees to consolidated entities are eliminated in consolidation and therefore are not separately recognized on our consolidated balance sheets. The accounting treatment for guarantees provided to nonconsolidated entities or other third parties will depend on whether the guarantee contract qualifies as a financial guarantee.

If the guarantee contract qualifies as a financial guarantee and exposes us to incremental credit risk, we will recognize both a guarantee obligation at fair value and the consideration we receive for providing the guarantee, which typically consists of a guarantee asset that represents the fair value of future guarantee fees. As a practical expedient, the measurement of the fair value of the guarantee obligation is set equal to the consideration we receive to provide the guarantee, and no gain or loss is recognized upon issuance of the guarantee. Subsequently, we recognize changes in the fair value of the guarantee asset in current period earnings and amortize the guarantee obligation into earnings as we are released from risk under the guarantee. We also recognize a reserve for guarantee losses based on expected credit losses over the contractual period in which we are exposed to credit risk. See **Note 7** for additional information on our allowance for credit losses.

If the guarantee contract provided to nonconsolidated entities does not qualify as a financial guarantee, that contract will generally be accounted for as a derivative instrument and measured at fair value with changes in fair value recognized immediately in earnings.

Guarantee Activities

Our principal guarantee activities include the following:

Securitization Activity Guarantees

For substantially all of our securitization transactions, we guarantee the principal and interest payments on some or all of the issued beneficial interests. Typically, these guarantees will cover the senior classes of beneficial interests issued by the securitization trust(s). Securitization activity guarantees provided to nonconsolidated trusts will generally qualify as, and be accounted for, as financial guarantees. Our maximum exposure on these guarantees is generally limited to the UPB of the beneficial interests that we have guaranteed.

Guarantees of Fannie Mae Securities

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.

Other Mortgage-Related Guarantees

In certain circumstances, we provide a credit guarantee of mortgage-related assets held by third parties, in exchange for a guarantee fee, without securitizing those assets. These guarantees consist of the following:

- Long-term standby commitments of single-family loans which obligate us to purchase the covered loans when they become seriously delinquent. Periodically, certain of our customers seek to terminate long-term standby commitments and simultaneously enter into guarantor swap transactions to obtain our securities backed by many of the same loans. During 2020 and 2019, we guaranteed \$4.2 billion and \$2.3 billion, respectively, of loans under new long-term standby commitments and
- Guarantees of the timely payment of principal and interest for certain multifamily bonds, which primarily consist of multifamily housing revenue bonds that were issued by HFAs. During 2020 and 2019, we guaranteed \$1.4 billion and \$0.9 billion, respectively, of multifamily bonds.

Our other mortgage-related guarantees will generally qualify and be accounted for as financial guarantees. Our maximum

exposure on these guarantees is limited to the UPB of the mortgage-related assets that we have guaranteed.

Other Guarantees Measured at Fair Value

Other guarantees that do not qualify as financial guarantees are generally accounted for as derivative instruments and measured at fair value. These guarantees primarily include:

- Certain interest-rate guarantees related to our securitization and guarantee activities that do not qualify as financial guarantees;
- Certain market value guarantees, including written options and written swaptions; and
- Guarantees of third-party derivative instruments.

Other Indemnifications

In connection with certain business transactions, we may provide indemnification to counterparties for claims arising out of breaches of certain obligations (e.g., those arising from representations and warranties) in contracts entered into in the normal course of business. Our assessment is that the risk of any material loss from such a claim for indemnification is remote and there are no significant probable and estimable losses associated with these contracts. In addition, we provided indemnification for litigation defense costs to certain former officers who are subject to ongoing litigation. See **Note 20** for information on ongoing litigation. These indemnification obligations will generally be accounted for and qualify as financial guarantees. The recognized liabilities on our consolidated balance sheets related to indemnifications were not significant at both December 31, 2020 and December 31, 2019.

The table below shows our maximum exposure, recognized liability, and maximum remaining term of our recognized guarantees to nonconsolidated 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 enhancements. See **Note 8** for additional information on our credit enhancements.

Table 5.1 - Financial Guarantees

(Dollars in millions, terms in years)	December 31, 2020			December 31, 2019		
	Maximum Exposure ⁽¹⁾	Recognized Liability ⁽²⁾	Maximum Remaining Term	Maximum Exposure ⁽¹⁾	Recognized Liability ⁽²⁾	Maximum Remaining Term
<i>Single-family:</i>						
Securitization activity guarantees	\$29,739	\$401	39	\$26,818	\$361	40
Other mortgage-related guarantees	9,215	193	30	7,492	182	30
Total single-family	\$38,954	\$594		\$34,310	\$543	
<i>Multifamily:</i>						
Securitization activity guarantees	\$287,334	\$4,031	39	\$252,167	\$3,333	39
Other mortgage-related guarantees	10,721	425	33	9,989	416	34
Total multifamily	\$298,055	\$4,456		\$262,156	\$3,749	
Other guarantees measured at fair value	\$47,703	\$794	30	\$24,965	\$253	30
Fannie Mae securities backing Freddie Mac resecuritization products	85,841	—	41	27,408	—	30

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

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

The tables below show the payment status of the mortgage loans underlying our securitization guarantees and other mortgage-related guarantees that are not measured at fair value.

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

December 31, 2020					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure	Total ⁽¹⁾
Single-family	\$37,187	\$2,204	\$945	\$3,922	\$44,258
Multifamily ⁽²⁾	339,614	87	62	557	340,320
Total	\$376,801	\$2,291	\$1,007	\$4,479	\$384,578

December 31, 2019					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure	Total ⁽¹⁾
Single-family	\$33,855	\$2,264	\$760	\$840	\$37,719
Multifamily	301,428	13	76	198	301,715
Total	\$335,283	\$2,277	\$836	\$1,038	\$339,434

(1) Loan-level payment status is not available for certain guarantees totaling \$0.7 billion and \$1.6 billion as of December 31, 2020 and December 31, 2019, respectively, and therefore is not included in the tables above.

(2) As of December 31, 2020, includes \$6.9 billion of multifamily loans in forbearance that are reported as current.

Other Off-Balance Sheet Credit Exposures

In addition to our guarantees, we enter into other agreements that expose us to off-balance sheet credit risk, primarily related to our multifamily business, including certain purchase commitments that are not accounted for as derivative instruments, liquidity guarantees, unfunded lending arrangements and other similar commitments. These agreements may require us to transfer cash before or upon settlement of our contractual obligation. We recognize an allowance for credit losses for those agreements not measured at fair value or otherwise recognized in the financial statements. The total notional value of off-balance sheet credit exposures was \$15.4 billion and \$13.8 billion at December 31, 2020 and December 31, 2019, respectively. See **Note 7** for additional discussion of our allowance for credit losses on our off-balance sheet credit exposures.

We also have certain multifamily purchase commitments, a majority of which we have elected the fair value option, totaling \$5.5 billion and \$3.3 billion at December 31, 2020 and December 31, 2019, respectively, that are excluded from the amounts above as they are not included in our allowance for credit losses.

NOTE 6**Investment Securities**

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

Table 6.1 - Investment Securities

(In millions)	December 31, 2020	December 31, 2019
Trading securities	\$44,458	\$49,537
Available-for-sale securities	15,367	26,174
Total fair value of investment securities	\$59,825	\$75,711

We currently classify and account for our securities as either available-for-sale or trading. As of December 31, 2020 and December 31, 2019, we did not classify any securities as held-to-maturity, although we may elect to do so in the future. Securities classified as available-for-sale and trading are reported at fair value with changes in fair value included in AOCI, net of income taxes and investment gains (losses), net, respectively. See **Note 19** for more information on how we determine the fair value of securities.

We generally record purchases and sales of securities on the trade date when the related forward commitments are exempt from the accounting guidance for derivatives. Alternatively, we record purchases and sales of securities on the expected settlement date, with a corresponding derivative recorded on the trade date, when the related forward commitments are not exempt from the accounting guidance for derivatives.

We include interest on securities on our consolidated statements of comprehensive income. For most of our securities, interest income is recognized using the effective interest method, which considers the contractual terms of the security. Deferred items, including premiums, discounts, and other basis adjustments, are amortized into interest income over the contractual lives of the securities.

For certain securities, interest income is recognized using the prospective effective interest method. We apply this method to securities that:

- Can contractually be prepaid or otherwise settled in such a way that we may not recover substantially all of our recorded investment;
- Are not of high credit quality at acquisition; or
- Have been determined to be other-than-temporarily impaired.

Under this method, we recognize as interest income, over the expected life of the securities, the excess of the cash flows expected to be collected over the securities' carrying value. We update our estimates of expected cash flows periodically and recognize changes in the calculated effective interest rate on a prospective basis.

For securities classified as trading or available-for-sale, we classify the cash flows as investing activities because we hold these securities for investment purposes. In cases where the transfer of a security represents a secured borrowing, we classify the related cash flows as financing activities.

Trading Securities

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

Table 6.2 - Trading Securities

(In millions)	December 31, 2020	December 31, 2019
Mortgage-related securities:		
Agency	\$17,504	\$22,481
Non-agency	1	1
Total mortgage-related securities	17,505	22,482
Non-mortgage-related securities	26,953	27,055
Total fair value of trading securities	\$44,458	\$49,537

For trading securities held at December 31, 2020, 2019, and 2018, we recorded net unrealized gains (losses) of (\$296) million, (\$8) million, and (\$479) million during 2020, 2019 and 2018, respectively.

Available-for-Sale Securities

At both December 31, 2020 and December 31, 2019, 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 6.3 - Available-for-Sale Securities

(In millions)	December 31, 2020					
	Amortized Cost Basis	Allowance for Credit Losses	Gross Unrealized Gains in Other Comprehensive Income	Gross Unrealized Losses in Other Comprehensive Income	Fair Value	Accrued Interest Receivable
Available-for-sale securities:						
Agency	\$13,514	\$—	\$794	(\$4)	\$14,304	\$36
Non-agency and other	830	—	233	—	1,063	4
Total available-for-sale securities	\$14,344	\$—	\$1,027	(\$4)	\$15,367	\$40

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

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

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

The fair value of our available-for-sale securities held at December 31, 2020 scheduled to contractually mature after ten years was \$12.1 billion, with an additional \$2.2 billion scheduled to contractually mature after five years through ten years.

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

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 a gross unrealized loss position for less than 12 months, or 12 months or greater.

Table 6.4 - Available-for-Sale Securities in a Gross Unrealized Loss Position

(In millions)	December 31, 2020			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Agency	\$223	(\$2)	\$144	(\$2)
Non-agency and other	17	—	—	—
Total available-for-sale securities in a gross unrealized loss position	\$240	(\$2)	\$144	(\$2)

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

At December 31, 2020, the gross unrealized losses relate to 44 separate securities. We purchase multiple lots of individual securities at different times and at different costs. We determine gross unrealized gains and gross unrealized losses by specifically evaluating investment positions at the lot level; therefore, some of the lots we hold for an individual security may be in a gross unrealized gain position, while other lots for that security may be in a gross unrealized loss position.

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

Gains and losses on the sale of securities are included in investment securities gains (losses), including those gains (losses) reclassified into earnings from AOCI. We use the specific identification method for determining the cost basis of a security in computing the gain or loss.

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

Table 6.5 - Gross Realized Gains and Gross Realized Losses from Sales of Available-for-Sale Securities

(In millions)	Year Ended December 31,		
	2020	2019	2018
Gross realized gains	\$501	\$219	\$627
Gross realized losses	(108)	(49)	(303)
Net realized gains	\$393	\$170	\$324

Non-Cash Investing and Financing Activities

During the years ended December 31, 2020 and December 31, 2019, we recognized \$30.8 billion and \$10.9 billion, respectively, of investments in securities in exchange for the issuance of debt securities of consolidated trusts through partial sales of commingled single-class securities that were previously consolidated.

NOTE 7**Allowance for Credit Losses**

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

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

Table 7.1 - Details of the Allowance for Credit Losses

(In millions)	December 31, 2020			December 31, 2019			December 31, 2018		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total	Single-family	Multifamily	Total
Beginning balance ⁽¹⁾	\$5,233	\$68	\$5,301	\$6,176	\$15	\$6,191	\$8,979	\$44	\$9,023
Provision (benefit) for credit losses	1,320	132	1,452	(749)	3	(746)	(712)	(24)	(736)
Charge-offs	(592)	—	(592)	(1,737)	—	(1,737)	(2,885)	(8)	(2,893)
Recoveries collected	210	—	210	452	—	452	475	3	478
Other	182	—	182	126	—	126	319	—	319
Ending balance	\$6,353	\$200	\$6,553	\$4,268	\$18	\$4,286	\$6,176	\$15	\$6,191

Components of ending balance of allowance for credit losses:

Mortgage loans held-for-investment	\$5,628	\$104	\$5,732	\$4,222	\$12	\$4,234	\$6,130	\$9	\$6,139
Advances of pre-foreclosure costs	536	—	536	—	—	—	—	—	—
Accrued interest receivable on mortgage loans	140	—	140	—	—	—	—	—	—
Off-balance sheet credit exposures	49	96	145	46	6	52	46	6	52
Total	\$6,353	\$200	\$6,553	\$4,268	\$18	\$4,286	\$6,176	\$15	\$6,191

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

Current Period Changes

During 2020, provision (benefit) for credit losses shifted to a provision from a benefit in 2019 and 2018 due to higher expected credit losses as a result of the COVID-19 pandemic. The higher expected credit losses during 2020 were primarily driven by the following factors:

- **Expected credit losses related to COVID-19 relief programs** - Our provision for credit losses during 2020 required significant management judgment to estimate the impact of COVID-19-related forbearance and relief programs on our expected credit losses. These judgments included estimates of the number of loans that will receive forbearance, the likely exit paths for loans in forbearance plans, and the number of loans where forbearance plans will be unsuccessful and the borrower will ultimately default. These factors resulted in a significant increase in our provision for credit losses for 2020, with the majority of the increase occurring in 1Q 2020. We recognized additional provision for allowances for pre-foreclosure costs and accrued interest receivable related to loans in forbearance due to the COVID-19 pandemic. In total, we increased our provision for credit losses during 2020 by \$2.8 billion as a result of the COVID-19 pandemic.
- **Portfolio growth** - With the adoption of CECL, we recognize expected credit losses over the entire contractual term of the loan at the time of loan acquisition, rather than when it is probable the loan is impaired. In 2020, our single family credit guarantee portfolio grew by \$332 billion or 17%, contributing to the increase in provision for credit losses.
- **Growth in realized and forecasted house prices and declines in forecasted interest rates** - During 2020, house price appreciation and significant declines in mortgage interest rates partially offset the increase in the provision for credit losses as a result of the COVID-19 pandemic and portfolio growth.

In addition, charge-offs decreased in 2020 due to a lower volume of transfers of single-family loans from held-for investment to held-for-sale. The decline in economic activity caused by the COVID-19 pandemic, and the corresponding government response, is unprecedented, and as a result, our estimate of expected credit losses is subject to significant uncertainty.

Allowance for Credit Losses Methodology

Upon adoption of CECL on January 1, 2020, we began applying the below allowance for credit losses methodologies. We recognize changes in the allowance for credit losses through benefit (provision) for credit losses on our consolidated statements of comprehensive income (loss).

Mortgage Loans Held-for-Investment

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

Single-Family

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

The discounted cash flow model we use to estimate the single-family loan allowance for credit losses forecasts cash flows over the loan's remaining contractual term, adjusted for expectations of prepayments and TDRs we reasonably expect will occur. As a result, we do not revert to historical loss information for single-family loans. Cash flow estimates are discounted at the loan's prepayment-adjusted effective interest rate, which is adjusted for projections in the underlying benchmark interest rate for adjustable-rate loans. We project cash flows we expect to collect using our historical experience, such as historical default rates and severity of loss, based on loan characteristics, such as current LTV ratios, delinquency status, geography and borrowers' credit scores. These cash flow estimates are adjusted for current and future economic forecasts, such as current and forecasted interest rates and house price growth rates, and estimated recoveries from loss mitigation activities, attached credit enhancements, and disposition of collateral, less estimated disposition costs.

Our estimate of expected credit losses is particularly sensitive to changes in forecasted house price growth rates, which affect both the probability and severity of expected credit losses, and changes in forecasted interest rates, as declining (increasing) interest rates typically result in higher (lower) expected prepayments and a shorter (longer) estimated loan life, and therefore lower (higher) expected credit losses. Our forecast of house price growth rates leverages an internally based model and uses a nationwide house price growth forecast for the next three years. A Monte Carlo simulation generates many possible house price scenarios for up to 40 years for each metropolitan statistical area (MSA). These scenarios are used to estimate loan-level expected future cash flows and credit losses based on each loan's individual characteristics. Our forecast of interest rates incorporates various interest rate scenarios over the remaining contractual life of the loan based on current interest rates and implied market volatilities.

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

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

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

Multifamily

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

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

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

Advances of Pre-foreclosure Costs

We may incur expenses related to a mortgage loan subsequent to its original acquisition but prior to foreclosure (pre-foreclosure costs). These expenses are generally to protect or preserve our interest or legal right in or to the property prior to foreclosure, such as property taxes or homeowner's insurance premiums owed by the borrower. Many of these expenses are advanced by the servicer and are reimbursable from the borrower. If the borrower ultimately defaults, we reimburse the servicer for the advances it has made. Upon advance by the servicer, we recognize a receivable for the amounts due from the borrower and a payable for amounts due to the servicer. As of December 31, 2020, the balance of such receivables due from the borrower was \$1.4 billion, which is included in other assets on our consolidated balance sheets. We recognize an allowance for credit losses for amounts that we do not ultimately expect to collect from the borrower.

Accrued Interest Receivable

When we accrue interest on mortgage loans that are three or more monthly payments past due, we measure an allowance for expected credit losses on the unpaid accrued interest receivable balances such that the balance sheet reflects the net amount of accrued interest we expect to collect. The assumptions we use for measuring the allowance for credit losses on accrued interest receivable are generally consistent with the assumptions used for measuring the allowance for credit losses on the underlying loans. For additional information on our policy for recognition of interest income on mortgage loans, see **Note 4**.

Off-Balance Sheet Credit Exposures

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

Our methodologies for estimating the allowance for credit losses on off-balance sheet credit exposures for our single-family and multifamily guarantees are generally consistent with our methodologies for estimating the allowance for credit losses for single-family mortgage loans and multifamily mortgage loans, respectively. Many of our guarantees have credit enhancement provided by subordination that exceeds the amount of expected credit losses. We have not recorded an allowance for credit losses on our guarantees of Fannie Mae securities due to the support provided to Fannie Mae by the U.S. government, the

importance of Fannie Mae to the liquidity and stability of the U.S. housing market, and the long history of zero credit losses on Fannie Mae securities.

Available-for-Sale Securities

The adoption of CECL changed the accounting for credit losses on available-for-sale debt securities from the other-than-temporary impairment methodology to a methodology that uses an allowance for credit losses.

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

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

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

We perform an evaluation on a security lot basis considering all available information. The relative importance of this information varies based on the facts and circumstances surrounding each security, as well as the economic environment at the time of assessment. For our available-for-sale securities in an unrealized loss position at December 31, 2020, we have asserted that we have no intent to sell or believe it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis.

Agency MBS

Substantially all of our available-for-sale securities are agency MBS issued by us, Fannie Mae, or Ginnie Mae. The principal and interest on these securities are guaranteed by the issuing agency. We believe that the guarantee provided by the issuing agency, the support provided to the agencies by the U.S. government, the importance of the agencies to the liquidity and stability of the U.S. housing market, and the long history of zero credit losses on agency MBS are all indicators that credit losses on these securities do not exist, even if the security is in an unrealized loss position. In addition, we generally hold these securities that are in an unrealized loss position to recovery. As a result, unless we intend to sell the security, we do not recognize an allowance for credit losses on agency MBS. See **Note 6** for additional details on our agency MBS portfolio.

Non-Agency RMBS

We believe the unrealized losses on the non-agency RMBS we hold are mainly attributable to poor underlying collateral performance, limited liquidity, and risk premiums. In evaluating securities for credit losses, we use management judgment and historical information in considering the credit performance of the underlying collateral and incorporate assumptions about the economic environment. As of December 31, 2020, substantially all of our non-agency residential MBS were in an unrealized gain position. As a result, we have not recognized an allowance for credit losses on these securities. See **Note 6** for additional details on our non-agency MBS portfolio.

Cash Equivalents

We assess cash equivalents for expected credit losses over the contractual term of the instrument. As of December 31, 2020, we did not recognize an allowance for credit losses on our cash equivalents due to their overall high credit quality and short-term nature.

Securities Purchased Under Agreements to Resell

We consider the types of securities being pledged to us as collateral when determining how much we lend in transactions involving securities purchased under agreements to resell. Additionally, we regularly review the market values of these securities compared to amounts loaned in an effort to manage our exposure to losses, and our counterparties are typically contractually required to adjust the amount of collateral based on changes in the fair value of the collateral. As of December 31, 2020 and December 31, 2019, all of our securities purchased under agreements to resell were fully collateralized and we expect our counterparties to continue to replenish the collateral as necessary to meet the requirements of the contract. Therefore, as of December 31, 2020, we did not recognize an allowance for credit losses on our securities purchased under agreements to

resell nor have we recognized any charge-offs of accrued interest receivable. See **Note 10** for additional information on securities purchased under agreements to resell.

Other Assets

We assess certain other assets measured at amortized cost for expected credit losses, such as advances to lenders and other secured lending arrangements, credit enhancement recovery receivables, servicer receivables, and other accounts receivable. Many of these assets are collateralized and require the counterparties to continue to replenish the collateral as market values change. Our allowance for credit losses on other assets is insignificant.

Prior Period Allowance for Credit Losses and Related Information

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

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

Table 7.2 - Net Investment in Loans

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

Allowance for Loan Losses Determined on a Collective Basis

Single-Family Loans

Prior to our implementation of CECL on January 1, 2020, we estimated allowance for loan losses on homogeneous pools of single-family loans using a model that evaluated a variety of factors affecting collectability. We reviewed the outputs of this model by considering qualitative factors such as macroeconomic and other factors to see whether the model outputs were consistent with our expectations. Management adjustments were made as necessary to take into consideration external factors and current economic events that had occurred but that were not yet reflected in the factors used to derive the model outputs. Significant judgment was exercised in making these adjustments. The homogeneous pools of single-family loans were determined based on common underlying characteristics, including current LTV ratios, trends in house prices, loan product type, and geographic region.

We rely upon third parties to service our loans. At loan delivery, the seller provides us with loan data, which includes characteristics and underwriting information. Each subsequent month, the servicers provide us with monthly loan-level servicing data, including delinquency and loss information. Our single-family allowance for loan losses default models produced estimates based on 12 months of loan-level performance data, which included a history of delinquency, foreclosures, foreclosure alternatives, and modifications. Our allowance for loan losses estimate included projections of:

- Loss mitigation activities when a loss was incurred, including loan modifications for troubled borrowers and the incidence of redefault we had experienced on similar loans that had completed a loan modification and
- Defaults we believed were likely to occur as a result of loss events that had occurred through the respective balance sheet date.

We also considered macroeconomic and other factors that affect the quality of the loans underlying our portfolio, including regional housing trends, applicable house price indices, unemployment and employment dislocation trends, the effects of changes in government policies and programs, consumer credit statistics, and the extent of third-party insurance.

Our single-family allowance for loan losses severity was based on actual REO dispositions, short sales, and third-party sales that incorporated the most recent:

- Twelve months of sales experience realized on our distressed property dispositions and
- Twelve months of pre-foreclosure expenses on our distressed properties, including REO, short sales, and third-party sales.

Our single-family allowance for loan losses severity estimate also captured expectations about recoveries from the collateral and attached credit enhancements, such as primary mortgage insurance. We used historical trends in house prices in our single-family allowance for loan losses process, primarily through the use of current LTV ratios in our default models and through the use of recent house price sales experience in our severity estimate. However, we did not use a forecast of trends in house prices in our single-family allowance for loan losses process.

For loans where foreclosure was probable, we measured impairment based upon an estimate of the fair value of the underlying collateral less estimated disposition costs. Our estimate also considered the effect of historical house price changes on borrower behavior.

We applied proceeds from attached credit enhancements (e.g., primary mortgage insurance) entered into contemporaneously with, and in contemplation of, a guarantee or loan purchase transaction as a recovery of our recorded investment in a charged-off loan, up to the amount of loss recognized as a charge-off. Proceeds received in excess of our recorded investment in loans were recorded as a decrease to REO operations expense on our consolidated statements of comprehensive income.

Multifamily Loans

Multifamily loans evaluated collectively for impairment were aggregated into book year vintage portfolios. Potential impairment related to these portfolios was measured by benchmarking published historical commercial loan performance data to those vintages based upon available economic data related to multifamily real estate, including apartment vacancy and rental rates.

Allowance for Loan Losses Determined on an Individual Basis

We considered a loan to be impaired when, based on current information, it was probable that we would not receive all amounts due (including both principal and interest) in accordance with the contractual terms of the original loan agreement.

Single-family loans individually evaluated for impairment included TDRs, as well as loans acquired under our financial guarantees with deteriorated credit quality prior to 2010. Impairment of a single-family loan having undergone a TDR was generally measured as the excess of our recorded investment in the loan over the present value of the expected future cash flows, discounted at the loan's effective interest rate. Our expectation of future cash flows incorporated, among other items, an estimated probability of default which was based on a number of market factors as well as the characteristics of the loan, such as past due status. If we determined that foreclosure on the underlying collateral was probable, we measured impairment based upon the fair value of the collateral, as reduced by estimated disposition costs and adjusted for estimated proceeds from primary mortgage insurance and similar sources. Multifamily loans individually evaluated for impairment included TDRs, loans three monthly payments or more past due, and loans that were impaired based on management judgment. Multifamily loans were generally measured individually for impairment based on the fair value of the underlying collateral, as reduced by estimated disposition costs.

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

Table 7.3 - Individually Impaired Loans

(In millions)	December 31, 2019		
	UPB	Recorded Investment	Associated Allowance
Single-family:			
<i>With no allowance recorded:⁽¹⁾</i>			
20- and 30-year or more, amortizing fixed-rate	\$2,431	\$1,927	N/A
15-year amortizing fixed-rate	21	20	N/A
Adjustable-rate	169	169	N/A
Alt-A, interest-only, and option ARM	847	727	N/A
Total with no allowance recorded	3,468	2,843	N/A
<i>With an allowance recorded:⁽²⁾</i>			
20- and 30-year or more, amortizing fixed-rate	28,824	28,667	(2,416)
15-year amortizing fixed-rate	616	625	(13)
Adjustable-rate	131	130	(7)
Alt-A, interest-only, and option ARM	3,315	3,184	(436)
Total with an allowance recorded	32,886	32,606	(2,872)
<i>Combined single-family:</i>			
20- and 30-year or more, amortizing fixed-rate	31,255	30,594	(2,416)
15-year amortizing fixed-rate	637	645	(13)
Adjustable-rate	300	299	(7)
Alt-A, interest-only, and option ARM	4,162	3,911	(436)
Total single-family	36,354	35,449	(2,872)
Multifamily :			
<i>With no allowance recorded⁽¹⁾</i>	86	81	N/A
<i>With an allowance recorded</i>	—	—	—
Total multifamily	86	81	—
Total single-family and multifamily	\$36,440	\$35,530	(\$2,872)

Referenced footnotes are included after the next table.

(In millions)	Year Ended December 31,					
	2019			2018		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis ⁽³⁾	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis ⁽³⁾
Single-family:						
<i>With no allowance recorded⁽¹⁾</i>						
20- and 30-year or more, amortizing fixed-rate	\$2,450	\$262	\$7	\$3,236	\$346	\$16
15-year amortizing fixed-rate	20	1	—	21	3	—
Adjustable rate	200	11	—	248	12	1
Alt-A, interest-only, and option ARM	891	66	1	1,264	88	4
Total with no allowance recorded	3,561	340	8	4,769	449	21
<i>With an allowance recorded⁽²⁾</i>						
20- and 30-year or more, amortizing fixed-rate	32,960	1,805	156	44,055	2,156	274
15-year amortizing fixed-rate	653	22	4	798	28	9
Adjustable rate	135	6	2	197	6	3
Alt-A, interest-only, and option ARM	3,917	226	20	5,953	273	30
Total with an allowance recorded	37,665	2,059	182	51,003	2,463	316
<i>Combined single-family:</i>						
20- and 30-year or more, amortizing fixed-rate	35,410	2,067	163	47,291	2,502	290
15-year amortizing fixed-rate	673	23	4	819	31	9
Adjustable rate	335	17	2	445	18	4
Alt-A, interest-only, and option ARM	4,808	292	21	7,217	361	34
Total single-family	41,226	2,399	190	55,772	2,912	337
Multifamily:						
<i>With no allowance recorded⁽¹⁾</i>						
	83	5	1	131	6	2
<i>With an allowance recorded</i>						
	—	—	—	3	—	—
Total multifamily	83	5	1	134	6	2
Total single-family and multifamily	\$41,309	\$2,404	\$191	\$55,906	\$2,918	\$339

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

(2) Consists primarily of loans classified as TDRs.

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

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

Table 7.4 - Delinquency Rates

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

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

(2) Consists of single-family loans covered by financial arrangements (other than primary mortgage insurance) that are designed to reduce our credit risk exposure. See **Note 8** 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.

Prior Period Other-Than-Temporary Impairment on Investments in Securities

Under the previous other-than-temporary impairment methodology that was effective prior to January 1, 2020, we evaluated available-for-sale securities in an unrealized loss position as of the end of each quarter to determine whether the decline in value was other-than-temporary. An unrealized loss existed when the fair value of an individual lot was less than its amortized cost basis. Other-than-temporary impairment was considered to have occurred if the fair value of the security lot was less than its amortized cost basis and we either intended to sell the security lot or more likely than not would be required to sell the security lot prior to recovery of its amortized cost basis. Under these circumstances, the security lot's entire decline in fair value was deemed to be other-than-temporary and was recorded within our consolidated statements of comprehensive income as investment gains (losses), net. If we did not intend to sell the security or we believed it was not more likely than not that we would be required to sell prior to recovery of the security's amortized cost basis, we recognized only the credit component of other-than-temporary impairment in earnings and the amounts attributable to all other factors were recorded in AOCI. The credit component represented the amount by which the present value of cash flows expected to be collected from the security was less than its amortized cost basis.

The ending balance of remaining credit losses on available-for-sale securities where a portion of other-than-temporary impairment was recognized in other comprehensive income was \$0.6 billion, and \$0.8 billion as of December 31, 2019, and December 31, 2018, respectively.

NOTE 8

Credit Enhancements

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

Accounting for Credit Enhancements

Attached Credit Enhancements

Attached credit enhancements are obtained contemporaneously with, and in contemplation of, the origination of a financial instrument, and effectively travel with the financial instrument upon sale. Attached credit enhancements include primary mortgage insurance, which provides us with loan-level protection up to a specified percentage.

Expected recoveries from attached credit enhancements are considered in determining the allowance for loan losses, resulting in a reduction in the recognized provision for credit losses by the amount of the expected recoveries. Subsequent to foreclosure and charge-off of the allowance for credit losses, we reclassify expected recoveries from attached credit enhancements that were previously offset against the allowance for credit losses as separate receivables. See **Note 7** for additional information concerning the determination of our allowance for credit losses.

Freestanding Credit Enhancements

Freestanding credit enhancements are contracts that are entered into separately and apart from any other financial instruments or entered into in conjunction with some other transaction and are legally detachable and separately exercisable. Freestanding credit enhancements include insurance/reinsurance transactions, STACR Trust notes, and lender risk-sharing transactions and are accounted for separately from the underlying mortgage loans or guarantees.

Our primary insurance/reinsurance transactions are single-family ACIS transactions. ACIS transactions are insurance policies we purchase, generally underwritten by a group of insurers and reinsurers, that provide credit protection for certain specified credit events that occur on a reference pool of mortgage loans. Under the ACIS contracts, we pay insurers and reinsurers premiums for insurance coverage. Each month, we accrue for our obligation to make such payments for all tranches covered by the ACIS contracts. When specific credit events occur, we generally receive compensation from the insurance policy up to an aggregate limit based on actual losses. We require our counterparties to partially collateralize their exposure to reduce the risk that we will not be reimbursed for our claims under the policies. In addition to ACIS, our single-family insurance/reinsurance credit enhancements include AFRM, which is similar to ACIS but provides credit protection immediately upon acquisition of the loan, and IMAGIN, which provides loan-level protection in lieu of traditional primary mortgage insurance. Our multifamily insurance/reinsurance credit enhancements include MCIP transactions, which are similar to ACIS transactions and provide credit protection for certain specified credit events that occur on a reference pool of multifamily mortgage assets.

STACR Trust notes transfer credit risk on a reference pool of mortgage loans to investors through the issuance of notes linked to notional credit risk positions of the reference pool by a third-party trust. The trust issues the notes and makes periodic payments of principal and interest on the notes to investors. Under this structure, we make payments to the trust to support payment of the interest due on the notes, and we receive payments from the trust that otherwise would have been made to the noteholders as a result of defined credit events on the reference pool. Each month, we accrue for our obligation to make such payments to the trust. The note balances are reduced by the amount of the payments to us. Certain STACR Trust notes may qualify as interests in a REMIC.

Lender risk-sharing transactions are agreements that require a lender to repurchase a loan upon default or to reimburse us for realized credit losses. These transactions are entered into as an alternative to requiring primary mortgage insurance or in exchange for a lower guarantee fee. The loss sharing amount may be fully or partially collateralized. We no longer enter into lender risk-sharing transactions with single-family lenders on a regular basis.

We recognize the payments we make to transfer credit risk under freestanding credit enhancements in credit enhancement expense in our consolidated statements of comprehensive income when they are incurred. We recognize expected recoveries from freestanding credit enhancements separately in other assets on our consolidated balance sheets, with an offsetting reduction to benefit for (decrease in) credit enhancement recoveries, at the same time that we recognize an allowance for credit losses on the covered loans, measured on the same basis as the allowance for credit losses on the covered loans.

Our adoption of CECL on January 1, 2020 resulted in an increase of \$0.3 billion in our expected recovery receivable balance as the amount of expected recoveries from freestanding credit enhancements increased in conjunction with the increase in expected losses on the covered mortgage loans. Upon adoption of CECL, we measure credit losses on our expected recovery receivables based on our estimate of current expected credit losses over the contractual term of the contract.

The table below presents details of our credit enhancement recovery receivables. These amounts are recognized within other assets on our consolidated balance sheets.

Table 8.1 - Credit Enhancement Receivables

(In millions)	December 31, 2020	December 31, 2019
Freestanding credit enhancement expected recovery receivables, net of allowance	\$677	\$71
Primary mortgage insurance receivables ⁽¹⁾ , net of allowance	74	76
Total credit enhancement assets	\$751	\$147

(1) Excludes \$444 million and \$464 million of deferred payment obligations associated with unpaid claim amounts as of December 31, 2020 and December 31, 2019, respectively. We have reserved substantially all these unpaid amounts as collectability is uncertain.

For information about counterparty credit risk associated with mortgage insurers and other credit enhancement providers, see **Note 18**.

Guarantee Credit Enhancements

Guarantee credit enhancements primarily consist of subordination we obtain through the creation of unguaranteed subordinated securities issued by nonconsolidated securitization trusts that absorb first losses prior to us having to perform on our guarantee of the senior securities. Guarantee credit enhancements include multifamily K Certificate and SB Certificate transactions and single-family senior subordinate securitization structures backed by seasoned loans.

Expected recoveries from guarantee credit enhancements are considered when measuring the allowance for loan losses. As a result, we recognize an allowance for credit losses on off-balance sheet credit exposures only if expected credit losses exceed the amount of subordination. We recognize guarantee fee income and there is no explicitly recognized separate credit enhancement expense or expected credit enhancement recoveries. See **Note 7** for additional information concerning the measurement of our allowance for credit losses.

Credit-Linked Debt

We also transfer credit risk after our acquisition or guarantee of mortgage assets by either issuing unsecured credit-linked debt or recognizing debt of consolidated VIEs that includes subordination.

For certain of our unsecured debt issuances, we create a reference pool of mortgage assets (generally loans) to which we currently have credit risk exposure and an associated securitization-like structure with notional credit risk positions. To the extent a specified credit event occurs on the mortgage assets in the reference pool, the outstanding balance of our debt obligations is written down, thereby reducing our future principal and interest payment obligations. The principal types of unsecured credit-linked debt are single-family STACR debt notes and multifamily SCR debt notes.

Most of our STACR debt notes are recorded as other debt on our consolidated balance sheets and accounted for at amortized cost. When the realized loss events (e.g., third-party foreclosure sale, short sale, or REO disposition) occur on the underlying loans in the reference pool, the STACR debt notes are written down and the benefits are recognized as investment gains (losses), net on our consolidated statements of comprehensive income.

The structure of multifamily SCR debt notes is similar to STACR debt notes, although the mortgage assets within the reference pool may be loans or multifamily housing revenue bonds to which we have credit exposure. While our SCR debt notes are recorded as other debt on our consolidated balance sheets, these debt obligations are measured at fair value, as we elected the fair value option. Fair value changes are recorded in investment gains (losses), net on our consolidated statements of comprehensive income.

Similar to our nonconsolidated VIEs, we obtain credit enhancement on certain of our consolidated securitization products through the creation of unguaranteed subordinated securities. These unguaranteed subordinated securities will absorb first losses on the underlying loans prior to us performing pursuant to our guarantee obligation. The unguaranteed subordinated debt securities held by third parties are recorded as debt of consolidated trusts on our consolidated balance sheets and generally accounted for at amortized cost. When losses are realized on the loans underlying the securities, the subordinated debt is written down and the benefits are recognized as investment gains (losses), net on our consolidated statements of comprehensive income.

Single-Family Credit Enhancements

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

Table 8.2 - Single-Family Credit Enhancements

(In millions)	Credit Enhancement Accounting Treatment	December 31, 2020		December 31, 2019	
		Total Current and Protected UPB ⁽¹⁾	Maximum Coverage	Total Current and Protected UPB ⁽¹⁾	Maximum Coverage
Primary mortgage insurance	Attached	\$472,881	\$116,973	\$421,870	\$107,690
STACR: ⁽²⁾					
Trust notes	Freestanding	488,251	17,288	288,323	9,739
Debt notes	Debt	365,482	12,377	536,036	15,373
Insurance/reinsurance ⁽³⁾	Freestanding	876,815	11,586	863,149	10,157
Subordination: ⁽⁴⁾					
Nonconsolidated VIEs	Guarantee	29,039	5,718	25,443	4,545
Consolidated VIEs	Debt	9,035	464	19,498	854
Lender risk sharing	Freestanding	5,731	4,831	24,078	5,657
Other	Primarily attached	374	371	1,056	1,051
Total single-family credit enhancements			\$169,608		\$155,066

- (1) Underlying loans may be covered by more than one form of credit enhancement. For certain transactions, protected UPB may be different from the UPB of the underlying loans due to timing differences in reporting cycles between the transactions and the loans.
- (2) Total current and protected UPB represents the UPB of the assets included in the reference pool. Maximum coverage amount represents the outstanding balance held by third parties.
- (3) As of December 31, 2020 and December 31, 2019, substantially all of our counterparties posted sufficient collateral on our ACIS transactions to meet the minimum collateral requirements of the ACIS program. Minimum collateral requirements are assessed on each deal based on a combination of factors, including counterparty credit risk of the reinsurer, as well as the structure and risk profile of the transaction. Other insurance/reinsurance transactions have similar collateral requirements.
- (4) Total current and protected UPB includes the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities. For nonconsolidated VIEs, the total current and protected UPB also includes the UPB of guarantor advances made to the holders of the guaranteed securities. Maximum coverage represents the outstanding UPB of the securities that are subordinate to Freddie Mac guaranteed securities and held by third parties.

Multifamily Credit Enhancements

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

Table 8.3 - Multifamily Credit Enhancements

(In millions)	Credit Enhancement Accounting Treatment	December 31, 2020		December 31, 2019	
		Total Current and Protected UPB ⁽¹⁾	Maximum Coverage	Total Current and Protected UPB ⁽¹⁾	Maximum Coverage
Subordination: ⁽²⁾					
Nonconsolidated VIEs	Guarantee	\$286,199	\$42,712	\$251,008	\$40,262
Consolidated VIEs	Debt	1,800	200	1,800	200
Lender risk sharing ⁽³⁾	Freestanding	3,321	598	2,529	381
Insurance/reinsurance ⁽⁴⁾	Freestanding	5,383	190	2,769	127
SCR debt notes ⁽⁵⁾	Debt	2,217	111	2,470	123
Other ⁽³⁾	Attached	253	253	467	467
Total multifamily credit enhancements			\$44,064		\$41,560

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

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

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

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

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

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

NOTE 9

Debt

The table below summarizes the balances of total debt per our consolidated balance sheets.

Table 9.1 - Total Debt

(In millions)	December 31,	
	2020	2019
Debt securities of consolidated trusts held by third parties	\$2,308,176	\$1,898,355
Debt of Freddie Mac:		
Short-term debt	4,955	101,034
Long-term debt	279,415	170,296
Total Debt of Freddie Mac	284,370	271,330
Total debt	\$2,592,546	\$2,169,685

Debt securities that we issue are classified as either debt securities of consolidated trusts held by third parties or debt of Freddie Mac. We issue debt of Freddie Mac to fund our operations.

Our debt is reported at amortized cost, with the exception of certain debt for which we elected the fair value option. Deferred items, including premiums, discounts, issuance costs, and hedge accounting-related basis adjustments, are reported as a component of total debt. These items are amortized and reported through interest expense using the effective interest method over the contractual life of the related indebtedness. Amortization of premiums, discounts, and issuance costs begins at the time of debt issuance. Amortization of hedge accounting-related basis adjustments begins upon the discontinuation of the related hedge relationship.

We elected the fair value option on debt that contains embedded derivatives, including certain STACR debt notes and SCR debt notes. For additional information on STACR debt notes and SCR debt notes, see **Note 8**. Changes in the fair value of these debt obligations are recorded in investment gains (losses), net, with any upfront costs and fees incurred or received in exchange for the issuance of the debt being recognized in earnings as incurred and not deferred. Related interest expense continues to be reported as interest expense based on the stated terms of the debt securities. For additional information on our election of the fair value option, see **Note 19**.

When we repurchase or call outstanding debt securities, we recognize the difference between the amount paid to redeem the debt security and the carrying value in earnings as a component of investment gains (losses), net. Contemporaneous transfers of cash between us and a creditor in connection with the issuance of the new debt security and satisfaction of an existing debt security are accounted for as either an extinguishment or a modification of an existing debt security. If the debt securities have substantially different terms, the transaction is accounted for as an extinguishment of the existing debt security. The issuance of a new debt security is recorded at fair value, fees paid to the creditor are expensed as incurred, and fees paid to third parties are deferred and amortized into interest expense over the life of the new debt security using the effective interest method. If the terms of the existing debt security and the new debt security are not substantially different, the transaction is accounted for as a modification of the existing debt. Fees paid to the creditor are deferred and amortized into interest expense over the life of the modified debt security using the effective interest method and fees paid to third parties are expensed as incurred.

We also engage in dollar roll transactions whereby we enter into an agreement to sell and subsequently repurchase (or purchase and subsequently resell) agency securities. When these transactions involve securities issued by consolidated entities, they are treated as issuances and extinguishments of debt.

Under the Purchase Agreement, without the prior written consent of Treasury, we may not incur indebtedness that would result in the par value of our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are allowed to own on December 31 of the immediately preceding calendar year. Because of this debt limit, we may be restricted in the amount of debt we are allowed to issue to fund our operations. Under the Purchase Agreement, the amount of our "indebtedness" is determined without giving effect to the January 1, 2010 change in the accounting guidance related to transfers of financial assets and consolidation of VIEs. Therefore, "indebtedness" generally does not include debt securities of consolidated trusts held by third parties. We also cannot become liable for any subordinated indebtedness without the prior consent of Treasury. See **Note 2** for information regarding restrictions on the amount of mortgage-related securities that we may own.

Beginning January 1, 2019, our debt cap under the Purchase Agreement is \$300 billion. Our debt cap under the Purchase Agreement will decrease to \$270 billion on January 1, 2023 pursuant to the January 2021 Letter Agreement. As of December 31, 2020, our aggregate indebtedness for purposes of the debt cap was \$286.5 billion. Our aggregate indebtedness primarily includes the par value of short- and long-term debt.

Debt Securities of Consolidated Trusts Held By Third Parties

Debt securities of consolidated trusts held by third parties represent our liability to third parties that hold beneficial interests in our consolidated securitization trusts. Debt securities of consolidated trusts held by third parties are subject to prepayment risk as their payments are based upon the performance of the underlying mortgage loans that may be prepaid by the related mortgage borrower at any time without penalty.

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

Table 9.2 - Debt Securities of Consolidated Trusts Held by Third Parties

(Dollars in millions)	December 31, 2020				December 31, 2019			
	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	2021 - 2060	\$1,799,065	\$1,855,438	3.07 %	2020 - 2057	\$1,516,550	\$1,554,095	3.63 %
20-year fixed-rate	2021 - 2041	97,520	100,498	2.84	2020 - 2040	70,901	72,558	3.37
15-year fixed-rate	2021 - 2036	303,142	310,612	2.46	2020 - 2035	225,501	229,133	2.87
Adjustable-rate	2021 - 2051	23,964	24,484	2.76	2020 - 2050	30,183	30,756	3.25
Interest-only	2026 - 2041	3,671	3,736	3.15	2026 - 2041	4,244	4,307	4.55
FHA/VA	2021 - 2050	752	769	4.04	2020 - 2049	633	647	4.68
Total Single-family		2,228,114	2,295,537			1,848,012	1,891,496	
Multifamily	2021-2050	12,488	12,639	2.43	2021 - 2049	6,790	6,859	3.29
Total debt securities of consolidated trusts held by third parties		\$2,240,602	\$2,308,176			\$1,854,802	\$1,898,355	

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

(2) The effective rate for debt securities of consolidated trusts held by third parties was 1.76% and 2.79% as of December 31, 2020 and December 31, 2019, respectively.

Short-Term Debt

Discount notes, Reference Bills securities, and medium-term notes are unsecured general corporate obligations. Discount notes and Reference Bills securities pay only principal at maturity. 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. Certain medium-term notes that have original maturities of one year or less are classified as short-term debt for purposes of this presentation.

The table below summarizes the balances and effective interest rates for short-term debt.

Table 9.3 - Short-Term Debt

(Dollars in millions)	December 31, 2020			December 31, 2019		
	Par Value	Carrying Amount	Weighted Average Effective Rate	Par Value	Carrying Amount	Weighted Average Effective Rate
Short-term debt:						
Discount notes and Reference Bills	\$11	\$11	0.69 %	\$60,830	\$60,629	1.67 %
Medium-term notes	4,944	4,944	1.31	40,407	40,405	2.31
Securities sold under agreements to repurchase	—	—	—	9,843	9,843	1.46
Total short-term debt	\$4,955	\$4,955	1.31 %	\$111,080	\$110,877	1.89 %

Long-Term Debt

The table below summarizes our long-term debt.

Table 9.4 - Long-Term Debt

(Dollars in millions)	December 31, 2020				December 31, 2019			
	Contractual Maturity	Par Value	Carrying Amount ⁽¹⁾	Weighted Average Effective Rate ⁽²⁾	Contractual Maturity	Par Value	Carrying Amount ⁽¹⁾	Weighted Average Effective Rate ⁽²⁾
Long-term debt:								
Fixed-rate:								
Medium-term notes — callable	2021-2050	\$122,967	\$122,895	0.71 %	2020 - 2037	\$83,470	\$83,433	2.01 %
Medium-term notes — non-callable	2021-2028	7,710	7,758	0.75	2020 - 2028	2,498	2,519	2.14
Reference Notes securities — non-callable	2021-2032	64,162	64,124	1.55	2020 - 2032	39,124	39,176	2.71
STACR and SCR debt notes	2031-2042	111	114	12.71	2031 - 2042	123	126	12.74
Variable-rate:								
Medium-term notes — callable	2021-2025	371	371	1.93	2020 - 2034	10,682	10,668	2.18
Medium-term notes — non-callable	2021-2026	68,838	68,824	0.63	2020 - 2026	15,727	15,724	2.45
STACR	2023-2042	12,377	12,228	4.10	2023 - 2042	15,373	15,526	5.58
Zero-coupon:								
Medium-term notes — non-callable	2021-2039	4,850	2,578	5.99	2020 - 2039	4,880	2,450	5.94
Other	2047-2050	—	57	0.49	2047 - 2049	—	6	0.63
Hedging-related basis adjustments		N/A	466			N/A	668	
Total long-term debt		\$281,386	\$279,415	1.09 %		\$171,877	\$170,296	2.61 %

(1) Represents par value, net of associated discounts or premiums and issuance costs. Includes \$2.4 billion and \$3.7 billion at December 31, 2020 and December 31, 2019, respectively, of long term-debt that represents the fair value of debt securities with the fair value option elected.

(2) Based on carrying amount, excluding hedge-related basis adjustments.

A portion of our long-term debt is callable. Callable debt gives us the option to redeem the debt security at par on one or more specified call dates or at any time on or after a specified call date.

The table below summarizes the contractual maturities of long-term debt securities at December 31, 2020.

Table 9.5 - Contractual Maturities of Long-Term Debt and Debt Securities

(In millions)	Amounts
Annual Maturities	
Long-term debt (excluding STACR and SCR debt notes):	
2021	\$43,422
2022	61,071
2023	61,998
2024	21,679
2025	44,342
Thereafter	36,386
Debt securities of consolidated trusts held by third parties, STACR, and SCR debt notes ⁽¹⁾	2,253,090
Total	2,521,988
Net discounts, premiums, debt issuance costs, hedge-related, and other basis adjustments ⁽²⁾	65,603
Total debt securities of consolidated trusts held by third parties, STACR, SCR and long-term debt	\$2,587,591

(1) 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 without penalty.

(2) Other basis adjustments primarily represent changes in fair value on debt where we have elected the fair value option.

Non-Cash Investing and Financing Activities

During the years ended December 31, 2020 and December 31, 2019, we issued \$0.8 billion and \$0.7 billion, respectively, of debt of Freddie Mac in exchange for cash collateral that was previously pledged by sellers. These debt issuances represent non-cash transactions.

NOTE 10

Derivatives

Derivatives are reported at their fair value on our consolidated balance sheets. Changes in fair value and interest accruals on derivatives not in qualifying fair value hedge relationships are recorded as investment gains (losses), net on our consolidated statements of comprehensive income. Derivatives in a net asset position, including net derivative interest receivable or payable, are reported as derivative assets, net. Similarly, derivatives in a net liability position, including net derivative interest receivable or payable, are reported as derivative liabilities, net. We offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. Non-cash collateral held is not recognized on our consolidated balance sheets as we do not obtain effective control over the collateral, and non-cash collateral posted is not de-recognized from our consolidated balance sheets as we do not relinquish effective control over the collateral. Therefore, non-cash collateral held or posted is not presented as an offset against derivative assets or derivative liabilities on our consolidated balance sheets.

We evaluate whether financial instruments that we purchase or issue contain embedded derivatives. We generally elect to measure newly acquired or issued financial instruments that contain embedded derivatives at fair value, with changes in fair value recorded in earnings.

On our consolidated statements of cash flows, cash flows related to the acquisition and termination of derivatives, other than forward commitments, are generally classified in investing activities. Cash flows related to forward commitments are classified within the section of the consolidated statements of cash flows in accordance with the cash flows of the financial instruments to which they relate.

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 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 credit 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 include 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-, Treasury-, and SOFR-based purchased options (including swaptions); and
- LIBOR-, Treasury-, and SOFR-based exchange-traded futures.

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

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

Written Options and Swaptions

Written call and put swaptions are sold to counterparties allowing them the option to enter into receive-fixed and pay-fixed interest rate swaps, respectively. Written call and put options on mortgage-related securities give the counterparty the right to execute a contract under specified terms, which generally occurs when we are in a liability position. We may, from time to time, write other derivative contracts such as interest-rate futures.

Commitments

We routinely enter into commitments that include commitments to:

- Purchase and sell investments in securities;
- Purchase and sell loans; and
- Purchase and extinguish or issue debt securities of our consolidated trusts.

Most of these commitments are considered derivatives and therefore are subject to the accounting guidance for derivatives and hedging.

Hedge Accounting

Fair Value Hedges

We apply fair value hedge accounting to certain single-family mortgage loans where we hedge the changes in fair value of these loans attributable to the designated benchmark interest rate (i.e., LIBOR), using LIBOR-based interest-rate swaps. We also apply fair value hedge accounting to certain issuances of debt where we hedge the changes in fair value of the debt attributable to the designated benchmark interest rate (i.e., LIBOR), using LIBOR-based interest-rate swaps. Under the last-of-layer fair value hedge accounting strategy, 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 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.

We apply hedge accounting to qualifying hedge relationships. A qualifying hedge relationship exists when changes in the fair value of a derivative hedging instrument are expected to be highly effective in offsetting changes in the fair value of the hedged item attributable to the risk being hedged during the term of the hedge relationship. No amounts have been excluded from the assessment of hedge effectiveness. To assess hedge effectiveness, we use a statistical regression analysis.

At inception of the hedge relationship, we prepare formal contemporaneous documentation of our risk management objective and strategies for undertaking the hedge.

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 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.

Changes in the fair value of the hedged item attributable to the risk being hedged are recognized as a cumulative basis adjustment against the mortgage loans and debt. The cumulative basis adjustments are amortized to the same consolidated statements of comprehensive income line item used to present the changes in fair value of the hedged item using the effective interest method considering the contractual terms of the hedged item, with amortization beginning no later than the period in which hedge accounting was discontinued.

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. If it becomes probable the originally forecasted transaction will not occur, the associated deferred gain or loss in AOCI would be reclassified to earnings immediately. Amounts reclassified from AOCI are recorded in interest expense. See **Note 13** 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 consolidated balance sheets.

Table 10.1 - Derivative Assets and Liabilities at Fair Value

(In millions)	December 31, 2020			December 31, 2019		
	Notional or Contractual Amount	Derivatives at Fair Value		Notional or Contractual Amount	Derivatives at Fair Value	
		Assets	Liabilities		Assets	Liabilities
Not designated as hedges						
Interest-rate risk management derivatives:						
Swaps	\$559,596	\$2,639	(\$7,091)	\$488,242	\$2,000	(\$4,168)
Written options	18,259	—	(735)	10,984	—	(130)
Purchased options ⁽¹⁾	169,995	5,265	—	152,480	4,198	—
Futures	181,702	—	—	210,305	—	—
Total interest-rate risk management derivatives	929,552	7,904	(7,826)	862,011	6,198	(4,298)
Mortgage commitment derivatives:						
Forward contracts to purchase mortgage loans	37,122	183	—	8,028	11	(8)
Forward contracts to purchase mortgage-related securities	45,185	203	—	28,194	44	(5)
Forward contracts to sell mortgage-related securities	136,802	2	(759)	57,738	6	(113)
Total mortgage commitment derivatives	219,109	388	(759)	93,960	61	(126)
CRT-related derivatives	28,949	61	(47)	12,362	15	(116)
Other	4,029	2	(16)	5,984	1	(28)
Total derivatives not designated as hedges	1,181,639	8,355	(8,648)	974,317	6,275	(4,568)
Designated as fair value hedges						
Interest-rate risk management derivatives:						
Swaps	180,686	224	(500)	192,366	104	(714)
Total derivatives designated as fair value hedges	180,686	224	(500)	192,366	104	(714)
Derivative interest receivable (payable) ⁽²⁾		455	(523)		887	(724)
Netting adjustments ⁽³⁾		(7,829)	8,717		(6,422)	5,634
Total derivative portfolio, net	\$1,362,325	\$1,205	(\$954)	\$1,166,683	\$844	(\$372)

(1) Includes swaptions on credit indices with a notional or contractual amount of \$16.8 billion and \$11.4 billion at December 31, 2020 and December 31, 2019, respectively, and a fair value of \$9.0 million and \$3.0 million at December 31, 2020 and December 31, 2019, respectively.

(2) Includes other derivative receivables and payables.

(3) Represents counterparty netting and cash collateral netting.

See **Note 11** 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 consolidated statements of comprehensive income (loss) as investment gains (losses), net.

Table 10.2 - Gains and Losses on Derivatives

(In millions)	Year Ended December 31,		
	2020	2019	2018
Not designated as hedges			
Interest-rate risk management derivatives:			
Swaps	(\$1,627)	(\$3,085)	\$1,422
Written options	(161)	(235)	18
Purchased options	2,404	423	(648)
Futures	(2,442)	(946)	57
Total interest-rate risk management derivatives fair value gains (losses)	(1,826)	(3,843)	849
Mortgage commitment derivatives	(1,856)	(452)	606
CRT-related derivatives	163	(1)	(38)
Other	57	52	(6)
Total derivatives not designated as hedges fair value gains (losses)	(3,462)	(4,244)	1,411
Accrual of periodic cash settlements on swaps ⁽¹⁾	(1,576)	(272)	(141)
Total	(\$5,038)	(\$4,516)	\$1,270

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

Fair Value Hedges

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

Table 10.3 - Gains and Losses on Fair Value Hedges

(In millions)	Year Ended December 31,					
	2020		2019		2018	
	Interest Income	Interest Expense	Interest Income	Interest Expense	Interest Income	Interest Expense
Total amounts of income and expense line items presented on our consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	\$62,340	(\$49,569)	\$72,895	(\$61,047)	\$70,054	(\$58,033)
Interest contracts on mortgage loans held-for-investment:						
Gain or (loss) on fair value hedging relationships:						
Hedged items	5,071	—	4,569	—	(1,776)	—
Derivatives designated as hedging instruments	(4,836)	—	(4,309)	—	1,091	—
Interest accruals on hedging instruments	(434)	—	(48)	—	(439)	—
Discontinued hedge related basis adjustment amortization	(2,840)	—	(446)	—	133	—
Interest contracts on debt:						
Gain or (loss) on fair value hedging relationships:						
Hedged Items	—	(49)	—	(1,038)	—	145
Derivatives designated as hedging instruments	—	11	—	1,231	—	155
Interest accruals on hedging instruments	—	835	—	(184)	—	(313)
Discontinued hedge related basis adjustment amortization	—	60	—	63	—	(3)

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 10.4 - Cumulative Basis Adjustments due to Fair Value Hedging

(In millions)	Carrying Amount Assets / (Liabilities)	December 31, 2020				
		Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount			Closed Portfolio Under the Last-of-Layer Method	
		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	\$478,077	\$5,117	(\$318)	\$5,435	\$220,301	\$9,112
Debt	(176,512)	(466)	—	(38)	—	—

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

NOTE 11

Collateralized Agreements and Offsetting Arrangements

Derivative Portfolio

Our use of cleared derivatives, exchange-traded derivatives, and OTC derivatives exposes us to counterparty credit risk. We are required to post margin in connection with our derivatives transactions. This requirement exposes us to counterparty credit risk in the event that our counterparties fail to meet their obligations. However, the use of cleared and exchange-traded derivatives decreases our credit risk exposure to individual counterparties because a central counterparty is substituted for individual counterparties. OTC derivatives expose us to the credit risk of individual counterparties because transactions are executed and settled between us and each counterparty, exposing us to potential losses if a counterparty fails to meet its obligations.

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 for interest-rate swap and option-based derivatives. Master netting agreements provide for the netting of amounts receivable and payable from an individual counterparty, as well as posting of collateral in the form of cash, Treasury securities or agency mortgage-related or debt securities, or a combination of both by either the counterparty or us, depending on which party is in a liability position. Although it is our practice not to repledge assets held as collateral, these agreements may allow us or our counterparties to repledge all or a portion of the collateral.

We have master netting agreements in place with all of our OTC derivative counterparties. On a daily basis, the market value of each counterparty's derivatives outstanding is calculated to determine the amount of our net credit exposure, which is equal to the market value of derivatives in a net gain position by counterparty after giving consideration to collateral posted. In the event a counterparty defaults on its obligations under the derivatives agreement and the default is not remedied in the manner prescribed in the agreement, we have the right under the agreement to sell the collateral. As a result, our use of master netting and collateral agreements reduces our exposure to our counterparties in the event of default.

In the event that all of our counterparties for OTC interest-rate swaps and option-based derivatives were to have defaulted simultaneously on December 31, 2020, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately \$29 million. A significant majority of our net uncollateralized exposure to OTC derivative counterparties is concentrated with four counterparties, all of which were investment grade as of December 31, 2020. We regularly review the market value of securities pledged as collateral and derivative counterparty collateral posting thresholds, where applicable, in an effort to manage our exposure to losses.

Regulations adopted by certain financial institution regulators (including FHFA) that became effective March 1, 2017 require posting of variation margin without the application of any thresholds for OTC derivative transactions executed after that date. However, for OTC derivative transactions executed before March 1, 2017 the amount of collateral we pledge to counterparties related to our derivative instruments is determined after giving consideration to our credit rating. The aggregate fair value of our OTC derivative instruments containing credit-risk related contingent features, netted by counterparty, that were in a liability position on December 31, 2020 was \$3.5 billion for which we posted cash and non-cash collateral of \$3.4 billion in the normal course of business. A reduction in our credit ratings may trigger additional collateral requirements related to these OTC derivative instruments. If a reduction in our credit ratings had triggered additional collateral requirements related to these OTC derivative instruments on December 31, 2020, the maximum additional collateral we would have been required to post to our counterparties would be \$0.1 billion. Our OTC derivative transactions will now become subject to new initial margin requirements starting September 1, 2021.

Cleared and Exchange-Traded Derivatives

The majority of our interest-rate swaps are subject to the central clearing requirement. Changes in the value of open exchange-traded contracts and cleared derivatives are settled daily via payments made through the clearinghouse. We net our exposure to cleared derivatives by clearinghouse and clearing member. 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 exposure on our forward purchase and sale commitments was \$388 million and \$61 million at December 31, 2020 and December 31, 2019, respectively.

Many of our transactions involving forward purchase and sale commitments of mortgage-related securities utilize the 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). In the event a clearing member fails and causes losses to the MBSD/FICC clearing system, we could be subject to the loss of the margin that we have posted to the MBSD/FICC. Moreover, our exposure could exceed that amount, as members are generally required to cover losses caused by defaulting members on a pro rata basis. It is difficult to estimate our maximum exposure under these transactions, as this would require an assessment of transactions that we and other members of the MBSD/FICC may execute in the future.

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.

We present accrued interest receivable separately on our consolidated balance sheets. As of December 31, 2020 and December 31, 2019, we recognized accrued interest receivable for securities purchased under agreements to resell of \$2 million and \$18 million, respectively.

We utilize the GSD/FICC as a clearinghouse to transact many of our trades involving securities purchased under agreements to resell, securities sold under agreements to repurchase, and other non-mortgage related securities. As a clearing member of GSD/FICC, we are required to post initial and variation margin payments and are exposed to the counterparty credit risk of GSD/FICC (including its clearing members). In the event a clearing member fails and causes losses to the GSD/FICC clearing system, we could be subject to the loss of the margin that we have posted to the GSD/FICC. Moreover, our exposure could exceed that amount, as members are generally required to cover losses caused by defaulting members on a pro rata basis. It is difficult to estimate our maximum exposure under these transactions, as this would require an assessment of transactions that we and other members of the GSD/FICC may execute in the future.

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

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 the transferor does not relinquish effective control over the securities transferred. These agreements may allow our counterparties to repledge all or a portion of the collateral.

Offsetting of Financial Assets and Liabilities

When we receive cash collateral, we recognize the amount received along with a corresponding obligation to return the collateral. When we post cash collateral, we derecognize the amount posted along with a corresponding asset for our right to receive the return of the collateral. We generally do not recognize or derecognize collateral received or pledged in the form of securities as the transferor in such arrangements does not relinquish effective control over the securities transferred. See **Note 10** for additional information on our consolidated balance sheets presentation of collateral related to derivatives transactions. At December 31, 2020 and December 31, 2019, all amounts of cash collateral related to derivatives with master netting and collateral agreements were offset against derivative assets, net or derivative liabilities, net, as applicable.

Beginning January 1, 2020, we elected to offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell when such amounts meet the conditions for balance sheet offsetting. Certain amounts in prior periods' consolidated financial statements have been reclassified to conform to the current presentation.

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

Table 11.1 - Offsetting and Collateral Information of Financial Assets and Liabilities

(In millions)	December 31, 2020					
	Gross Amount Recognized	Amount Offset in the Consolidated Balance Sheets		Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets ⁽²⁾	Net Amount
		Counterparty Netting	Cash Collateral Netting ⁽¹⁾			
Assets:						
Derivatives:						
OTC derivatives	\$8,566	(\$5,932)	(\$1,957)	\$677	(\$648)	\$29
Cleared and exchange-traded derivatives	17	—	60	77	—	77
Mortgage commitment derivatives	388	—	—	388	—	388
Other	63	—	—	63	—	63
Total derivatives	9,034	(5,932)	(1,897)	1,205	(648)	557
Securities purchased under agreements to resell	105,003	—	—	105,003	(105,003)	—
Total	\$114,037	(\$5,932)	(\$1,897)	\$106,208	(\$105,651)	\$557
Liabilities:						
Derivatives:						
OTC derivatives	(\$8,812)	\$5,932	\$2,759	(\$121)	\$—	(\$121)
Cleared and exchange-traded derivatives	(37)	—	26	(11)	—	(11)
Mortgage commitment derivatives	(759)	—	—	(759)	—	(759)
Other	(63)	—	—	(63)	—	(63)
Total derivatives	(9,671)	5,932	2,785	(954)	—	(954)
Securities sold under agreements to repurchase	—	—	—	—	—	—
Total	(\$9,671)	\$5,932	\$2,785	(\$954)	\$—	(\$954)
(In millions)	December 31, 2019					
	Gross Amount Recognized	Amount Offset in the Consolidated Balance Sheets		Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets ⁽²⁾	Net Amount
		Counterparty Netting	Cash Collateral Netting ⁽¹⁾			
Assets:						
Derivatives:						
OTC derivatives	\$7,045	(\$4,465)	(\$2,075)	\$505	(\$485)	\$20
Cleared and exchange-traded derivatives	144	(5)	123	262	—	262
Mortgage commitment derivatives	61	—	—	61	—	61
Other	16	—	—	16	—	16
Total derivatives	7,266	(4,470)	(1,952)	844	(485)	359
Securities purchased under agreements to resell	66,114	(9,843)	—	56,271	(56,271)	—
Total	\$73,380	(\$14,313)	(\$1,952)	\$57,115	(\$56,756)	\$359
Liabilities:						
Derivatives:						
OTC derivatives	(\$5,731)	\$4,465	\$1,164	(\$102)	\$—	(\$102)
Cleared and exchange-traded derivatives	(5)	5	—	—	—	—
Mortgage commitment derivatives	(126)	—	—	(126)	—	(126)
Other	(144)	—	—	(144)	—	(144)
Total derivatives	(6,006)	4,470	1,164	(372)	—	(372)
Securities sold under agreements to repurchase	(9,843)	9,843	—	—	—	—
Total	(\$15,849)	\$14,313	\$1,164	(\$372)	\$—	(\$372)

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

(2) Does not include the fair value amount of non-cash collateral posted or held that exceeds the associated net asset or liability, netted by counterparty, presented on the consolidated balance sheets.

Collateral Pledged

Collateral Pledged to Freddie Mac

We have cash pledged to us as collateral primarily related to OTC derivative transactions. We had \$2.8 billion and \$2.6 billion pledged to us as collateral that was invested as part of our liquidity and contingency operating portfolio as of December 31, 2020 and December 31, 2019, respectively.

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 December 31, 2020 and December 31, 2019, we had \$85.8 billion and \$52.4 billion, respectively, of securities pledged to us in these transactions. In addition, at December 31, 2020 and December 31, 2019, we had \$0.8 billion and \$2.4 billion, respectively, of securities pledged to us for transactions involving securities purchased under agreements to resell not executed with central clearing organizations that we had the right to repledge.

Collateral Pledged by Freddie Mac

We deposited cash collateral totaling \$1.3 billion and \$0.2 billion as of December 31, 2020 and December 31, 2019, respectively, related to commitments and securities purchased under agreements to resell transactions with central clearing organizations.

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 11.2 - Collateral in the Form of Securities Pledged

(In millions)	December 31, 2020			
	Derivatives	Securities Sold Under Agreements to Repurchase	Other ⁽²⁾	Total
Debt securities of consolidated trusts ⁽¹⁾	\$121	\$—	\$345	\$466
Trading securities	1,920	—	1,163	3,083
Total securities pledged	\$2,041	\$—	\$1,508	\$3,549

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

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

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

The table below presents the underlying collateral pledged and the remaining contractual maturity of our gross obligations under securities sold under agreements to repurchase as of December 31, 2019. We had no outstanding securities sold under agreements to repurchase as of December 31, 2020.

Table 11.3 - Underlying Collateral Pledged

(In millions)	December 31, 2019				Total
	Overnight and Continuous	30 days or Less	After 30 days Through 90 days	Greater Than 90 days	
U.S. Treasury securities and other	\$—	\$9,081	\$265	\$—	\$9,346

NOTE 12

Other Assets and Other Liabilities

The table below presents the components of other assets and other liabilities on our consolidated balance sheets.

Table 12.1 - Significant Components of Other Assets and Other Liabilities

(In millions)	December 31,	
	2020	2019
Other assets:		
Real estate owned, net	\$198	\$555
Guarantee asset	5,509	4,426
Servicer receivables	20,926	10,112
Advances to lenders	4,162	1,873
Secured lending	1,680	2,313
LIHTC equity investments	1,410	972
All other	5,409	2,548
Total other assets	\$39,294	\$22,799
Other liabilities:		
Guarantee obligation	\$5,050	\$4,292
All other	6,242	3,750
Total other liabilities	\$11,292	\$8,042

NOTE 13

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 the three years presented below, related to available-for-sale securities, closed cash flow hedges, and our defined benefit plans.

Table 13.1 - Changes in AOCI by Component, Net of Taxes

(In millions)	Year Ended December 31, 2020			
	AOCI Related to Available-for-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	\$618	(\$244)	\$64	\$438
Other comprehensive income before reclassifications	502	—	(9)	493
Amounts reclassified from accumulated other comprehensive income	(310)	38	(16)	(288)
Changes in AOCI by component	192	38	(25)	205
Ending balance	\$810	(\$206)	\$39	\$643

(In millions)	Year Ended December 31, 2019			
	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	668	—	(17)	651
Amounts reclassified from accumulated other comprehensive income	(133)	71	(16)	(78)
Changes in AOCI by component	535	71	(33)	573
Ending balance	\$618	(\$244)	\$64	\$438

(In millions)	Year Ended December 31, 2018			
	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	(476)	—	11	(465)
Amounts reclassified from accumulated other comprehensive income	(246)	114	(16)	(148)
Changes in AOCI by component	(722)	114	(5)	(613)
Cumulative effect of change in accounting principle ⁽¹⁾	143	(73)	19	89
Ending balance	\$83	(\$315)	\$97	(\$135)

(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.

In 1Q 2018, we adopted the accounting guidance related to the reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The reclassification includes stranded tax effects related to unrealized gains and losses on available-for-sale securities, deferred net losses on closed cash flow hedges, and our defined benefit plans.

Reclassifications from AOCI to Net Income

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

Table 13.2 - Reclassifications from AOCI to Net Income

(In millions)	Year Ended December 31,		
	2020	2019	2018
AOCI related to available-for-sale securities			
Affected line items on the consolidated statements of comprehensive income (loss):			
Investment gains (losses), net	\$393	\$168	\$312
Income tax (expense) benefit	(83)	(35)	(66)
Net of tax	310	133	246
AOCI related to cash flow hedge relationships			
Affected line items on the consolidated statements of comprehensive income (loss):			
Interest expense	(50)	(90)	(133)
Income tax (expense) benefit	12	19	19
Net of tax	(38)	(71)	(114)
AOCI related to defined benefit plans			
Affected line items on the consolidated statements of comprehensive income (loss):			
Salaries and employee benefits	20	20	20
Income tax (expense) benefit	(4)	(4)	(4)
Net of tax	16	16	16
Total reclassifications in the period net of tax	\$288	\$78	\$148

Senior Preferred Stock

Pursuant to the Purchase Agreement described in **Note 2**, we issued one million shares of senior preferred stock to Treasury on September 8, 2008, in partial consideration of Treasury's commitment to provide funds to us.

Shares of the senior preferred stock have a par value of \$1, and have a stated value and initial liquidation preference of \$1 billion, or \$1,000 per share. The liquidation preference of the senior preferred stock is subject to adjustment. Dividends that are not paid in cash for any dividend period will accrue and be added to the liquidation preference of the senior preferred stock. In addition, any amounts Treasury pays to us pursuant to its funding commitment under the Purchase Agreement and any quarterly commitment fees that are not paid in cash to Treasury nor waived by Treasury will be added to the liquidation preference of the senior preferred stock. The liquidation preference of the senior preferred stock also increased by \$3.0 billion on December 31, 2017 pursuant to the December 2017 Letter Agreement. Pursuant to the September 2019 and January 2021 Letter Agreements, the liquidation preference of the senior preferred stock will be increased, at the end of each fiscal quarter, from September 30, 2019 through the Capital Reserve End Date, by an amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. During 3Q 2020, our Net Worth Amount increased by \$2.4 billion. As a result, the liquidation preference of the senior preferred stock increased to \$86.5 billion on December 31, 2020 and will increase to \$89.1 billion on March 31, 2021 based on the \$2.5 billion increase in our Net Worth Amount during 4Q 2020. As described below, we may make payments to reduce the liquidation preference of the senior preferred stock in limited circumstances. As discussed in **Note 2**, the quarterly commitment fee has been suspended until the Capital Reserve End Date. By the Capital Reserve End Date, we and Treasury, in consultation with the Chairman of the Federal Reserve, will mutually agree on a periodic commitment fee we will pay for Treasury's remaining funding commitment with respect to the five-year period commencing on the first January 1 after the Capital Reserve Date.

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. The dividend is presented in the period in which it is determinable for the senior preferred stock, as a reduction to net income (loss) available to common stockholders and net income (loss) per common share. The dividend is declared and paid in the following period and recorded as a reduction to equity in the period declared. There were no cash dividends paid in 2020. Total dividends paid in cash during 2019 and 2018 at the direction of the Conservator were \$3.1 billion and \$4.1 billion, respectively. See **Note 2** for a discussion of our net worth sweep dividend.

The senior preferred stock is senior to our common stock and all other outstanding series of our preferred stock, as well as any capital stock we issue in the future, as to both dividends and rights upon liquidation. The senior preferred stock provides that we may not, at any time, declare or pay dividends on, make distributions with respect to, 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:

- Full cumulative dividends on the outstanding senior preferred stock (including any unpaid dividends added to the liquidation preference) have been declared and paid in cash and
- All amounts required to be paid with the net proceeds of any issuance of capital stock for cash (as described below) have been paid in cash.

Shares of the senior preferred stock are not convertible. Shares of the senior preferred stock have no general or special voting rights, other than those set forth in the certificate of designation for the senior preferred stock or otherwise required by law. The consent of holders of at least two-thirds of all outstanding shares of senior preferred stock is generally required to amend the terms of the senior preferred stock or to create any class or series of stock that ranks prior to or on parity with the senior preferred stock.

We are not permitted to redeem the senior preferred stock prior to the termination of Treasury's funding commitment set forth in the Purchase Agreement; however, we are permitted to pay down the liquidation preference of the outstanding shares of senior preferred stock to the extent of accrued and unpaid dividends previously added to the liquidation preference and not previously paid down and quarterly commitment fees previously added to the liquidation preference and not previously paid down. Pursuant to the January 2021 Letter Agreement, we are permitted to issue common stock with aggregate gross proceeds of up to \$70.0 billion after Treasury's exercise in full of its warrant to acquire 79.9% of our common stock and resolution of currently pending material litigation related to our conservatorship and the Purchase Agreement, and we are permitted to use the net proceeds of such issuance(s) to build capital. If we issue any other shares of capital stock for cash while the senior preferred stock is outstanding, the net proceeds of such issuances must be used to pay down the liquidation preference of the senior preferred stock; however, the liquidation preference of each share of senior preferred stock may not be paid down below \$1,000 per share prior to the termination of Treasury's funding commitment. Following the termination of Treasury's funding commitment, we may pay down the liquidation preference of all outstanding shares of senior preferred stock at any time, in whole or in part. If, after termination of Treasury's funding commitment, we pay down the liquidation preference of each outstanding share of senior preferred stock in full, the shares will be deemed to have been redeemed as of the payment date.

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

Table 13.3 - Senior Preferred Stock

(In millions, except initial liquidation preference price per share)	Shares Authorized	Shares Outstanding	Total Par Value	Initial Liquidation Preference Price per Share	Total Liquidation Preference
Non-draw Adjustment Dates:					
September 8, 2008	1.00	1.00	\$1.00	\$1,000	\$1,000
December 31, 2017	—	—	—	N/A	3,000
September 30, 2019	—	—	—	N/A	1,826
December 31, 2019	—	—	—	N/A	1,848
March 31, 2020	—	—	—	N/A	2,448
June 30, 2020	—	—	—	N/A	382
September 30, 2020	—	—	—	N/A	1,938
December 31, 2020	—	—	—	N/A	2,449
Total non-draw adjustments	1.00	1.00	1.00		14,891
Draw Dates:					
November 24, 2008	—	—	—	N/A	13,800
March 31, 2009	—	—	—	N/A	30,800
June 30, 2009	—	—	—	N/A	6,100
June 30, 2010	—	—	—	N/A	10,600
September 30, 2010	—	—	—	N/A	1,800
December 30, 2010	—	—	—	N/A	100
March 31, 2011	—	—	—	N/A	500
September 30, 2011	—	—	—	N/A	1,479
December 30, 2011	—	—	—	N/A	5,992
March 30, 2012	—	—	—	N/A	146
June 29, 2012	—	—	—	N/A	19
March 30, 2018	—	—	—	N/A	312
Total draw adjustments	—	—	—		71,648
Total senior preferred stock	1.00	1.00	\$1.00		\$86,539

No cash was received from Treasury under the Purchase Agreement in 2020 because we had positive net worth at December 31, 2019, March 31, 2020, June 30, 2020, and September 30, 2020 and, consequently, FHFA did not request a draw on our behalf in 2020. At December 31, 2020, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. The aggregate liquidation preference of the senior preferred stock owned by Treasury was \$86.5 billion as of December 31, 2020 and \$79.3 billion as of December 31, 2019.

Our quarterly senior preferred stock dividend requirement is currently 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 January 2021 Letter Agreement, the applicable Capital Reserve Amount as of October 1, 2020 is the amount of adjusted total capital necessary to meet the capital requirements and buffers set forth in the ERCF. This increased Capital Reserve Amount will remain in effect until the last day of the second fiscal quarter during which we have reached and maintained such level of capital (the Capital Reserve End Date). As a result, we will not have a dividend requirement on the senior preferred stock until we have built sufficient capital to meet the capital requirements and buffers set forth in the ERCF. If, for any reason, we were not to pay our dividend requirement on the senior preferred stock in full in any future period until the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and the applicable Capital Reserve Amount would thereafter be zero.

Upon the Capital Reserve End Date, our quarterly senior preferred stock dividend requirement will be an amount equal to the lesser of (i) 10% per annum on the then-current liquidation preference of the Senior Preferred Stock and (ii) a quarterly amount equal to the increase in the Net Worth Amount, if any, during the immediately prior fiscal quarter. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period after the Capital Reserve End Date, the unpaid amount would be added to the liquidation preference and immediately following such failure and for all dividend periods thereafter until the dividend period following the date on which we shall have paid in cash full cumulative dividends, the dividend amount will be 12% per annum on the then-current liquidation preference of the senior preferred stock. See **Note 2** for additional information.

Common Stock Warrant

Pursuant to the Purchase Agreement described in **Note 2**, on September 7, 2008, we issued a warrant to purchase common stock to Treasury, in partial consideration of Treasury's commitment to provide funds to us.

The warrant may be exercised in whole or in part at any time on or before September 7, 2028, by delivery to us of a notice of exercise, payment of the exercise price of \$0.00001 per share and the warrant. If the market price of one share of our common stock is greater than the exercise price, then, instead of paying the exercise price, Treasury may elect to receive shares equal to the value of the warrant (or portion thereof being canceled) pursuant to the formula specified in the warrant. Upon exercise of the warrant, Treasury may assign the right to receive the shares of common stock issuable upon exercise to any other person.

We account for the warrant in permanent equity. At issuance on September 7, 2008, we recognized the warrant at fair value, and we do not recognize subsequent changes in fair value while the warrant remains classified in equity. We recorded an aggregate fair value of \$2.3 billion for the warrant as a component of additional paid-in-capital. We derived the fair value of the warrant using a modified Black-Scholes model. If the warrant is exercised, the stated value of the common stock issued will be reclassified to common stock on our consolidated balance sheets. The warrant was determined to be in-substance non-voting common stock, because the warrant's exercise price of \$0.00001 per share is considered non-substantive (compared to the market price of our common stock). As a result, the shares associated with the warrant are included in the computation of basic and diluted earnings (loss) per share. The weighted average shares of common stock outstanding for the years ended December 31, 2020, 2019, and 2018 included shares of common stock that would be issuable upon full exercise of the warrant issued to Treasury.

Preferred Stock

We have the option to redeem our preferred stock on specified dates, at their redemption price plus dividends accrued through the redemption date. However, without the consent of Treasury, we are restricted from making payments to purchase or redeem preferred stock as well as paying any preferred dividends, other than dividends on the senior preferred stock. All 24 classes of preferred stock are perpetual and non-cumulative, and carry no significant voting rights or rights to purchase additional Freddie Mac stock or securities. Costs incurred in connection with the issuance of preferred stock are charged to additional paid-in capital.

The table below provides a summary of our preferred stock outstanding at their redemption values at December 31, 2020.

Table 13.4 - Preferred Stock

(In millions, except redemption price per share)	Issue Date	Shares Authorized	Shares Outstanding	Total Par Value	Redemption Price per Share	Total Outstanding Balance	Redeemable On or After	OTCQB Symbol
<i>Preferred stock:</i>								
1996 Variable-rate ⁽¹⁾	April 26, 1996	5.00	5.00	\$5.00	\$50.00	\$250	June 30, 2001	FMCCI
5.81%	October 27, 1997	3.00	3.00	3.00	50.00	150	October 27, 1998	(2)
5%	March 23, 1998	8.00	8.00	8.00	50.00	400	March 31, 2003	FMCKK
1998 Variable-rate ⁽³⁾	September 23 and 29, 1998	4.40	4.40	4.40	50.00	220	September 30, 2003	FMCCG
5.10%	September 23, 1998	8.00	8.00	8.00	50.00	400	September 30, 2003	FMCCH
5.30%	October 28, 1998	4.00	4.00	4.00	50.00	200	October 30, 2000	(2)
5.10%	March 19, 1999	3.00	3.00	3.00	50.00	150	March 31, 2004	(2)
5.79%	July 21, 1999	5.00	5.00	5.00	50.00	250	June 30, 2009	FMCCK
1999 Variable-rate ⁽⁴⁾	November 5, 1999	5.75	5.75	5.75	50.00	287	December 31, 2004	FMCCCL
2001 Variable-rate ⁽⁵⁾	January 26, 2001	6.50	6.50	6.50	50.00	325	March 31, 2003	FMCCM
2001 Variable-rate ⁽⁶⁾	March 23, 2001	4.60	4.60	4.60	50.00	230	March 31, 2003	FMCCN
5.81%	March 23, 2001	3.45	3.45	3.45	50.00	173	March 31, 2011	FMCCO
6%	May 30, 2001	3.45	3.45	3.45	50.00	173	June 30, 2006	FMCCP
2001 Variable-rate ⁽⁷⁾	May 30, 2001	4.02	4.02	4.02	50.00	201	June 30, 2003	FMCCJ
5.70%	October 30, 2001	6.00	6.00	6.00	50.00	300	December 31, 2006	FMCKP
5.81%	January 29, 2002	6.00	6.00	6.00	50.00	300	March 31, 2007	(2)
2006 Variable-rate ⁽⁸⁾	July 17, 2006	15.00	15.00	15.00	50.00	750	June 30, 2011	FMCCS
6.42%	July 17, 2006	5.00	5.00	5.00	50.00	250	June 30, 2011	FMCCCT
5.90%	October 16, 2006	20.00	20.00	20.00	25.00	500	September 30, 2011	FMCKO
5.57%	January 16, 2007	44.00	44.00	44.00	25.00	1,100	December 31, 2011	FMCKM
5.66%	April 16, 2007	20.00	20.00	20.00	25.00	500	March 31, 2012	FMCKN
6.02%	July 24, 2007	20.00	20.00	20.00	25.00	500	June 30, 2012	FMCKL
6.55%	September 28, 2007	20.00	20.00	20.00	25.00	500	September 30, 2017	FMCKI
2007 Fixed-to-floating rate ⁽⁹⁾	December 4, 2007	240.00	240.00	240.00	25.00	6,000	December 31, 2012	FMCKJ
Total, preferred stock		464.17	464.17	\$464.17		\$14,109		

(1) Dividend rate resets quarterly and is equal to the sum of three-month LIBOR plus 1% divided by 1.377, and is capped at 9.00%.

(2) Issued through private placement.

(3) Dividend rate resets quarterly and is equal to the sum of three-month LIBOR plus 1% divided by 1.377, and is capped at 7.50%.

(4) Dividend rate resets on January 1 every five years after January 1, 2005 based on a five-year Constant Maturity Treasury rate, and is capped at 11.00%. Optional redemption on December 31, 2004 and on December 31 every five years thereafter.

(5) Dividend rate resets on April 1 every two years after April 1, 2003 based on the two-year Constant Maturity Treasury rate plus 0.10%, and is capped at 11.00%. Optional redemption on March 31, 2003 and on March 31 every two years thereafter.

(6) Dividend rate resets on April 1 every year based on 12-month LIBOR minus 0.20%, and is capped at 11.00%. Optional redemption on March 31, 2003 and on March 31 every year thereafter.

(7) Dividend rate resets on July 1 every two years after July 1, 2003 based on the two-year Constant Maturity Treasury rate plus 0.20%, and is capped at 11.00%. Optional redemption on June 30, 2003 and on June 30 every two years thereafter.

(8) Dividend rate resets quarterly and is equal to the sum of three-month LIBOR plus 0.50% but not less than 4.00%.

(9) Dividend rate is set at an annual fixed rate of 8.375% from December 4, 2007 through December 31, 2012. For the period beginning on or after January 1, 2013, dividend rate resets quarterly and is equal to the higher of: (a) the sum of three-month LIBOR plus 4.16% per annum or (b) 7.875% per annum. Optional redemption on December 31, 2012 and on December 31 every five years thereafter.

Stock-Based Compensation

Following the implementation of the conservatorship in September 2008, we suspended the operation of and/or ceased making grants under our stock-based compensation plans. 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.

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during 2020 and 2019, except for issuances of treasury stock as reported on our consolidated statements of equity relating to stock-based compensation granted prior to conservatorship. Common stock delivered under these stock-based compensation plans consists of treasury stock or shares acquired in market transactions on behalf of the participants. During 2020, the deferral period lapsed on 351 RSUs. At December 31, 2020, 351 RSUs remained outstanding. In addition, there were 41,160 shares of restricted stock outstanding at both December 31, 2020 and December 31, 2019. At December 31, 2020, no stock options were outstanding.

Earnings Per Share

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

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

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

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

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

For purposes of the earnings-per-share calculation, antidilutive potential common shares excluded from the computation of dilutive potential common shares were 0 at December 31, 2020, December 31, 2019, and December 31, 2018.

Dividends and Dividend Restrictions

No common dividends were declared in 2020, 2019, and 2018. No dividends were paid during 2020 on the senior preferred stock as a result of the increase in the applicable Capital Reserve Amount pursuant to the September 2019 and January 2021 Letter Agreements. In 2019 and 2018, we paid dividends of \$3.1 billion and \$4.1 billion, respectively, in cash on the senior preferred stock at the direction of our Conservator. We did not declare or pay dividends on any other series of Freddie Mac preferred stock outstanding during 2020.

Our payment of dividends is subject to the following restrictions:

- **Restrictions Relating to the Conservatorship** - The Conservator has prohibited us from paying any dividends on our common stock or on any series of our preferred stock (other than the senior preferred stock). FHFA has instructed our Board of Directors that it should consult with and obtain the approval of FHFA before taking actions involving dividends. In addition, FHFA has adopted a regulation prohibiting us from making capital distributions during conservatorship, except as authorized by the Director of FHFA.
- **Restrictions Under the Purchase Agreement** - The Purchase Agreement prohibits us and any of our subsidiaries from declaring or paying any dividends on Freddie Mac equity securities (other than with respect to the senior preferred stock or warrant) without the prior written consent of Treasury.
- **Restrictions Under the GSE Act** - Under the GSE Act, FHFA has authority to prohibit capital distributions, including payment of dividends, if we fail to meet applicable capital requirements. However, our capital requirements have been suspended during conservatorship.
- **Restrictions Under our Charter** - Without regard to our capital classification, we must obtain prior written approval of FHFA to make any capital distribution that would decrease total capital to an amount less than the risk-based capital level.

or that would decrease core capital to an amount less than the minimum capital level. As noted above, our capital requirements have been suspended during conservatorship.

- **Restrictions Relating to Preferred Stock** - Payment of dividends on our common stock is also subject to the prior payment of dividends on our 24 series of preferred stock and one series of senior preferred stock, representing an aggregate of 464,170,000 shares and 1,000,000 shares outstanding, respectively, as of December 31, 2020. Payment of dividends on all outstanding preferred stock, other than the senior preferred stock, is subject to the prior payment of dividends on the senior preferred stock.

Delisting of Common Stock and Preferred Stock from NYSE

On July 8, 2010, we delisted our common and 20 previously listed classes of preferred stock from the NYSE pursuant to a directive by our Conservator.

Our common stock and the classes of preferred stock that were previously listed on the NYSE are traded exclusively in the OTCQB Marketplace. Shares of our common stock now trade under the ticker symbol FMCC. We expect that our common stock and the previously listed classes of preferred stock will continue to trade in the OTCQB Marketplace so long as market makers demonstrate an interest in trading the common and preferred stock.

NOTE 14

Net Interest Income

The table below presents the components of net interest income per our consolidated statements of comprehensive income (loss).

Table 14.1 - Components of Net Interest Income

(Dollars in millions)	Year Ended December 31,		
	2020	2019	2018
Interest income			
Mortgage loans	\$59,290	\$68,583	\$66,037
Investment securities	2,581	2,737	3,035
Other	469	1,575	982
Total interest income	62,340	72,895	70,054
Interest expense			
Debt securities of consolidated trusts held by third parties	(46,281)	(53,980)	(51,529)
Debt of Freddie Mac:			
Short-term debt	(606)	(1,910)	(1,193)
Long-term debt	(2,682)	(5,157)	(5,311)
Total interest expense	(49,569)	(61,047)	(58,033)
Net interest income	12,771	11,848	12,021
Benefit (provision) for credit losses	(1,452)	746	736
Net interest income after benefit (provision) for credit losses	\$11,319	\$12,594	\$12,757

NOTE 15

Investment Gains (Losses), Net

The table below presents the components of investment gains (losses), net on our consolidated statements of comprehensive income (loss).

Table 15.1 - Components of Investment Gains (Losses), Net

(In millions)	Year Ended December 31,		
	2020	2019	2018
Investment gains (losses), net:			
Mortgage loans gains (losses)	\$5,372	\$4,744	\$746
Investment securities gains (losses)	778	389	(815)
Debt gains (losses)	701	201	720
Derivative gains (losses)	(5,038)	(4,516)	1,270
Investment gains (losses), net	\$1,813	\$818	\$1,921

NOTE 16

Income Taxes

Income Tax Expense

Total income tax expense includes:

- Current income tax expense, which represents the amount of federal tax currently payable to or receivable from the Internal Revenue Service, including interest and penalties and amounts accrued for unrecognized tax benefits, if any, and
- Deferred income tax expense, which represents the net change in the deferred tax asset or liability balance during the year, including any change in the valuation allowance.

Income tax expense excludes the tax effects related to adjustments recorded to other comprehensive income, such as unrealized gains and losses on available-for-sale securities. In addition, income tax expense includes our investment in LIHTC partnerships, which are accounted for under the proportional amortization method and generate federal income tax credits and deductible operating losses.

The table below presents the components of our federal income tax expense for the past three years. We are exempt from state and local income taxes.

Table 16.1 - Federal Income Tax Expense

(In millions)	Year Ended December 31,		
	2020	2019	2018
Current income tax (expense) benefit	(\$2,493)	(\$1,018)	(\$848)
Deferred income tax (expense) benefit	590	(817)	(1,391)
Total income tax (expense) benefit	(\$1,903)	(\$1,835)	(\$2,239)

Income tax expense increased from 2019 to 2020 primarily due to an increase in pre-tax book income, and decreased from 2018 to 2019, primarily due to a decrease in pre-tax book income.

The table below presents the reconciliation between our federal statutory income tax rate and our effective tax rate for the past three years.

Table 16.2 - Reconciliation of Federal Statutory Income Tax Rate to Effective Tax Rate

(Dollars in millions)	Year Ended December 31,					
	2020		2019		2018	
	Amount	Percent	Amount	Percent	Amount	Percent
Statutory corporate tax rate	(\$1,938)	21.0 %	(\$1,900)	21.0 %	(\$2,410)	21.0 %
Tax-exempt interest	25	(0.3)	18	(0.2)	19	(0.2)
Tax credits	55	(0.6)	48	(0.5)	56	(0.5)
Valuation allowance	(4)	0.1	9	(0.1)	(13)	0.1
Revaluation of deferred tax asset to enacted rate	—	—	—	—	184	(1.6)
Other (includes proportional amortization of affordable housing investments)	(41)	0.4	(10)	0.1	(75)	0.7
Effective tax rate	(\$1,903)	20.6 %	(\$1,835)	20.3 %	(\$2,239)	19.5 %

Deferred Tax Assets, Net

We use the asset and liability method of accounting for income taxes for financial reporting purposes. Under this method, deferred tax assets and liabilities are recognized based upon the expected future tax consequences of existing temporary differences between the financial reporting and the tax reporting basis of assets and liabilities using enacted statutory tax rates as well as tax net operating loss and tax credit carryforwards, if any. To the extent tax laws change, deferred tax assets and liabilities are adjusted in the period that the tax change is enacted. The realization of our net deferred tax assets is dependent upon the generation of sufficient taxable income.

The table below presents the balance of significant deferred tax assets and liabilities at December 31, 2020 and December 31, 2019. The valuation allowance relates to capital loss carryforwards included in Other items, net that we expect to expire unused.

Table 16.3 - Deferred Tax Assets and Liabilities

(In millions)	Year Ended December 31,	
	2020	2019
Deferred tax assets:		
Deferred fees	\$3,354	\$3,529
Basis differences related to derivative instruments	1,810	1,398
Credit related items and allowance for loan losses	844	79
Basis differences related to assets held for investment	999	921
Other items, net	134	56
Total deferred tax assets	7,141	5,983
Deferred tax liabilities:		
Unrealized gains related to available-for-sale securities	(543)	(28)
Total deferred tax liabilities	(543)	(28)
Valuation allowance	(41)	(37)
Deferred tax assets, net	\$6,557	\$5,918

Valuation Allowance

A valuation allowance is recorded to reduce the net deferred tax asset when it is more likely than not that all or part of our tax benefits will not be realized. On a quarterly basis, we determine whether a valuation allowance is necessary. In doing so, we consider all evidence available, both positive and negative, in determining whether, based on the weight of the evidence, it is more likely than not that the net deferred tax asset will be realized.

We are not permitted to consider in our analysis the impacts proposed legislation may have on our business because the timing and certainty of those actions are unknown and beyond our control.

Based on all positive and negative evidence available at December 31, 2020, we determined that it is more likely than not that our net deferred tax assets, except for the deferred tax asset related to our capital loss carryforwards, will be realized. A valuation allowance of \$41 million has been recorded against our capital loss carryforward deferred tax asset.

Unrecognized Tax Benefits

We recognize a tax position taken or expected to be taken (and any associated interest and penalties) if it is more likely than not that it will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. We measure the tax position at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. We evaluated all income tax positions and determined that there were no uncertain tax positions that required reserves as of December 31, 2020.

NOTE 17

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. Certain activities that are not part of a reportable segment are included in the All Other category. The chart below provides a summary of our three reportable segments and the All Other category.

Segment/ Category	Description	Financial Performance Measurement Basis
Single-family Guarantee	The Single-family Guarantee segment reflects results from our purchase of single-family loans, our guarantee of principal and interest payments on securitized mortgage loans in exchange for guarantee fees, and the management of single-family mortgage credit risk. The Single-family Guarantee segment manages single-family mortgage credit risk through risk transfer transactions, performing loss mitigation activities, and managing foreclosure and REO activities.	• Contribution to GAAP net income (loss)
Multifamily	The Multifamily segment reflects results from our purchase, sale, securitization, and guarantee of multifamily loans and securities, our investments in those loans and securities, and the management of multifamily mortgage credit risk and market risk. Our primary business model is to purchase multifamily loans for aggregation and then securitization through issuance of multifamily K Certificates and SB Certificates. We also issue and guarantee other securitization products, issue other credit risk transfer products, and provide other guarantee activities.	• Contribution to GAAP comprehensive income (loss)
Capital Markets	The Capital Markets segment reflects results from managing the company's 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.	• Contribution to GAAP comprehensive income (loss)
All Other	The All Other category consists of material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments.	N/A

Segment Earnings

We present Segment Earnings by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP 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 sum of Segment Earnings for each segment and the All Other category equals GAAP net income (loss). Likewise, the sum of comprehensive income (loss) for each segment and the All Other category equals GAAP comprehensive income (loss). However, the accounting principles we apply to present certain financial statement line items in Segment Earnings for our reportable segments differ significantly from those applied in preparing the comparable line items on our consolidated financial statements prepared in accordance with GAAP in order to reflect the business activities each segment performs. The significant reclassifications are discussed below.

Credit Activity-Related Reclassifications

Certain credit activity-related income and costs are included in Segment Earnings guarantee fee income or benefit (provision) for credit losses.

- Net guarantee fees, including certain fee amortization and implied guarantee fee income related to single-family unsecuritized loans held in the mortgage-related investments portfolio, are reclassified in Segment Earnings from net interest income to guarantee fee income.

- Short-term returns on cash received related to certain upfront fees on single-family loans are reclassified in Segment Earnings from net interest income to guarantee fee income.
- The revenue and expense related to the 10 basis point increase which was legislated in the Temporary Payroll Tax Cut Continuation Act of 2011 are netted within guarantee fee income.
- A portion of the amount reversed for accrued but uncollected interest upon placing loans on non-accrual status and related recoveries (if any) is reclassified in Segment Earnings from net interest income to benefit (provision) for credit losses.
- We began hedging cash flows related to upfront fees (including buy-downs) in 2019. Amortization of the hedge gains (losses) is reclassified in Segment Earnings from net interest income to guarantee fee income.
- Property tax and insurance expenses associated with held-for-sale loans accrued after the reclassification of loans from held-for-investment to held-for-sale is reclassified in Segment Earnings from other expense to benefit (provision) for credit losses.

Investment Activity-Related Reclassifications

We move certain items into or out of net interest income so that, on a Segment Earnings basis, net interest income reflects how we measure the effective yield earned on securities held in our mortgage investments portfolio and our other investments portfolio.

We use derivatives extensively in our investment activity. The reclassifications described below allow us to reflect, in Segment Earnings net interest income, the costs associated with this use of derivatives.

- The accrual of periodic cash settlements of derivatives while not in qualifying hedge relationships is reclassified from investment gains (losses) to net interest income for Segment Earnings.
- For Segment Earnings, changes in the fair value of the hedging instrument and changes in the fair value of the hedged item attributable to the risk being hedged are reclassified to investment gains (losses), net from net interest income.

Amortization related to certain items is not relevant to how we measure the effective yield earned on the securities held in our investments portfolio. Therefore, as described below, we reclassify the following items in Segment Earnings from net interest income to non-interest income:

- Amortization related to derivative commitment basis adjustments associated with mortgage-related and non-mortgage-related securities.
- Amortization related to accretion of other-than-temporary impairments on available-for-sale securities.
- Amortization of discounts on loans purchased with deteriorated credit quality that are on accrual status.
- Amortization related to premiums and discounts, including non-cash premiums and discounts, on single-family loans in trusts and on the associated consolidated securities.
- Amortization related to premiums and discounts associated with securities issued by our consolidated trusts that we previously held and subsequently transferred to third parties.

Certain debt-related costs are not relevant to how we measure the effective yield earned on the securities held in our investments portfolio. Therefore, as described below, we reclassify the following items in Segment Earnings:

- Costs associated with STACR debt note expenses are reclassified from net interest income to credit enhancement expense.

Segment Allocations

The results of each reportable segment include directly attributable revenues and expenses. Administrative expenses that are not directly attributable to a segment are allocated to our segments using various methodologies, depending on the nature of the expense. Net interest income for each segment includes allocated debt funding and hedging costs related to certain assets of each segment. Funding and interest-rate risk is consolidated and primarily managed by the Capital Markets segment for all other business segments. In connection with this activity, the Capital Markets segment transfers costs or income to the other segments. The actual costs or income may vary relative to these intra-company transfers. In addition, the financial statement variability associated with the use of derivatives to hedge certain assets outside the Capital Markets segment and other activity that results in GAAP variability is not fully allocated to other segments. These allocations do not include the effects of dividends paid on our senior preferred stock.

The table below presents Segment Earnings by segment.

Table 17.1 - Segment Earnings (Loss) and Comprehensive Income (Loss)

(In millions)	Year Ended December 31,		
	2020	2019	2018
Segment Earnings (Loss), net of taxes:			
Single-family Guarantee	\$4,536	\$4,365	\$3,908
Multifamily	3,114	1,827	1,319
Capital Markets	(324)	1,022	4,008
All Other	—	—	—
Total Segment Earnings (Loss), net of taxes	\$7,326	\$7,214	\$9,235
Net income (loss) per consolidated statements of comprehensive income (loss)	\$7,326	\$7,214	\$9,235
Comprehensive income (loss) of segments:			
Single-family Guarantee	\$4,520	\$4,343	\$3,905
Multifamily	3,215	1,928	1,236
Capital Markets	(204)	1,516	3,481
All Other	—	—	—
Comprehensive income (loss) of segments	\$7,531	\$7,787	\$8,622
Comprehensive income (loss) per consolidated statements of comprehensive income (loss)	\$7,531	\$7,787	\$8,622

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

Table 17.2 - Segment Earnings (Loss) and Reconciliations to GAAP Consolidated Statements of Comprehensive Income (Loss)

(In millions)	Year Ended December 31, 2020						
	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income (Loss)
Net interest income	\$—	\$943	\$522	\$—	\$1,465	\$11,306	\$12,771
Guarantee fee income	10,292	1,444	—	—	11,736	(10,294)	1,442
Investment gains (losses), net	956	2,047	(231)	—	2,772	(959)	1,813
Other income (loss)	241	176	(266)	—	151	482	633
Benefit (provision) for credit losses	(1,680)	(132)	—	—	(1,812)	360	(1,452)
Administrative expense	(1,609)	(514)	(412)	—	(2,535)	—	(2,535)
Credit enhancement expense	(1,696)	(22)	—	—	(1,718)	660	(1,058)
Benefit for (decrease in) credit enhancement recoveries	305	18	—	—	323	—	323
REO operations expense	(152)	—	—	—	(152)	3	(149)
Other expense	(943)	(37)	(21)	—	(1,001)	(1,558)	(2,559)
Income tax (expense) benefit	(1,178)	(809)	84	—	(1,903)	—	(1,903)
Net income (loss)	4,536	3,114	(324)	—	7,326	—	7,326
Changes in unrealized gains (losses) related to available-for-sale securities	—	105	87	—	192	—	192
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	38	—	38	—	38
Changes in defined benefit plans	(16)	(4)	(5)	—	(25)	—	(25)
Total other comprehensive income (loss), net of taxes	(16)	101	120	—	205	—	205
Comprehensive income (loss)	\$4,520	\$3,215	(\$204)	\$—	\$7,531	\$—	\$7,531

(In millions)	Year Ended December 31, 2019						
	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income (Loss)
Net interest income	\$—	\$1,069	\$2,486	\$—	\$3,555	\$8,293	\$11,848
Guarantee fee income	7,773	1,101	—	—	8,874	(7,785)	1,089
Investment gains (losses), net	964	576	(36)	—	1,504	(686)	818
Other income (loss)	391	108	(700)	—	(201)	524	323
Benefit (provision) for credit losses	418	(3)	—	—	415	331	746
Administrative expense	(1,647)	(503)	(414)	—	(2,564)	—	(2,564)
Credit enhancement expense	(1,434)	(15)	—	—	(1,449)	700	(749)
Benefit for (decrease in) credit enhancement recoveries	41	—	—	—	41	—	41
REO operations expense	(245)	—	—	—	(245)	16	(229)
Other expense	(786)	(41)	(54)	—	(881)	(1,393)	(2,274)
Income tax (expense) benefit	(1,110)	(465)	(260)	—	(1,835)	—	(1,835)
Net income (loss)	4,365	1,827	1,022	—	7,214	—	7,214
Changes in unrealized gains (losses) related to available-for-sale securities	—	105	430	—	535	—	535
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	71	—	71	—	71
Changes in defined benefit plans	(22)	(4)	(7)	—	(33)	—	(33)
Total other comprehensive income (loss), net of taxes	(22)	101	494	—	573	—	573
Comprehensive income (loss)	\$4,343	\$1,928	\$1,516	\$—	\$7,787	\$—	\$7,787

(In millions)	Year Ended December 31, 2018						
	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income (Loss)
Net interest income	\$—	\$1,096	\$3,217	\$—	\$4,313	\$7,708	\$12,021
Guarantee fee income	6,581	861	—	—	7,442	(6,576)	866
Investment gains (losses), net	307	16	1,803	—	2,126	(205)	1,921
Other income (loss)	841	129	340	—	1,310	(548)	762
Benefit (provision) for credit losses	448	24	—	—	472	264	736
Administrative expense	(1,491)	(437)	(365)	—	(2,293)	—	(2,293)
Credit enhancement expense	(1,069)	(16)	—	—	(1,085)	676	(409)
Benefit for (decrease in) credit enhancement recoveries	(8)	—	—	—	(8)	—	(8)
REO operations expense	(189)	1	—	—	(188)	19	(169)
Other expense	(568)	(36)	(11)	—	(615)	(1,338)	(1,953)
Income tax (expense) benefit	(944)	(319)	(976)	—	(2,239)	—	(2,239)
Net income (loss)	3,908	1,319	4,008	—	9,235	—	9,235
Changes in unrealized gains (losses) related to available-for-sale securities	—	(82)	(640)	—	(722)	—	(722)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	114	—	114	—	114
Changes in defined benefit plans	(3)	(1)	(1)	—	(5)	—	(5)
Total other comprehensive income (loss), net of taxes	(3)	(83)	(527)	—	(613)	—	(613)
Comprehensive income (loss)	\$3,905	\$1,236	\$3,481	\$—	\$8,622	\$—	\$8,622

NOTE 18

Concentration of Credit and Other Risks

Concentrations of credit risk may arise when we do business with a number of customers or counterparties that engage in similar activities or have similar economic characteristics that make them vulnerable in similar ways to changes in industry conditions, which could affect their ability to meet their contractual obligations. Concentrations of credit risk may also arise when there are a limited number of counterparties in a certain industry. Based on our assessment of business conditions that could affect our financial results, we have determined that concentrations of credit risk exist among certain borrowers (including geographic concentrations and loans with certain higher risk characteristics), loan sellers and servicers, credit enhancement providers, and other investment counterparties. In the sections below, we discuss our concentration of credit risk for each of the groups to which we are exposed. For a discussion of our derivative counterparties, as well as related master netting and collateral agreements, see **Note 11**.

Single-Family Credit Guarantee Portfolio

Regional economic conditions may affect a borrower's ability to repay his or her loan and/or the property value underlying the loan. Geographic concentrations increase the exposure of our portfolio to changes in credit risk. Single-family borrowers are primarily affected by house prices and interest rates.

The table below summarizes the concentration by loan portfolio and geographic area of the approximately \$2.3 trillion and \$2.0 trillion UPB of our single-family credit guarantee portfolio at December 31, 2020 and December 31, 2019, respectively. See **Note 4**, **Note 6**, and **Note 7** for more information about credit risk associated with loans and mortgage-related securities that we hold or guarantee.

Table 18.1 - Concentration of Credit Risk of Our Single-Family Credit Guarantee Portfolio

(Dollars in billions)	December 31, 2020			December 31, 2019			2020 ⁽¹⁾		2019	
	Portfolio UPB	% of Portfolio	Serious Delinquency Rate	Portfolio UPB	% of Portfolio	Serious Delinquency Rate	Credit Losses Amount	% of Credit Losses	Credit Losses Amount	% of Credit Losses
Core single-family loan portfolio	\$2,093	90 %	2.04 %	\$1,701	85 %	0.26 %	\$0.1	33 %	\$0.3	18 %
Legacy and relief refinance single-family loan portfolio	233	10	5.30	293	15	1.84	0.3	67	1.2	82
Total	\$2,326	100 %	2.64	\$1,994	100 %	0.63	\$0.4	100 %	\$1.5	100 %
Region:⁽²⁾										
West	\$720	31 %	2.41	\$595	30 %	0.36	\$—	5 %	\$0.2	12 %
Northeast	549	24	3.16	475	24	0.87	0.2	40	0.5	37
North Central	357	15	2.06	319	16	0.61	0.1	27	0.3	19
Southeast	375	16	2.95	326	16	0.73	0.1	18	0.4	24
Southwest	325	14	2.59	279	14	0.54	—	10	0.1	8
Total	\$2,326	100 %	2.64	\$1,994	100 %	0.63	\$0.4	100 %	\$1.5	100 %
State:										
California	\$424	18 %	2.64	\$347	17 %	0.34	\$—	4 %	\$0.1	8 %
Texas	145	6	3.11	123	6	0.54	—	3	—	3
Florida	135	6	3.70	116	6	0.77	—	9	0.2	14
New York	103	4	4.56	94	5	1.21	0.1	13	0.1	7
Illinois	96	4	2.96	88	4	0.85	0.1	14	0.2	10
All other	1,423	62	2.34	1,226	62	0.61	0.2	57	0.9	58
Total	\$2,326	100 %	2.64	\$1,994	100 %	0.63	\$0.4	100 %	\$1.5	100 %

(1) Excludes credit losses related to charge-offs of accrued interest receivables.

(2) 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).

The REO balance, net at December 31, 2020 and December 31, 2019 associated with single-family properties was \$0.2 billion and \$0.6 billion, respectively, and the balance associated with multifamily properties was \$0 million at both dates. Our single-

family REO inventory consisted of 1,766 properties and 4,989 properties at December 31, 2020 and December 31, 2019, respectively. Although the average length of the foreclosure process has been trending downward in recent years for some jurisdictions, it remained elevated in others, particularly states with a judicial foreclosure process, which extends the time it takes for loans to be foreclosed upon and the underlying property to transition to REO.

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. The CARES Act requires our servicers to report to credit bureaus that loans in mortgage relief programs, such as forbearance plans, repayment plans, and loan modification programs, are current as long as the loans were current prior to entering into the mortgage relief programs and the borrowers remain in compliance with the programs. This credit reporting requirement applies to all mortgage relief programs entered into between January 31, 2020 and the date that is 120 days after the declaration of the national emergency related to the COVID-19 pandemic ends. Our ability to evaluate purchases of new loans and monitor the credit quality of loans in our single-family credit guarantee portfolio may be affected as credit scores may not reflect the impact of relief programs, offered by us or other creditors, into which borrowers may have entered.

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 may have an even higher risk of delinquency than those with an individual attribute.

Table 18.2 - Certain Higher Risk Categories in Our Single-Family Credit Guarantee Portfolio

(Percentage of portfolio based on UPB)	% of Portfolio ⁽¹⁾		Serious Delinquency Rate ⁽¹⁾	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Interest-only	— %	1 %	NM	2.72 %
Alt-A	1	1	10.66 %	3.75
Original LTV ratio greater than 90% ⁽²⁾	15	18	4.25	0.96
Lower credit scores at origination (less than 620)	1	2	11.00	4.52

(1) Excludes \$505 million and \$555 million UPB of loans underlying certain other securitization products for which data was not available as of December 31, 2020 and December 31, 2019, respectively.

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

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

We categorize our investments in non-agency mortgage-related securities as subprime, option ARM, or Alt-A if the securities were identified as such based on information provided to us when we entered into these transactions. We do not consider option ARM, CMBS, obligations of states and political subdivisions, and manufactured housing securities as either subprime or Alt-A securities. See **Note 6** for further information on these categories and other concentrations in our investments in securities.

Multifamily Mortgage Portfolio

Numerous factors affect a multifamily borrower's ability to repay the loan and the value of the property underlying the loan. The most significant factors affecting credit risk are rental rates and capitalization rates for the mortgaged property. Rental rates vary among geographic regions of the United States. The average UPB for multifamily loans is significantly larger than for single-family loans and, therefore, individual defaults for multifamily borrowers can result in more significant losses.

The table below summarizes the concentration of multifamily loans in our multifamily mortgage portfolio classified by legal structure, based on UPB.

Table 18.3 - Concentration of Credit Risk of Our Multifamily Mortgage Portfolio

(Dollars in billions)	December 31, 2020		December 31, 2019	
	UPB	Delinquency Rate ⁽¹⁾	UPB	Delinquency Rate ⁽¹⁾
Unsecuritized loans	\$33.4	0.04 %	\$29.8	0.01 %
Securitization-related products	301.4	0.18	260.3	0.09
Other mortgage-related guarantees	10.7	0.06	10.0	0.09
Total	\$345.5	0.16	\$300.1	0.08

(1) Based on loans two monthly payments or more delinquent or in foreclosure.

In the multifamily mortgage portfolio, the primary concentration of credit risk is based on the legal structure of the investments we hold. Our exposure to credit risk in our securitization-related products is minimal, as the expected credit risk is generally absorbed by the subordinate tranches, which are typically sold to third-party investors. As a result, our multifamily mortgage credit risk is primarily related to loans that have not been securitized.

Sellers and Servicers

We acquire a significant portion of our single-family and multifamily loan purchase and guarantee 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 and guarantee volume.

Table 18.4 - Seller Concentration

Single-family Sellers	2020	2019
JPMorgan Chase Bank, N.A.	5 %	14 %
Other top 10 sellers	39	42
Top 10 single-family sellers	44 %	56 %

Multifamily Sellers	2020	2019
CBRE Capital Markets, Inc.	16 %	15 %
Berkadia Commercial Mortgage LLC	14	15
JLL Real Estate Capital LLC	11	3
Walker & Dunlop LLC	10	8
Other top 10 sellers	31	36
Top 10 multifamily sellers	82 %	77 %

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. As a result, we have significant exposure to non-depository institutions in our single-family business. Our top five non-depository sellers provided approximately 26% of our single-family purchase volume during both 2020 and 2019.

We are exposed to counterparty credit risk arising from the potential insolvency or nonperformance by our sellers and servicers of their obligations to repurchase loans or (at our option) indemnify us in the event of breaches of the representations and warranties they made when they sold the loans to us or failure to comply with our servicing requirements. Our contracts require that a seller/servicer repurchase a loan after we issue a repurchase request, unless the seller/servicer avails itself of an appeals process provided for in our contracts, in which case the deadline for repurchase is extended until we decide on the appeal. As of December 31, 2020 and December 31, 2019, the UPB of loans subject to our repurchase requests issued to our single-family sellers and servicers was approximately \$0.5 billion and \$0.3 billion, respectively (these figures include repurchase requests for

which appeals were pending). During 2020 and 2019, we recovered amounts with respect to \$0.9 billion and \$0.4 billion, respectively, in UPB of loans subject to our repurchase requests.

At the direction of FHFA, we and Fannie Mae revised our representation and warranty framework for conventional loans purchased by the GSEs on or after January 1, 2013. The objective of the revised framework is to clarify lenders' repurchase exposures and liability on future sales of loans to Freddie Mac and Fannie Mae. This framework does not affect seller/servicers' obligations under their contracts with us with respect to loans sold to us prior to January 1, 2013. This framework also does not affect their obligation to service these loans in accordance with our servicing standards. Under this framework, sellers are relieved of certain repurchase obligations for loans that meet specific payment requirements. This includes, subject to certain exclusions, loans with 36 months (12 months for relief refinance loans) of consecutive, on-time payments after we purchase them.

In May 2014, we announced changes to our representation and warranty framework for loans acquired on and after July 1, 2014. These changes relieve sellers of additional representations and warranties for these loans and provide relief for loans we have fully reviewed in our quality control process and determined to be acceptable. As of December 31, 2020, approximately 87% in UPB of loans in our single-family credit guarantee portfolio were purchased since January 1, 2013.

At the direction of FHFA, we implemented a new remedies framework for the categorization of loan origination defects for loans with settlement dates on or after January 1, 2016. Among other items, the framework provides that "significant defects" will result in a repurchase request or a repurchase alternative, such as recourse or indemnification. We may require the seller to pay us additional fees or provide us with additional data on the loan.

The ultimate amounts of recovery payments we receive from seller/servicers related to their repurchase obligations may be significantly less than the amount of our estimates of potential exposure to losses. Our estimate of probable incurred losses for exposure to seller/servicers for their repurchase obligations is considered in our allowance for loan losses. See **Note 7** for further information.

We are also exposed to the risk that servicers might fail to service loans in accordance with the contractual requirements, resulting in increased credit losses. For example, our servicers have an active role in our loss mitigation efforts, and we therefore have exposure to them to the extent a decline in their performance results in a failure to realize the anticipated benefits of the loss mitigation plans. Since we do not have our own servicing operation, if our servicers lack appropriate controls, experience a failure in their controls, or experience an operating disruption in their ability to service loans, our business and financial results could be adversely affected.

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

Table 18.5 - Servicer Concentration

Single-family Servicers	December 31, 2020 ⁽¹⁾	December 31, 2019 ⁽¹⁾
Wells Fargo Bank, N.A.	11 %	15 %
JPMorgan Chase Bank, N.A.	8	10
Other top 10 servicers	30	32
Top 10 single-family servicers	49 %	57 %
Multifamily Servicers ⁽²⁾	December 31, 2020	December 31, 2019
CBRE Capital Markets, Inc.	17 %	17 %
Berkadia Commercial Mortgage LLC	13	13
JLL Real Estate Capital LLC	11	3
Other top 10 servicers	39	43
Top 10 multifamily servicers	80 %	76 %

(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.

(2) Represents multifamily primary servicers.

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 rapidly in recent years and now service a large share of our loans. As of both December 31, 2020 and December 31, 2019, approximately 18% of our single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing, was serviced by our five largest non-depository servicers, on a combined basis. We routinely monitor the performance of our largest non-depository servicers.

For our mortgage-related securities, we guarantee the payment of principal and interest, and when the underlying borrowers do not pay their mortgages, our Guide generally requires single-family servicers to advance the missed mortgage interest payments for up to 120 days. After this time, Freddie Mac will make the missed mortgage principal and interest payments until the mortgages are no longer held by the securitization trust. At the instruction of FHFA, we generally have been purchasing loans from the trust when the loans have been delinquent for 120 days or more. After the outbreak of COVID-19, FHFA further instructed us to maintain loans in COVID-19 payment forbearance plans in the securitization trusts for at least the duration of the forbearance. Once the forbearance period expires, the loan will remain in the related securities pool while:

- An offer to reinstate the loan or enter into either a payment deferral solution, repayment plan or a trial period plan pursuant to a loan modification remains outstanding;
- The loan is in an active repayment plan or trial period plan; or
- A payment deferral solution is in effect.

Beginning on January 1, 2021, at the instruction of FHFA and in alignment with Fannie Mae, we extended the trigger to purchase delinquent single-family loans out of securitization trusts to 24 months of delinquency, except for loans that are paid off, permanently modified, repurchased by sellers or servicers, subject to foreclosure alternatives, or referred to foreclosure.

In addition to principal and interest payments, borrowers are also responsible for other expenses such as property taxes and homeowner's insurance premiums. When borrowers do not pay these expenses, our Guide generally requires single-family servicers to advance the funds for these expenses in order to protect or preserve our interest in or legal right to the properties. These advances are ultimately collectible from the borrowers. If the borrowers reperform through loan workout activities, the missed payments and incurred expenses will be collected from the borrowers. We will reimburse the servicers for the advanced amounts when uncollected from the borrowers at completion of foreclosures or foreclosure alternatives.

In March 2020, as the COVID-19 pandemic evolved rapidly, liquidity concerns primarily regarding non-depository financial institutions arose as market conditions changed and borrowers affected by the COVID-19 pandemic were offered widespread forbearance, including forbearance on loans purchased and securitized by Freddie Mac. The increase in delinquency volume and the obligation for single-family servicers to continue to advance funds during the forbearance period as discussed above may increase liquidity pressures on certain of our counterparties. In response to these potential liquidity concerns, we have heightened our monitoring and review of the financial stability of our non-depository institutional counterparties.

Multifamily loans utilize both primary and master servicers. Primary servicers service unsecuritized mortgage loans and are also typically engaged by master servicers to service on their behalf the mortgage loans underlying securitizations. Third party master servicers are utilized in our primary securitizations, except for small balance loan securitizations where we serve as master servicer. Multifamily primary servicers included in the table above present potential operational risk and impact to the borrowers if the servicing needs to be transferred to another servicer. We also have exposure to the master servicers of our multifamily securitization transactions who bear responsibility to advance funds in the event of payment shortfalls, including principal and interest payments related to loans in forbearance. In the majority of our primary multifamily securitizations, we utilize one of three large financial depository institutions as master servicers. In instances where payment shortfalls occur, the master servicer is required to make advances as long as such advances have not been deemed unrecoverable. For multifamily loans purchased and held in our mortgage-related investments portfolio, the primary servicers are not required to advance funds in the event of payment shortfalls and therefore do not present significant counterparty credit risk.

Credit Enhancement Providers

We have counterparty credit risk relating to the potential insolvency of, or nonperformance by, mortgage insurers that insure single-family loans we purchase or guarantee. We also have similar exposure to insurers and reinsurers through our ACIS and other insurance transactions where we purchase insurance policies as part of our CRT activities. See **Note 8** for additional information on our credit enhancements.

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

We evaluate the recovery and collectability from mortgage insurers as part of the estimate of our allowance for credit losses. See **Note 7** for additional information. As of December 31, 2020, mortgage insurers provided coverage with maximum loss limits of \$117.0 billion, for \$472.9 billion of UPB, in connection with our single-family credit guarantee portfolio. These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected loan is covered under other types of insurance. Changes in our expectations related to recovery and collectability from our credit enhancement providers may affect our estimates of expected credit losses, perhaps significantly.

The table below summarizes the concentration of mortgage insurer counterparties who provided 10% or more of our overall mortgage insurance coverage. On October 23, 2016, Genworth Financial, Inc. ("Genworth") announced that it had entered into an agreement to be acquired by China Oceanwide Holdings Group Co., Ltd. ("Oceanwide"). Because Genworth Mortgage

Insurance Corporation, a subsidiary of Genworth, is an approved mortgage insurer, Freddie Mac evaluated the planned acquisition and approved Oceanwide's control of Genworth Mortgage Insurance Corporation. On January 4, 2021, Genworth announced that Genworth and Oceanwide did not extend the end date, December 31, 2020, under the merger agreement due to uncertainty around the completion and timing of the remaining steps required to close the transaction and that Genworth is focusing on executing its contingency plan. Freddie Mac is collaborating with FHFA and Fannie Mae to review the contingency plan and provide necessary approvals.

Table 18.6 - Mortgage Insurer Concentration

Mortgage Insurer	Credit Rating ⁽¹⁾	Mortgage Insurance Coverage ⁽²⁾	
		December 31, 2020	December 31, 2019
Arch Mortgage Insurance Company	A-	20 %	22 %
Radian Guaranty Inc.	BBB+	19	20
Mortgage Guaranty Insurance Corporation	BBB+	18	17
Essent Guaranty, Inc.	BBB+	16	15
Genworth Mortgage Insurance	BB+	15	15
Total		88 %	89 %

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

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

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. These insurers no longer issue new insurance but continue to pay a portion of their respective claims in cash. In 2014, PMI began paying valid claims 67% in cash, 33% in deferred payment obligations, and made a one-time cash payment to us for claims that were previously settled for 55% in cash. In 2015, PMI began paying valid claims 70% in cash, 30% in deferred payment obligations, and made a one-time cash payment to us for claims that were previously settled for 67% in cash. In 2013, Triad began paying valid claims 75% in cash, 25% in deferred payment obligations, and made a one-time cash payment to us for claims that were previously settled for 60% in cash. If, as we currently expect, these insurers do not pay the full amount of their deferred payment obligations in cash, we would lose a portion of the coverage from these insurers. As of December 31, 2020 and December 31, 2019, we had cumulative unpaid deferred payment obligations of \$0.4 billion and \$0.5 billion, respectively, from these insurers. We have reserved substantially all of these unpaid amounts as collectability is uncertain. It is not clear how the regulators of these companies will administer their respective deferred payment plans in the future, nor when or if those obligations will be paid.

RMIC is under regulatory supervision and is no longer issuing new insurance. In 2014, RMIC resumed paying valid claims at 100% of the claim amount. Previously, RMIC had been paying all valid claims 60% in cash and 40% in deferred payment obligations.

As part of our insurance/reinsurance CRT transactions, we regularly obtain insurance coverage from global 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), our insurers and reinsurers generally participate in multiple types of insurance businesses, which helps diversify their risk exposure.

Other Investment Counterparties

We are exposed to the nonperformance 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 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 December 31, 2020 and December 31, 2019, including amounts related to our consolidated VIEs, the balance of our other investments portfolio was \$163.1 billion and \$103.6 billion, respectively. The balance consists primarily of cash, securities purchased under agreements to resell invested with counterparties, U.S. Treasury securities, cash deposited with the

Federal Reserve Bank of New York, and secured lending activities. As of December 31, 2020, all of our securities purchased under agreements to resell were fully collateralized. As of December 31, 2020 and December 31, 2019, \$0.8 billion, and \$2.4 billion of our securities purchased under agreements to resell were used to provide financing to investors in Freddie Mac securities to increase liquidity and expand the investor base for those securities. These transactions differ from the securities purchased under agreements to resell that we use for liquidity purposes as the counterparties we face may not be major financial institutions and we are exposed to the counterparty credit risk of these institutions. Due to the economic downturn and market volatility caused by the COVID-19 pandemic, certain of our counterparties engaging in these securities purchased under agreements to resell defaulted under the terms of the governing legal agreements by failing to meet margin requirements in 1Q 2020. The transactions were terminated in accordance with the terms of the agreements, and we recognized the collateral at fair value, which was in excess of the counterparties' outstanding obligations. We did not recognize a financial loss as a result of these defaults.

NOTE 19

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.

Valuation Risk and Controls Over Fair Value Measurements

Valuation risk is the risk that fair values used for financial disclosures, risk metrics, and performance measures do not reasonably reflect market conditions and prices.

We designed our control processes so that our fair value measurements are appropriate and reliable, that they are based on observable inputs where possible, and that our valuation approaches are consistently applied and the assumptions and inputs are reasonable. Our control processes provide a framework for segregation of duties and oversight of our fair value methodologies, techniques, validation procedures, and results.

Groups within our Finance Division, independent of our business functions, execute and validate the valuation processes and are responsible for determining the fair values of the majority of our financial assets and liabilities. In determining fair value, we consider the credit risk of our counterparties in estimating the fair values of our assets and our own credit risk in estimating the fair values of our liabilities. The fair values determined by our Finance Division are further verified by an independent group within our ERM Division.

The independent validation procedures performed by the ERM Division are intended to monitor that the prices we receive from third parties are consistent with our observations of market activity, and that fair value measurements developed using internal data reflect the assumptions that a market participant would use in pricing our assets and liabilities. These validation procedures include performing a daily price review and a monthly independent verification of fair value measurements through independent modeling, analytics, and comparisons to other market source data, if available. If we are unable to validate the reasonableness of a given price, we ultimately do not use that price for fair value measurements on our consolidated financial statements. These procedures are risk-based and are executed before we finalize the prices used in preparing our fair value measurements for our financial statements.

In addition to performing the validation procedures noted above, the ERM Division provides independent risk governance over all valuation processes by establishing and maintaining a corporate-wide valuation risk policy. The ERM Division also independently reviews significant judgments, methodologies, and valuation techniques to monitor compliance with established policies.

Our Valuation Risk Committee, which includes representation from our business lines, the ERM Division, and the Finance Division, provides senior management's governance over valuation processes, methodologies, controls, and fair value

measurements. Identified exceptions are reviewed and resolved through the verification process and reviewed at the Valuation Risk Committee.

Where models are employed to assist in the measurement and verification of fair values, changes made to those models during the period are reviewed and approved according to the corporate model change governance process, with material changes reviewed at the Valuation Risk Committee. Inputs used by models are regularly updated for changes in the underlying data, assumptions, valuation inputs, and market conditions and are subject to the valuation controls noted above.

Use of Third-Party Pricing Data in Fair Value Measurement

Many of our valuation techniques use, either directly or indirectly, data provided by third-party pricing services or dealers. The techniques used by these pricing services and dealers to develop the prices generally are either:

- A comparison to transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued or
- Industry-standard modeling, such as a discounted cash flow model.

The prices provided by the pricing services and dealers reflect their observations and assumptions related to market activity, including risk premiums and liquidity adjustments. The models and related assumptions used by the pricing services and dealers are owned and managed by them and, in many cases, the significant inputs used in the valuation techniques are not reasonably available to us. However, we have an understanding of the processes and assumptions used to develop the prices based on our ongoing due diligence, which includes discussions with our vendors at least annually and often more frequently. We believe that the procedures executed by the pricing services and dealers, combined with our internal verification and analytical procedures, provide assurance that the prices used in our financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use in pricing our assets and liabilities. The price quotes we receive are non-binding both to us and to our counterparties.

In many cases, we receive quotes from third-party pricing services or dealers and use those prices without adjustment. For a large majority of the assets and liabilities we value using pricing services and dealers, we obtain quotes from multiple external sources and use the median of the prices to measure fair value. This technique is referred to below as "median of external sources." The significant inputs used in the fair value measurement of assets and liabilities that are valued using the median of external sources pricing technique are the third-party quotes. Significant increases (decreases) in any of the third-party quotes in isolation may result in a significantly higher (lower) fair value measurement. In limited circumstances, we may be able to receive pricing information from only a single external source. This technique is referred to below as "single external source."

Valuation Techniques

The following table contains a description of the valuation techniques we use for fair value measurement and disclosure; the significant inputs used in those techniques (if applicable); the classification within the fair value hierarchy; and, for those measurements that we report on our consolidated balance sheets and are classified as Level 3 of the hierarchy, a narrative description of the uncertainty of the fair value measurement to changes in significant unobservable inputs. Although the uncertainties of the unobservable inputs are discussed below in isolation, interrelationships exist among the inputs such that a change in one unobservable input can result in a change to one or more of the other inputs. For example, the most common interrelationship that affects the majority of our fair value measurements is between future interest rates, prepayment speeds, and probabilities of default. Generally, a change in the assumption used for future interest rates results in a directionally opposite change in the assumption used for prepayment speeds and a directionally similar change in the assumption used for probabilities of default.

Each technique discussed below may not be used in a given reporting period, depending on the composition of our assets and liabilities measured at fair value and relevant market activity during that period.

Instrument		Valuation Technique	Classification in the Fair Value Hierarchy
Securities			
U.S. Treasury Securities		Quoted prices in active markets	Level 1
Agency mortgage-related securities	Fixed-rate single-class	Median of external sources	Level 2
	Adjustable-rate single-class and majority of multi-class securities	Median of external sources	Predominantly Level 2
	Certain multi-class securities	Single external source	Levels 2 and 3
	Certain multi-class securities with limited market activity	Discounted cash flows or risk metric pricing. Significant inputs used in the discounted cash flow technique include OAS. Significant increases (decreases) in the OAS in isolation would result in a significantly lower (higher) fair value measurement. Significant inputs used in the risk metric pricing technique include key risk metrics, such as key rate durations. Significant increases (decreases) in key rate durations in isolation would result in a significant increase (decrease) in the magnitude of change of fair value measurement in response to key rate movements. Under risk metric pricing, securities are valued by starting with a prior period price and adjusting that price for market changes in the key risk metric input used.	Level 3
Commercial mortgage-related securities		Single external source or, in limited circumstances, a median of external sources	Predominantly Level 3
Other non-agency mortgage-related securities		Median of external sources	Level 3
Derivatives			
Exchange-traded futures		Quoted prices in active markets	Level 1
Interest-rate swaps		Discounted cash flows. Significant inputs include market-based interest rates.	Level 2
Option-based derivatives		Option-pricing models. Significant inputs include interest-rate volatility matrices.	Level 2
Purchase and sale commitments		See Agency mortgage-related securities	Level 2
Debt			
Debt securities of consolidated trusts held by third parties		See Agency mortgage-related securities	Level 2 or 3
Debt of Freddie Mac		Median of external sources Single external source Published yield matrices	Predominantly Level 2
Mortgage Loans			
Single-family loans	GSE securitization market	Benchmark security pricing for actively traded mortgage-related securities with similar characteristics, adjusting for the value of our guarantee fee and our credit obligation related to performing our guarantee (see Guarantee obligation). The credit obligation is based on: delivery and guarantee fees we charge under current market pricing for loans that qualify under our current underwriting standards (Level 2) and internal credit models for loans that do not qualify under our current underwriting standards (Level 3).	Level 2 or 3
	Whole loan market	Median of external sources, referencing market activity for deeply delinquent and modified loans, where available	Level 3

Instrument		Valuation Technique	Classification in the Fair Value Hierarchy
	Certain held-for-investment	Internal models that estimate the fair value of the underlying collateral for impaired loans. Significant inputs used by our internal models include REO disposition, short sale, and third-party sale values, combined with mortgage loan level characteristics using the repeat housing sales index to estimate the current fair value of the mortgage loan. Significant increases (decreases) in the historical average sales proceeds per mortgage loan in isolation would result in significantly higher (lower) fair value measurements.	Level 3
Multifamily loans	Held-for-sale	Discounted cash flows based on observable K Certificate and SB Certificate market spreads	Level 2
	Held-for-investment	Market prices from a third-party pricing service using discounted cash flows incorporating credit spreads for similar loans based on the loan's LTV and DSCR	Predominantly Level 3
Non-derivative Purchase Commitments			
Multifamily loan purchase commitments		See Multifamily loans	Level 2 or 3
Other Assets			
Guarantee assets	Single-family	Median of external sources with adjustments for specific loan characteristics	Level 3
	Multifamily	Discounted cash flows. Significant inputs include current OAS-to-benchmark interest rates for new guarantees. Significant increases (decreases) in the OAS in isolation would result in a significantly lower (higher) fair value measurement.	Level 3
Mortgage servicing rights		Market prices from a third party or internally developed prices using discounted cash flows. Significant inputs include: <ul style="list-style-type: none"> • Estimated prepayment rates, • Estimated costs to service both performing and non-accrual loans, and • Estimated servicing income per loan (including ancillary income). Significant increases (decreases) in cost to service per loan and prepayment rate in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in servicing income per loan in isolation would result in a significantly higher (lower) fair value measurement.	Level 3
Other Liabilities			
Guarantee obligations	Single-family	Delivery and guarantee fees that we charge under our current market pricing	Level 2
		Internal credit models. Significant inputs include loan characteristics, loan performance, and status information.	Level 3
	Multifamily	Discounted cash flows. Significant inputs are similar to those used in the valuation technique for the Multifamily guarantee assets.	Level 3

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present our assets and liabilities measured on our 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 19.1 - Assets and Liabilities Measured at Fair Value on a Recurring Basis

(In millions)	December 31, 2020				
	Level 1	Level 2	Level 3	Netting Adjustment ⁽¹⁾	Total
Assets:					
<i>Investments in securities:</i>					
Available-for-sale, at fair value:					
<i>Mortgage-related securities:</i>					
Agency	\$—	\$13,778	\$526	\$—	\$14,304
Non-agency and other	—	1	1,062	—	1,063
Total available-for-sale securities, at fair value	—	13,779	1,588	—	15,367
Trading, at fair value:					
<i>Mortgage-related securities:</i>					
Agency	—	14,246	3,258	—	17,504
Non-agency	—	—	1	—	1
Total mortgage-related securities	—	14,246	3,259	—	17,505
Non-mortgage-related securities	26,255	698	—	—	26,953
Total trading securities, at fair value	26,255	14,944	3,259	—	44,458
Total investments in securities	26,255	28,723	4,847	—	59,825
<i>Mortgage loans:</i>					
Held-for-sale, at fair value	—	14,199	—	—	14,199
Derivative assets, net	—	8,516	63	—	8,579
Netting adjustments ⁽¹⁾	—	—	—	(7,374)	(7,374)
Total derivative assets, net	—	8,516	63	(7,374)	1,205
<i>Other assets:</i>					
Guarantee assets, at fair value	—	—	5,509	—	5,509
Non-derivative held-for-sale purchase commitments, at fair value	—	158	—	—	158
All other, at fair value	—	—	108	—	108
Total other assets	—	158	5,617	—	5,775
Total assets carried at fair value on a recurring basis	\$26,255	\$51,596	\$10,527	(\$7,374)	\$81,004
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value					
	\$—	\$2	\$203	\$—	\$205
Debt of Freddie Mac, at fair value					
	—	2,267	120	—	2,387
Derivative liabilities, net					
	—	9,132	16	—	9,148
Netting adjustments ⁽¹⁾					
	—	—	—	(8,194)	(8,194)
Total derivative liabilities, net	—	9,132	16	(8,194)	954
<i>Other liabilities:</i>					
Non-derivative held-for-sale purchase commitments, at fair value					
	—	1	—	—	1
All other, at fair value					
	—	—	3	—	3
Total other liabilities	—	1	3	—	4
Total liabilities carried at fair value on a recurring basis	\$—	\$11,402	\$342	(\$8,194)	\$3,550

Referenced footnote is included after the next table.

(In millions)	December 31, 2019				
	Level 1	Level 2	Level 3	Netting Adjustment ⁽¹⁾	Total
Assets:					
<i>Investments in securities:</i>					
Available-for-sale, at fair value:					
<i>Mortgage-related securities:</i>					
Agency	\$—	\$22,927	\$1,960	\$—	\$24,887
Non-agency and other	—	20	1,267	—	1,287
Total available-for-sale securities, at fair value	—	22,947	3,227	—	26,174
Trading, at fair value:					
<i>Mortgage-related securities:</i>					
Agency	—	19,772	2,709	—	22,481
Non-agency	—	—	1	—	1
Total mortgage-related securities	—	19,772	2,710	—	22,482
Non-mortgage-related securities	25,108	1,947	—	—	27,055
Total trading securities, at fair value	25,108	21,719	2,710	—	49,537
Total investments in securities	25,108	44,666	5,937	—	75,711
<i>Mortgage loans:</i>					
Held-for-sale, at fair value	—	15,035	—	—	15,035
Derivative assets, net	—	6,363	16	—	6,379
Netting adjustments ⁽¹⁾	—	—	—	(5,535)	(5,535)
Total derivative assets, net	—	6,363	16	(5,535)	844
<i>Other assets:</i>					
Guarantee assets, at fair value	—	—	4,426	—	4,426
Non-derivative held-for-sale purchase commitments, at fair value	—	81	—	—	81
All other, at fair value	—	—	120	—	120
Total other assets	—	81	4,546	—	4,627
Total assets carried at fair value on a recurring basis	\$25,108	\$66,145	\$10,499	(\$5,535)	\$96,217
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value					
	\$—	\$6	\$203	\$—	\$209
Debt of Freddie Mac, at fair value					
	—	3,600	129	—	3,729
Derivative liabilities, net					
	—	5,245	37	—	5,282
Netting adjustments ⁽¹⁾					
	—	—	—	(4,910)	(4,910)
Total derivative liabilities, net	—	5,245	37	(4,910)	372
<i>Other liabilities:</i>					
Non-derivative held-for-sale purchase commitments, at fair value					
	—	7	—	—	7
All other, at fair value					
	—	—	1	—	1
Total other liabilities	—	7	1	—	8
Total liabilities carried at fair value on a recurring basis	\$—	\$8,858	\$370	(\$4,910)	\$4,318

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

Level 3 Fair Value Measurements

The tables below present a reconciliation of all assets and liabilities measured on our 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 consolidated statements of comprehensive income for Level 3 assets and liabilities.

Table 19.2 - Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs

(In millions)	Year Ended December 31, 2020											
	Balance, January 1, 2020	Total Realized/Unrealized Gains (Losses)		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3 ⁽¹⁾	Transfers out of Level 3 ⁽¹⁾	Balance, December 31, 2020	Change in Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of December 31, 2020 ⁽²⁾	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of December 31, 2020
		Included in Earnings	Included in Other Comprehensive Income									
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Agency	\$1,960	\$12	\$38	\$—	\$—	(\$218)	(\$170)	\$—	(\$1,096)	\$526	\$—	(\$2)
Non-agency and other	1,267	15	(46)	—	—	—	(174)	—	—	1,062	15	(36)
Total available-for-sale mortgage-related securities	3,227	27	(8)	—	—	(218)	(344)	—	(1,096)	1,588	15	(38)
Trading, at fair value:												
Mortgage-related securities:												
Agency	2,709	(251)	—	1,555	—	(281)	(77)	—	(397)	3,258	(241)	—
Non-agency	1	—	—	—	—	—	—	—	—	1	—	—
Total trading mortgage-related securities	2,710	(251)	—	1,555	—	(281)	(77)	—	(397)	3,259	(241)	—
Derivative assets	15	22	—	—	26	—	—	—	—	63	21	—
Other assets:												
Guarantee assets	4,426	250	—	—	1,641	—	(808)	—	—	5,509	250	—
All other, at fair value	120	(3)	—	(15)	27	(19)	(2)	—	—	108	(3)	—
Total other assets	4,546	247	—	(15)	1,668	(19)	(810)	—	—	5,617	247	—
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value												
	\$203	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$203	\$—	\$—
Debt of Freddie Mac, at fair value	129	(1)	—	—	4	—	(12)	—	—	120	(1)	—
Derivative liabilities	36	(8)	—	—	2	—	(14)	—	—	16	(23)	—
All other, at fair value	1	—	—	1	—	1	—	—	—	3	—	—

Referenced footnotes are included after the prior period table.

(In millions)	Year Ended December 31, 2019										Change in Unrealized Gains(Losses) Included in Net Income Related to Assets and Liabilities Still Held as of December 31, 2019 ⁽²⁾	Change in Unrealized Gains (Losses), Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of December 31, 2019
	Balance, January 1, 2019	Total Realized/Unrealized Gains (Losses)		Purchases	Issues	Sales	Settlements, Net	Transfers into Level 3 ⁽¹⁾	Transfers out of Level 3 ⁽¹⁾	Balance, December 31, 2019		
		Included in Earnings	Included in Other Comprehensive Income									
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Agency	\$4,135	\$23	\$108	\$—	\$—	(\$1,883)	(\$367)	\$2	(\$58)	\$1,960	\$2	\$40
Non-agency and other	1,640	82	(1)	—	—	(238)	(216)	—	—	1,267	14	35
Total available-for-sale mortgage-related securities	5,775	105	107	—	—	(2,121)	(583)	2	(58)	3,227	16	75
Trading, at fair value:												
Mortgage-related securities:												
Agency	3,293	(280)	—	596	—	(616)	(104)	—	(180)	2,709	(248)	—
Non-agency	1	—	—	—	—	—	—	—	—	1	—	—
Total trading mortgage-related securities	3,294	(280)	—	596	—	(616)	(104)	—	(180)	2,710	(248)	—
Derivative assets	1	14	—	—	—	—	—	—	—	15	14	—
Other assets:												
Guarantee assets	3,633	33	—	—	1,427	—	(667)	—	—	4,426	33	—
All other, at fair value	137	(38)	—	85	36	(85)	(15)	—	—	120	(70)	—
Total other assets	3,770	(5)	—	85	1,463	(85)	(682)	—	—	4,546	(37)	—
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value												
	\$728	\$5	\$—	\$—	\$—	\$—	(\$530)	\$—	\$—	\$203	\$5	\$—
Debt of Freddie Mac, at fair value												
	134	—	—	—	4	—	(9)	—	—	129	—	—
Derivative liabilities												
	92	(37)	—	—	—	—	(19)	—	—	36	(54)	—
All other, at fair value												
	—	(3)	—	6	—	(2)	—	—	—	1	(5)	—

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

(2) 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 December 31, 2020 and December 31, 2019, respectively. This amount includes any allowance for credit losses recorded on available-for-sale securities and amortization of basis adjustments.

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

Table 19.3 - Quantitative Information about Recurring Level 3 Fair Value Measurements

(Dollars in millions, except for certain unobservable inputs as shown)	December 31, 2020				
	Level 3 Fair Value	Predominant Valuation Technique(s)	Unobservable Inputs		
			Type	Range	Weighted Average ⁽²⁾
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Agency	\$410	Discounted cash flows	OAS	90 - 90 bps	90 bps
	116	Other			
Non-agency and other	875	Median of external sources	External pricing sources	\$67.1 - \$79.1	\$72.8
	187	Other			
Trading, at fair value					
Mortgage-related securities					
Agency	2,204	Single external source	External pricing sources	\$0.0 - \$8,894.6	\$947.8
	472	Discounted cash flows	OAS	(951) - 2,910 bps	834 bps
	583	Other			
Guarantee assets, at fair value	5,195	Discounted cash flows	OAS	15 - 186 bps	38 bps
	314	Other			
Insignificant Level 3 assets ⁽¹⁾	171				
Total level 3 assets	\$10,527				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	\$203	Single External Source	External Pricing Sources	\$97.3 - \$ 107.0	\$101.7
Insignificant Level 3 liabilities ⁽¹⁾	139				
Total level 3 liabilities	\$342				

Referenced footnotes are included after the next table.

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

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

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

Assets Measured at Fair Value on a Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These adjustments usually result from the application of lower-of-cost-or-fair-value accounting or an allowance for credit losses 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 consolidated balance sheets at fair value on a non-recurring basis.

Table 19.4 - Assets Measured at Fair Value on a Non-Recurring Basis

(In millions)	December 31, 2020				December 31, 2019			
	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⁾	\$—	\$6	\$2,241	\$2,247	\$—	\$22	\$4,059	\$4,081

(1) Includes loans that are classified as held-for-investment and have an allowance for credit losses 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 and liabilities measured on our consolidated balance sheets at fair value on a non-recurring basis.

Table 19.5 - Quantitative Information about Non-Recurring Level 3 Fair Value Measurements

(Dollars in millions, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	December 31, 2020		
			Unobservable Inputs		
			Type	Range	Weighted Average ⁽¹⁾
Non-recurring fair value measurements					
Mortgage loans	\$2,241				
		Internal model	Historical sales proceeds	\$3,001 - \$696,004	\$202,539
		Internal model	Housing sales index	66 - 345 bps	119 bps
		Median of external sources	External pricing sources	\$59.5 - \$104.0	\$92.1
(Dollars in millions, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	December 31, 2019		
			Unobservable Inputs		
			Type	Range	Weighted Average ⁽¹⁾
Non-recurring fair value measurements					
Mortgage loans	\$4,059				
		Internal model	Historical sales proceeds	\$3,000 - \$765,000	\$186,234
		Internal model	Housing sales index	46 - 420 bps	112 bps
		Median of external sources	External pricing sources	\$66.5 - \$105.4	\$95.0

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

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 19.6 - Fair Value of Financial Instruments

(In millions)	December 31, 2020							
	GAAP Measurement Category ⁽¹⁾	GAAP Carrying Amount	Fair Value				Netting Adjustments ⁽²⁾	Total
			Level 1	Level 2	Level 3			
Financial Assets								
Cash and cash equivalents	Amortized cost	\$23,889	\$23,889	\$—	\$—	\$—	\$23,889	
Securities purchased under agreements to resell	Amortized cost	105,003	—	105,003	—	—	105,003	
<i>Investments in securities:</i>								
Available-for-sale, at fair value	FV - OCI	15,367	—	13,779	1,588	—	15,367	
Trading, at fair value	FV - NI	44,458	26,255	14,944	3,259	—	44,458	
Total investments in securities		59,825	26,255	28,723	4,847	—	59,825	
<i>Mortgage loans:</i>								
Loans held by consolidated trusts		2,273,347	—	2,080,687	262,309	—	2,342,996	
Loans held by Freddie Mac		110,541	—	76,917	36,578	—	113,495	
Total mortgage loans	Various⁽³⁾	2,383,888	—	2,157,604	298,887	—	2,456,491	
Derivative assets, net	FV - NI	1,205	—	8,516	63	(7,374)	1,205	
Guarantee assets	FV - NI	5,509	—	—	5,515	—	5,515	
Non-derivative purchase commitments, at fair value	FV - NI	158	—	246	—	—	246	
Advances to lenders	Amortized cost	4,162	—	—	4,162	—	4,162	
Secured lending	Amortized cost	1,680	—	1,427	89	—	1,516	
Total financial assets		\$2,585,319	\$50,144	\$2,301,519	\$313,563	(\$7,374)	\$2,657,852	
Financial Liabilities								
<i>Debt:</i>								
Debt securities of consolidated trusts held by third parties		\$2,308,176	\$—	\$2,382,157	\$852	\$—	\$2,383,009	
Debt of Freddie Mac		284,370	—	286,634	4,088	—	290,722	
Total debt	Various⁽⁴⁾	2,592,546	—	2,668,791	4,940	—	2,673,731	
Derivative liabilities, net	FV - NI	954	—	9,132	16	(8,194)	954	
Guarantee obligations	Amortized cost	5,050	—	—	5,378	—	5,378	
Non-derivative purchase commitments, at fair value	FV - NI	20	—	1	143	—	144	
Total financial liabilities		\$2,598,570	\$—	\$2,677,924	\$10,477	(\$8,194)	\$2,680,207	

(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, 2020, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value and FV - NI were \$2.4 trillion, \$19.5 billion and \$14.2 billion, respectively.

(4) As of December 31, 2020, the GAAP carrying amounts measured at amortized cost and FV - NI were \$2.6 trillion and \$2.6 billion, respectively.

(In millions)	December 31, 2019						
	GAAP Measurement Category ⁽¹⁾	GAAP Carrying Amount	Fair Value			Netting Adjustments ⁽²⁾	Total
			Level 1	Level 2	Level 3		
Financial Assets							
Cash and cash equivalents	Amortized cost	\$5,189	\$5,189	\$—	\$—	\$—	\$5,189
Securities purchased under agreements to resell	Amortized cost	56,271	—	66,114	—	(9,843)	56,271
<i>Investments in securities:</i>							
Available-for-sale, at fair value	FV - OCI	26,174	—	22,947	3,227	—	26,174
Trading, at fair value	FV - NI	49,537	25,108	21,719	2,710	—	49,537
Total investments in securities		75,711	25,108	44,666	5,937	—	75,711
<i>Mortgage loans:</i>							
Loans held by consolidated trusts		1,940,523	—	1,732,434	244,500	—	1,976,934
Loans held by Freddie Mac		79,677	—	38,100	45,588	—	83,688
Total mortgage loans	Various⁽³⁾	2,020,200	—	1,770,534	290,088	—	2,060,622
Derivative assets, net	FV - NI	844	—	6,363	16	(5,535)	844
Guarantee assets	FV - NI	4,426	—	—	4,433	—	4,433
Non-derivative purchase commitments, at fair value	FV - NI	81	—	90	72	—	162
Advances to lenders	Amortized cost	1,873	—	—	1,873	—	1,873
Secured lending	Amortized cost	2,313	—	1,874	258	—	2,132
Total financial assets		\$2,166,908	\$30,297	\$1,889,641	\$302,677	(\$15,378)	\$2,207,237
Financial Liabilities							
<i>Debt:</i>							
Debt securities of consolidated trusts held by third parties		\$1,898,355	\$—	\$1,931,473	\$1,277	\$—	\$1,932,750
Debt of Freddie Mac		271,330	—	282,431	3,619	(9,843)	276,207
Total debt	Various⁽⁴⁾	2,169,685	—	2,213,904	4,896	(9,843)	2,208,957
Derivative liabilities, net	FV - NI	372	—	5,245	37	(4,910)	372
Guarantee obligations	Amortized cost	4,292	—	—	4,527	—	4,527
Non-derivative purchase commitments, at fair value	FV - NI	7	—	7	67	—	74
Total financial liabilities		\$2,174,356	\$—	\$2,219,156	\$9,527	(\$14,753)	\$2,213,930

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

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

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

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

Fair Value Option

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

Multifamily Held-for-Sale Loans and Held-for-Sale Commitments

We elected the fair value option for certain multifamily loan purchase commitments and the related loans that were acquired for securitization. We use derivatives to economically hedge the interest rate-related fair value changes and a portion of the spread-related fair value changes of the multifamily commitments and loans for which we have elected the fair value option. These loans are classified as held-for-sale loans on our consolidated balance sheets to reflect our intent to sell in the future and are measured at fair value on a recurring basis, with subsequent gains or losses related to changes in fair value (net of accrued interest income) reported in investment gains (losses), net, on our consolidated statements of comprehensive income. We elected to report separately the portion of the changes in fair value of the loans related to accrued interest from the remaining changes in fair value. Related interest income continues to be reported, based on the stated terms of the loans, as interest

income on our consolidated statements of comprehensive income.

Debt Securities of Consolidated Trusts Held by Third Parties and Debt of Freddie Mac

We elected the fair value option on debt that contains embedded derivatives, primarily certain STACR debt notes. Fair value changes are recorded in investment gains (losses), net, on our consolidated statements of comprehensive income. For debt where we have elected the fair value option, upfront costs and fees are recognized in earnings as incurred and not deferred. Related interest expense continues to be reported as interest expense based on the stated terms of the debt securities.

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 debt of Freddie Mac held by third parties with a fair value of \$173 million and \$146 million and multifamily held-for-sale loan purchase commitments with a fair value of \$157 million and \$74 million, as of December 31, 2020 and December 31, 2019, respectively.

Table 19.7 - Difference between Fair Value and UPB for Certain Financial Instruments with Fair Value Option Elected

(In millions)	December 31, 2020			December 31, 2019		
	Multifamily Held-For-Sale Loans	Debt of Freddie Mac - Long Term	Debt Securities of Consolidated Trusts Held by Third Parties	Multifamily Held-For-Sale Loans	Debt of Freddie Mac - Long Term	Debt Securities of Consolidated Trusts Held by Third Parties
Fair value	\$14,199	\$2,216	\$203	\$15,035	\$3,589	\$203
UPB	13,400	2,189	200	14,444	3,329	200
Difference	\$799	\$27	\$3	\$591	\$260	\$3

Changes in Fair Value Under the Fair Value Option Election

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

Table 19.8 - Changes in Fair Value under the Fair Value Option Election

(In millions)	December 31, 2020	December 31, 2019	December 31, 2018
	Gains (Losses)		
Multifamily held-for-sale loans	\$1,247	\$853	(\$745)
Multifamily held-for-sale loan purchase commitments	2,288	1,913	777
Debt of Freddie Mac - long term	335	136	138
Debt securities of consolidated trusts held by third parties	4	(4)	5

Changes in fair value attributable to instrument-specific credit risk were not material for the years ended December 31, 2020, 2019 or 2018 for any assets or liabilities for which we elected the fair value option.

NOTE 20

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 Sixth Circuit 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 Sixth Circuit denied plaintiff's petition for leave to appeal that decision. On September 17, 2020, the District Court granted a request from the plaintiff for summary judgment and entered final judgment in favor of Freddie Mac and the other defendants. On October 9, 2020, the plaintiff filed a notice of appeal with the Sixth Circuit. On January 27, 2021, Freddie Mac filed a motion to dismiss the appeal.

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: the inherent uncertainty of the appellate process, and the inherent uncertainty of pre-trial litigation in the event the case is ultimately remanded to the District Court in whole or in part. In particular, while the District Court denied plaintiff's motion for class certification, this decision and the entry of final judgment in defendants' favor have been appealed. Absent a final resolution of whether a class will be certified, the identification of a class if one is certified, and the identification of the alleged statement or statements that survive dispositive motions, we cannot reasonably estimate any possible loss or range of possible loss.

LIBOR Lawsuit

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

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

On February 23, 2018, the Second Circuit reversed the District Court's dismissal of certain plaintiffs' state law fraud and unjust enrichment claims on statutes of limitations grounds. While Freddie Mac was not a party to the appeal, this decision could have the effect of reinstating Freddie Mac's fraud claims against the above-named defendants. The Second Circuit also reversed certain aspects of the District Court's personal jurisdiction rulings and remanded with instructions to allow the named appellant to amend its complaint. The District Court subsequently granted in part Freddie Mac's motion for leave to amend its complaint, and Freddie Mac amended its complaint on April 16, 2019.

Litigation Concerning the Purchase Agreement

Since July 2013, a number of lawsuits have been filed against us concerning the August 2012 amendment to the Purchase Agreement, which created the net worth sweep dividend provisions of the senior preferred stock. The plaintiffs in the lawsuits allege that they are holders of common stock and/or junior preferred stock issued by Freddie Mac and Fannie Mae. (For purposes of this discussion, junior preferred stock refers to the various series of preferred stock of Freddie Mac and Fannie Mae other than the senior preferred stock issued to Treasury.) It is possible that similar lawsuits will be filed in the future. The lawsuits against us are described below.

Litigation in the U.S. District Court for the District of Columbia

In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations. This case is the result of the consolidation of three putative class action lawsuits: *Cacciapelle and Bareiss vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 29, 2013; *American European Insurance Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 30, 2013; and *Marneu Holdings, Co. vs. FHFA, Treasury, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation*, filed on September 18, 2013. (The Marneu case was also filed as a shareholder derivative lawsuit.) A consolidated amended complaint was filed in December 2013. In the consolidated amended complaint, plaintiffs alleged, among other items, that the August 2012 amendment to the Purchase Agreement breached Freddie Mac's and Fannie Mae's respective contracts with the holders of junior preferred stock and common stock and the covenant of good faith and fair dealing inherent in such contracts. Plaintiffs sought unspecified damages, equitable and injunctive relief, and costs and expenses, including attorney and expert fees.

The Cacciapelle and American European Insurance Company lawsuits were filed purportedly on behalf of a class of purchasers of junior preferred stock issued by Freddie Mac or Fannie Mae who held stock prior to, and as of, August 17, 2012. The Marneu lawsuit was filed purportedly on behalf of a class of purchasers of junior preferred stock and purchasers of common stock issued by Freddie Mac or Fannie Mae over a not-yet-defined period of time.

Arrowood Indemnity Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, FHFA, and Treasury. This case was filed on September 20, 2013. The allegations and demands made by plaintiffs in this case were generally similar to those made by the plaintiffs in the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case described above. Plaintiffs in the Arrowood lawsuit also requested that, if injunctive relief were not granted, the Arrowood plaintiffs be awarded damages against the defendants in an amount to be determined including, but not limited to, the aggregate par value of their junior preferred stock, the total of which they stated to be approximately \$42 million.

American European Insurance Company, Cacciapelle, and Miller vs. Treasury and FHFA. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a nominal defendant, on July 30, 2014. The complaint alleged that, through the August 2012 amendment to the Purchase Agreement, Treasury and FHFA breached their respective fiduciary duties to Freddie Mac, causing Freddie Mac to suffer damages. The plaintiffs asked that Freddie Mac be awarded compensatory damages and disgorgement, as well as attorneys' fees, costs, and other expenses.

FHFA, joined by Freddie Mac and Fannie Mae, moved to dismiss the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case and the other related cases in January 2014. Treasury filed a motion to dismiss the same day. In September 2014, the District Court granted the motions and dismissed the plaintiffs' claims. All plaintiffs appealed that decision, and on February 21, 2017, the U.S. Court of Appeals for the District of Columbia Circuit affirmed in part and remanded in part the decision granting the motions to dismiss. The DC Circuit 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 DC Circuit 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 DC Circuit 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.

Litigation in the U.S. Court of Federal Claims

Reid and Fisher vs. the United States of America and Federal Home Loan Mortgage Corporation. This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on February 26, 2014. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation. The plaintiffs ask that Freddie Mac be awarded just compensation for the U.S. government's alleged taking of its property, attorneys' fees, costs, and other expenses. On March 8, 2018, the plaintiffs filed an amended complaint under seal, with a redacted copy filed on November 14, 2018. The United States filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018. The court denied the motion to dismiss on May 8, 2020 and granted plaintiffs' motion to certify the decisions for interlocutory appeal on June 11, 2020. The Federal Circuit denied the petition for interlocutory appeal on August 21, 2020.

Fairholme Funds, Inc., et al. vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. This case was originally filed on July 9, 2013 against the United States of America. On March 8, 2018, plaintiffs filed an amended complaint under seal. A redacted public version was filed on May 11, 2018 and adds Freddie Mac and Fannie Mae as nominal defendants. The amended complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking or exaction of private property for public use without just compensation, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiffs ask that plaintiffs, Freddie Mac, and Fannie Mae be awarded (1) just compensation for the government's alleged taking or exaction of their property, (2) damages for the government's breach of fiduciary duties, and (3) damages for the government's breach of the alleged implied-in-fact contracts. In addition, plaintiffs seek pre- and post-judgment interest, attorneys' fees, costs, and other expenses. The United States filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018. On December 6, 2019, the Court dismissed the claims plaintiffs labeled as direct claims and denied defendant's motion to dismiss with respect to the claims plaintiffs labeled as derivative. Accordingly, derivative takings, exaction, breach of fiduciary duty, and breach of implied-in-fact contract claims remain. By order dated March 9, 2020, the Court granted unopposed motions by plaintiffs and defendant to certify the December 6 opinion for interlocutory review, modified its December 6 opinion to include the language necessary for an interlocutory appeal to the U.S. Court of Appeals for the Federal Circuit, and stayed further proceedings in the case pending the completion of the interlocutory appeal process. The Federal Circuit granted the petition for interlocutory appeal on June 18, 2020.

Perry Capital LLC vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac and Fannie Mae as "nominal" defendants, on August 15, 2018. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation or an illegal exaction in violation of the Fifth Amendment, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiff asks that it, Freddie Mac, and Fannie Mae be awarded just compensation for the government's alleged taking of 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 the appeals in the Fairholme Funds matter.

At present, it is not possible for us to predict the probable outcome of the lawsuits discussed above in the U.S. District Courts and the U.S. Court of Federal Claims (including the outcome of any appeal) or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matters due to a number of factors, including the inherent uncertainty of pre-trial litigation. In addition, with respect to the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case, the plaintiffs have not demanded a stated amount of damages they believe are due, and the Court has not certified a class.

NOTE 21

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.

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 risk-based CCF, a capital system with detailed formulae provided by FHFA. In November 2020, FHFA released a final rule that establishes the ERCF as a new regulatory capital framework for Freddie Mac and Fannie Mae. The ERCF, which will become effective on February 16, 2021, has a transition period for compliance. In general, the compliance date for the regulatory capital requirements will be the later of the date of termination of our conservatorship and any later compliance date provided in a consent order or other transition order; however, we may begin implementing the ERCF sooner, upon the direction of FHFA or otherwise. The ERCF specifies substantial capital requirements and could affect our business strategies, perhaps significantly.

As the ERCF was not yet in effect during 2020, we continued to use the guidance issued to us by FHFA under the CCF to evaluate our transactions and businesses.

Regulatory Capital Standards

The GSE Act established minimum, critical, and risk-based capital standards for us. However, per guidance received from FHFA, we no longer are required to submit risk-based capital reports to FHFA.

Prior to our entry into conservatorship, those standards determined the amounts of core capital that we were to maintain to meet regulatory capital requirements. Core capital consisted of the par value of outstanding common stock (common stock issued less common stock held in treasury), the par or stated value of outstanding non-cumulative, perpetual preferred stock, additional paid-in capital, and retained earnings (accumulated deficit), as determined in accordance with GAAP.

Minimum Capital

The minimum capital standard required us to hold an amount of core capital that was generally equal to the sum of 2.50% of aggregate on-balance sheet assets and approximately 0.45% of the sum of our guaranteed securities held by third parties and other aggregate off-balance sheet obligations.

Pursuant to regulatory guidance from FHFA, our minimum capital requirement was not affected by adoption of amendments to the accounting guidance for transfers of financial assets and consolidation of VIEs effective January 1, 2010. Specifically, upon adoption of these amendments, FHFA directed us, for purposes of minimum capital, to continue reporting guaranteed securities held by third parties using a 0.45% capital requirement. FHFA reserves the authority under the GSE Act to raise the minimum capital requirement for any of our assets or activities.

Critical Capital

The critical capital standard required us to hold an amount of core capital that was generally equal to the sum of 1.25% of aggregate on-balance sheet assets and approximately 0.25% of the sum of our guaranteed securities held by third parties and other aggregate off-balance sheet obligations.

Performance Against Regulatory Capital Standards

The table below summarizes our minimum capital requirements and deficits and net worth.

Table 21.1 - Net Worth and Minimum Capital

(In millions)	December 31, 2020	December 31, 2019
GAAP net worth (deficit)	\$16,413	\$9,122
Core capital (deficit) ⁽¹⁾⁽²⁾	(56,878)	(63,964)
Less: Minimum capital requirement ⁽¹⁾	22,694	19,123
Minimum capital surplus (deficit)⁽¹⁾	(\$79,572)	(\$83,087)

(1) Core capital and minimum capital figures are estimates and represent amounts submitted to FHFA. FHFA is the authoritative source for our regulatory capital.

(2) Core capital excludes certain components of GAAP total equity (i.e., AOCI and senior preferred stock) as these items do not meet the statutory definition of core capital.

The Purchase Agreement provides that, if FHFA determines as of quarter end that our liabilities have exceeded our assets

under GAAP, Treasury will contribute funds to us in an amount at least equal to the difference between such liabilities and assets.

Under the GSE Act, FHFA must place us into receivership if FHFA determines that our assets are and have been less than our obligations for a period of 60 days. FHFA has notified us that the measurement period for any mandatory receivership determination with respect to our assets and obligations would commence no earlier than the SEC public filing deadline for our quarterly or annual financial statements and would continue for 60 calendar days after that date. FHFA has advised us that, if, during that 60-day period, we receive funds from Treasury in an amount at least equal to the deficiency amount under the Purchase Agreement, the Director of FHFA will not make a mandatory receivership determination. If funding has been requested under the Purchase Agreement to address a deficit in our net worth, and Treasury is unable to provide us with such funding within the 60-day period specified by FHFA, FHFA would be required to place us into receivership if our assets remain less than our obligations during that 60-day period.

At December 31, 2020, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. As of December 31, 2020, our aggregate funding received from Treasury under the Purchase Agreement was \$71.6 billion. This aggregate funding amount does not include the initial \$1.0 billion liquidation preference of senior preferred stock that we issued to Treasury in September 2008 as an initial commitment fee and for which no cash was received, the additional \$3.0 billion increase in the liquidation preference pursuant to the December 2017 Letter Agreement, nor the increases in liquidation preference pursuant to the September 2019 and January 2021 Letter Agreements that are not draw-related.

Controls and Procedures

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive Officer and Chief Financial Officer and effected by the Board of Directors, management, and other personnel to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It is a process that involves human diligence and compliance and is, therefore, subject to lapses in judgment and breakdowns resulting from human error. It also can be circumvented by collusion or improper management override. Because of its limitations, there is a risk that internal control over financial reporting may not prevent or detect, on a timely basis, errors that could cause a material misstatement of the financial statements.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making our assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control — Integrated Framework (2013 Framework). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis by a company's internal controls. Based on our assessment, we identified a material weakness related to our inability to update our disclosure controls and procedures in a manner that adequately ensures the accumulation and communication to management of information known to FHFA that is needed to meet our disclosure obligations under the federal securities laws, including disclosures affecting our consolidated financial statements.

We have been under conservatorship of FHFA since September 6, 2008. FHFA is an independent agency that currently functions as both our Conservator and our regulator with respect to our safety, soundness, and mission. Because we are in conservatorship, some of the information that we may need to meet our disclosure obligations may be solely within the knowledge of FHFA. As our Conservator, FHFA has the power to take actions without our knowledge that could be material to investors and could significantly affect our financial performance. Although we and FHFA have attempted to design and implement disclosure policies and procedures to account for the conservatorship and accomplish the same objectives as disclosure controls and procedures for a typical reporting company, there are inherent structural limitations on our ability to design, implement, test, or operate effective disclosure controls and procedures under the circumstances of conservatorship. As our Conservator and regulator, FHFA is limited in its ability to design and implement a complete set of disclosure controls and procedures relating to us, particularly with respect to current reporting pursuant to Form 8-K. Similarly, as a regulated entity, we are limited in our ability to design, implement, operate, and test the controls and procedures for which FHFA is responsible. For example, FHFA may formulate certain intentions with respect to the conduct of our business that, if known to management, would require consideration for disclosure or reflection in our financial statements, but that FHFA, for regulatory reasons, may be constrained from communicating to management. As a result of these considerations, we have concluded that this control deficiency constitutes a material weakness in our internal control over financial reporting.

Because of this material weakness, we have concluded that our internal control over financial reporting was not effective as of December 31, 2020 based on the COSO criteria (2013 Framework). PricewaterhouseCoopers LLP, an independent registered public accounting firm, audited the effectiveness of our internal control over financial reporting as of December 31, 2020 and also determined that our internal control over financial reporting was not effective. PricewaterhouseCoopers LLP's report appears in **Financial Statements — Report of Independent Registered Public Accounting Firm**.

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 Principal 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 Principal Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2020. As a result of management's evaluation, our Principal Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2020, at a reasonable level of assurance, because we have not been able to update our disclosure controls and procedures to provide reasonable assurance that information known by FHFA on an ongoing basis is communicated from FHFA to Freddie Mac's management in a manner that allows for timely decisions regarding our required disclosure under the federal securities laws. As discussed above, we consider this situation to be a material weakness in our internal control over financial reporting. Based on discussions with FHFA and the structural nature of this continuing weakness, we believe it is likely that we will not remediate this material weakness while we are under conservatorship.

MITIGATING ACTIONS RELATED TO THE MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As described above under *Management's Report on Internal Control Over Financial Reporting*, we have one material weakness in internal control over financial reporting as of December 31, 2020 that we have not remediated.

Given the structural nature of this material weakness, we believe it is likely that we will not remediate it while we are under conservatorship. However, both we and FHFA have continued to engage in activities and employ procedures and practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws. These include the following:

- FHFA has established the Division of Resolutions, which is intended to facilitate operation of the company with the oversight of the Conservator.
- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of certain external press releases and statements to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-K, and engage in discussions with us regarding issues associated with the information contained in those filings. Prior to filing this Form 10-K, FHFA provided us with a written acknowledgment that it had reviewed the Form 10-K, was not aware of any material misstatements or omissions in the Form 10-K, and had no objection to our filing the Form 10-K.
- The Director of FHFA is in frequent communication with our Chief Executive Officer (or if that office is vacant, with our President), 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 consolidated financial statements for the year ended December 31, 2020 have been prepared in conformity with GAAP.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING DURING THE QUARTER ENDED DECEMBER 31, 2020

We evaluated the changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 and concluded that there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Directors, Corporate Governance, and Executive Officers

DIRECTORS

Election of Directors

As Conservator, FHFA determines the size of the Board and the scope of its authority. At the start of the conservatorship, FHFA determined that the Board is to have a Non-Executive Chair and is to consist of a minimum of 9 and not more than 13 directors. FHFA determined that the CEO (when that office is filled) is the only corporate officer allowed to serve as a member of the Board. The Board currently has ten members.

In addition, because FHFA as Conservator has succeeded to the rights of all stockholders of the company, the Conservator elects the directors. Accordingly, we will not solicit proxies, distribute a proxy statement to stockholders, or hold an annual meeting of stockholders to elect directors in 2021. Instead, the Conservator has elected directors by written consent in lieu of an annual meeting. Annually, the Board identifies director nominees for the Conservator to consider for election by written consent. When there is a vacancy on the Board, the Board may exercise the authority provided to it by the Conservator to fill such vacancy, subject to review by the Conservator.

On February 9, 2021, the Conservator executed a written consent, effective as of February 9, 2021, re-electing the ten directors submitted by the company for election as members of our Board. The individuals re-elected as directors by the Conservator are listed below:

- **Mark H. Bloom**
- **Mark B. Grier**
- **Sara Mathew**
- **Kathleen L. Casey**
- **Christopher E. Herbert**
- **Allan P. Merrill**
- **Lance F. Drummond**
- **Grace A. Huebscher**
- **Saiyid T. Naqvi**
- **Aleem Gillani**

The company did not submit for re-election, and FHFA did not re-elect, (i) David M. Brickman, our former CEO, who left the Board on January 8, 2021, the effective date of his resignation, and (ii) Paul T. Schumacher, who left the Board on February 9, 2021, the effective date of the Conservator's written consent.

See **Director Biographical Information** for information about each of our current directors. The terms of the directors re-elected by FHFA will end on the date of the next annual meeting of our stockholders or the effective date of the Conservator's next election of directors by written consent, whichever occurs first.

Director Criteria, Diversity, Qualifications, Experience, and Tenure

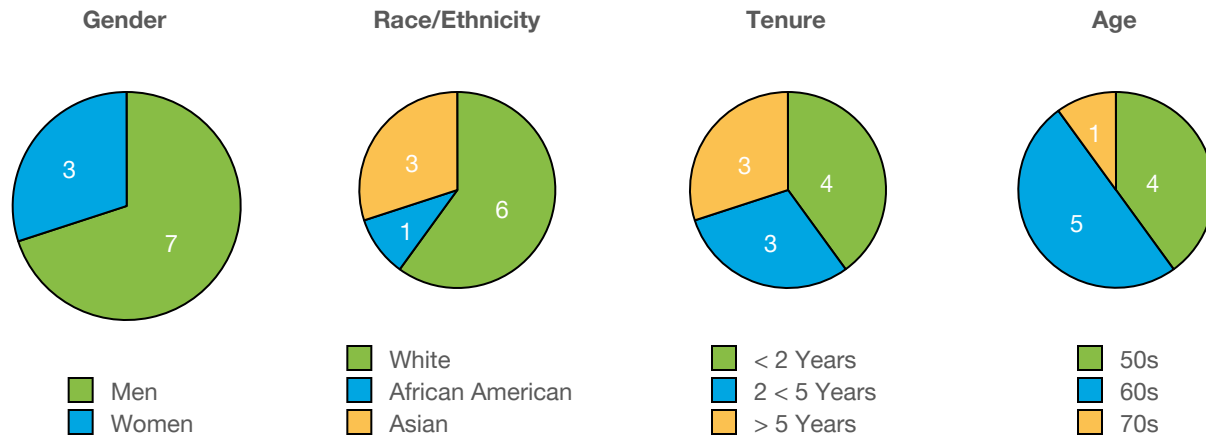
Our Board seeks candidates for directorship who have achieved a high level of stature, success, and respect in their principal occupations.

Each of our current directors was selected as a candidate because of his or her character, judgment, experience, and expertise. Their selection was consistent with our Charter and FHFA's rule regarding the Responsibilities of Boards of Directors, Corporate Practices and Corporate Governance Matters, or the Corporate Governance Rule. The factors considered in determining whether candidates meet our criteria include the knowledge directors would have, as a group, in the areas of business, finance, accounting, risk management, technology (including cybersecurity), public policy, mortgage lending, real estate, low-income housing, homebuilding, regulation of financial institutions, and any other areas that may be relevant to our safe and sound operation. We also considered whether a candidate's other commitments, including the number of other board memberships held by the candidate, would permit the candidate to devote sufficient time to the candidate's duties and responsibilities as a director. Our Charter provides that our Board have at least one person from each of the homebuilding, mortgage lending, and real estate industries and at least one person from an organization representing community or consumer interests or one person who has demonstrated a career commitment to the provision of housing for low-income households.

FHFA's rule requiring us to ensure, to the maximum extent possible in balance with financially safe and sound business practices, the diversity and inclusion of minorities, women, and individuals with disabilities generally applies to all activities, including in our process of nominating directors. In addition, the Board has adopted a policy with regard to the consideration of diversity in identifying director nominees and candidates. As articulated in our Corporate Governance Guidelines, or the Guidelines, the Board seeks to have a diversity of talent, perspectives, expertise, experience, and cultures among its members by including minorities, women, and individuals with disabilities. The Guidelines explain that, when identifying director

nominees, the Nominating and Governance Committee considers, among other factors, the talents and skills then available on the Board, the continued involvement of incumbent directors in business and professional activities relevant to us, the skills and experience that should be represented on the Board, the availability of other individuals with desirable skills to join the Board, and the desire to maintain a diverse Board.

Our directors have a variety of backgrounds and overall experience. Nearly half of our Board are women, minorities, or both. Our Non-Executive Chair is a woman, and women and minorities serve in leadership positions as the Chairs of the Audit, Compensation and Human Capital (CHC), Executive, Nominating and Governance, and Risk Committees. Our Board also values having a balance of longer-serving directors with institutional knowledge and newer directors that bring fresh perspectives and ideas. The charts below provide information on the composition of our Board by demographic background and Board tenure.



Director Biographical Information

The following summarizes each director's Board service, experience, qualifications, attributes, and/or skills that led to his or her selection as a director, and provides other biographical information, as of February 9, 2021.

Mark H. Bloom

Age	Director Since	Freddie Mac Committees	Public Company Directorships
56	November 2019	<ul style="list-style-type: none"> Compensation and Human Capital Risk 	None

Mr. Bloom is an experienced executive who has held a variety of leadership positions at the intersection of finance, technology, and risk management. He brings to the Board technological expertise to drive efficiency and enhance the customer experience.

Experience and Qualifications

- Global Chief Technology Officer and a member of the Management Board of Aegon N.V. (2016-present)
- Various positions at Citigroup, Inc., including Managing Director, Head of Global Consumer Technology Delivery Services (2007-2016)
- Various positions at JPMorgan Chase & Company, including Senior Vice President, Chase Home Financial Technology (2001-2007)
- Senior Vice President, eBusiness Solutions at CACI International, Inc. (1999-2001)

Kathleen L. Casey

Age	Director Since	Freddie Mac Committees	Public Company Directorships
54	October 2019	<ul style="list-style-type: none"> Audit Nominating and Governance 	None

Ms. Casey is an experienced leader with extensive financial regulatory policy experience. She brings high-level regulatory and financial oversight experience as well as a deep understanding of financial markets and governance to the Board.

Experience and Qualifications

- Senior Advisor with Patomak Global Partners, a financial services consulting firm (2012-present)
- Member of the Board of HSBC Holdings Plc (2014-2020), including service during her tenure on the Group Audit, Financial System Vulnerabilities, Nominations & Corporate Governance, and Group Risk Committees
- Commissioner of the Securities and Exchange Commission (2006-2011)
- Various roles with the U.S. Senate, including Staff Director and Counsel of the Senate Banking, Housing, and Urban Affairs Committee and Staff Director of the Senate Banking Committee's Subcommittee on Financial Institutions and Regulatory Relief (1993-2006)
- Member of the Financial Accounting Foundation Board of Trustees (2018-present); Chair (2020-present)
- Member of the Board of Sepio Systems Inc. (2020-present)
- Member of the International Valuation Standards Council Board of Trustees (2016-present)
- Member of the Library of Congress Trust Fund Board (2011-present)
- Chair of the Alternative Investment Management Association Council (2012-2016)

Lance F. Drummond

Age	Director Since	Freddie Mac Committees	Public Company Directorships
66	July 2015	<ul style="list-style-type: none"> • Audit • Compensation and Human Capital, Chair • Executive 	<ul style="list-style-type: none"> • United Community Banks, Inc.

Mr. Drummond is a senior business leader with extensive experience, specializing in business transforming strategy development and execution, operations, technology, and process re-engineering.

Experience and Qualifications

- Executive in Residence, Christopher Newport University (2015-2017)
- Executive Vice President of Operations and Technology of TD Canada Trust (2011-2014)
- Executive Vice President of Human Resources and Shared Services of Fiserv Inc. (2009-2011)
- Senior Vice President and Supply Chain Executive, Service and Fulfillment Executive for Global Technology and Operations, and eCommerce and ATM Executive of Bank of America (2002-2008)
- Various positions with Eastman Kodak Company, including Chief Operating Officer and Corporate Vice President of Kodak Professional Division (1976-2002)
- Member of the Board and Executive, Risk, and Talent & Compensation Committees and Chair of the Nominating and Governance Committee of United Community Banks, Inc. (2018-present)
- Member of the Board of AvidXchange (2020-present)
- Member of the Board and Management Compensation Committee and Chair of the Audit Committee of the Financial Industry Regulatory Authority (2018-present)
- Member of the Board and Audit Committee of CurAegis Technologies, Inc. (2018-2020)

Aleem Gillani

Age	Director Since	Freddie Mac Committees	Public Company Directorships
58	January 2019	<ul style="list-style-type: none"> • Audit, Chair • Compensation and Human Capital • Executive 	None

Mr. Gillani is an executive with extensive experience at sophisticated financial institutions. He brings a blend of industry, financial, and risk management experience to the Board.

Experience and Qualifications

- Chief Financial Officer and Corporate Executive Vice President of SunTrust Banks, Inc. (2011-2018)
- Executive Vice President and Corporate Treasurer of SunTrust Banks, Inc. (2010-2011)
- Senior Vice President and Chief Market Risk Officer of SunTrust Banks, Inc. (2007-2010)
- Senior Vice President and Chief Market Risk Officer of PNC Financial Services Group, Inc. (2004-2007)

- Chief Market Risk Officer of BankBoston and FleetBoston Corp. (1996-2004)
- Member of the Board of SunTrust Robinson Humphrey (2011-2018)
- Founding Chair of the Market Risk Council for the Risk Management Association (1998)

Mark B. Grier

Age	Director Since	Freddie Mac Committees	Public Company Directorships
68	February 2020	<ul style="list-style-type: none"> • Nominating and Governance • Risk 	None

Mr. Grier is an executive with decades of finance, risk, and capital markets experience and contributes his deep expertise in capital management to the Board.

Experience and Qualifications

- Various positions with Prudential Financial, Inc., including Vice Chairman, Member of the Office of the Chairman, and Chief Financial Officer (1995-2019)
- Various positions with The Chase Manhattan Corporation and its predecessors, including Executive Vice President, Co-Head, Global Markets and Executive Vice President, Global Risk Management (1978-1995)
- Chair of the Board of the Global Impact Investing Network (2017-present)
- Member of the Board of Trustees of Eisenhower Fellowships (2013-present)
- Member of the Board of Achieve (2009-2020); Chair (2014-2020)
- Member of the Board of Trustees of the Tragedy Assistance Program for Survivors (2013-2020)
- Member of the Board of Directors of Prudential Financial, Inc. (2008-2019)

Christopher E. Herbert

Age	Director Since	Freddie Mac Committees	Public Company Directorships
60	March 2018	<ul style="list-style-type: none"> • Compensation and Human Capital • Risk 	None

Mr. Herbert is an experienced leader in the governmental and educational sectors, with in-depth knowledge of housing policy, including low-income housing, and urban development, including the financial and demographic dimensions of home ownership.

Experience and Qualifications

- Managing Director for Harvard University's Joint Center for Housing Studies and Lecturer in Urban Planning and Design at the Harvard Graduate School of Design (2015-present)
- Research Director for Harvard University's Joint Center for Housing Studies (2010-2014)
- Senior Associate at Abt Associates, Inc. (1997-2010)
- Member of the Board of the Homeownership Preservation Foundation (2011-2019)
- Member of the Research Advisory Council for the Center for Responsible Lending (2006-2019)
- Member of the Board of GreenPath Financial Wellness (2017-2019)
- Member of the Federal Reserve Bank of Boston's Community Development Research Advisory Council (2014-2016)

Grace A. Huebscher

Age	Director Since	Freddie Mac Committees	Public Company Directorships
61	December 2017	<ul style="list-style-type: none"> • Executive • Nominating and Governance, Chair • Risk 	None

Ms. Huebscher is an executive with extensive experience in capital markets and real estate. She brings to the Board deep multifamily industry knowledge, entrepreneurship, and business savvy.

Experience and Qualifications

- Advisor to Capital One Commercial Bank (2017)
- President of Capital One Multifamily Finance, LLC (2013-2017)
- Co-Founder and Chief Executive Officer of Beech Street Capital, LLC (2009-2013)
- Various positions with Fannie Mae, including Vice President, Capital Markets (1997-2009)
- Member of the Board of The Kenyon Review (1998-present)
- Member of the Commercial Board of Governors of the Mortgage Bankers Association (2014-2017)

Sara Mathew

Age	Director Since	Freddie Mac Committees	Public Company Directorships
65	December 2013	<ul style="list-style-type: none"> • Executive, Chair 	<ul style="list-style-type: none"> • NextGen Acquisition Corporation • Reckitt Benckiser Group plc • State Street Corporation

Ms. Mathew is an executive with global financial and general management experience. Ms. Mathew's extensive business, financial, and management experience, and her public company board and audit committee experience, enable her to contribute to the Board's oversight of our internal control over financial reporting and compliance matters.

Experience and Qualifications

- Various positions with Dun & Bradstreet Corporation (2001-2013), including Chairman and Chief Executive Officer (2010-2013); President and Chief Operating Officer (2007-2010); and Senior Vice President and CFO (2001-2006)
- Various finance and management positions with The Procter & Gamble Company, including Vice President of Finance for Australia, Asia, and India (1983-2001)
- Member of the Board, Audit, and Nominating and Corporate Governance Committees, and Chair of the Compensation Committee of NextGen Acquisition Corporation (2020-present)
- Member of the Board and Audit Committee of Reckitt Benckiser Group plc (2019-present)
- Member of the Board, Executive and Risk Committees, Chair of the Human Resources Committee, and former member of the Nominating and Corporate Governance Committee of State Street Corporation (2018-present)
- Member of the Board and Audit and Finance and Corporate Development Committees of Campbell Soup Company (2005-2019)
- Member of the Board, Chair of the Audit, Compliance and Risk Committee, member of the Nomination and Governance Committee, and former member of the Remuneration Committee of Shire plc (2015-2019)
- Member of the Board and Finance and Nominating and Corporate Governance Committees of Avon Products, Inc. (2014-2016)
- Member of the Board of Dun & Bradstreet Corporation (2008-2013)
- Member of the International Advisory Council of Zurich Financial Services Group (2012-2017)

Allan P. Merrill

Age	Director Since	Freddie Mac Committees	Public Company Directorships
54	September 2020	<ul style="list-style-type: none"> • Audit • Nominating and Governance 	<ul style="list-style-type: none"> • Beazer Homes USA, Inc.

Mr. Merrill is an executive with deep experience in and understanding of the homebuilding industry as well as considerable executive leadership and financial experience.

Experience and Qualifications

- Various positions with Beazer Homes USA, Inc., including Chairman of the Board, President, and Chief Executive Officer, and Executive Vice President and Chief Financial Officer (2007-present)
- Various leadership positions with Move, Inc., including Executive Vice President of Corporate Development and Strategy, and President of Homebuilder.com, a division of Move, Inc. (2000-2007)
- Various positions with UBS Group AG and its predecessors, including Managing Director and Co-Head of the Global Resources Group (1987-2000)

- Member of the Board of Builder Homesite, Inc. (2011-present)
- Member of the Board of the Leading Builders of America (2011-present)
- Member of the Board of Harvard University's Joint Center for Housing Studies (1992-present)

Saiyid T. Naqvi

Age	Director Since	Freddie Mac Committees	Public Company Directorships
71	August 2013	<ul style="list-style-type: none"> • Executive • Nominating and Governance • Risk, Chair 	None

Mr. Naqvi is a seasoned financial executive with proven leadership experience and detailed knowledge of mortgage and consumer financial operations, as well as a deep background in risk and operational management.

Experience and Qualifications

- President and Chief Executive Officer of PNC Mortgage, a division of PNC Bank, National Association, which is a subsidiary of PNC Financial Services Group (2009-2013)
- President of Harley-Davidson Financial Services, Inc. (2007-2009)
- Chief Executive Officer of DeepGreen Financial, Inc. (2005-2006)
- President and Chief Executive Officer of PNC Mortgage Corporation of America (1995-2001)
- Member of the Board of Genworth Financial (2005-2009)
- Member of the Board of Hanover Mortgage Capital Holdings, Inc. (1998-2006)
- Member of the Housing Council of the Financial Services Roundtable (2009-2013)

CORPORATE GOVERNANCE

Our Corporate Governance Practices

The company is committed to best practices in corporate governance. The Board regularly reviews our governance practices, assesses the regulatory and legislative environment, and adopts governance practices that are in the best interests of the company.

Our Board has adopted the Guidelines, which are available on our website at www.freddiemac.com/governance/pdf/gov_guidelines.pdf. The Guidelines are reviewed annually by our Board and were last updated in June 2020. The Guidelines establish corporate governance practices, and include: qualifications for directors; a limitation on the number of boards on which a director may serve; term limits; director orientation and continuing education; and a requirement that the Board and each of its committees perform an annual self-evaluation.

Our practices are designed to provide for effective collaboration of management and the Board and are reviewed regularly. We have instituted the following specific corporate governance practices:

- Our Board has an independent Non-Executive Chair, whose responsibilities include presiding over meetings of the Board and executive sessions of the non-employee or independent directors.
- Each of the Board's directors is independent, except for the CEO (when that office is filled).
- Our directors are elected annually.
- Each of the Audit, CHC, Nominating and Governance, and Risk Committees consists entirely of independent directors.
- Each committee operates pursuant to a written charter that has been approved by the Board (these charters are available at <http://www.freddiemac.com/governance/board-committees.html>).
- Independent directors meet regularly without management.
- The Board and each of the Audit, CHC, Nominating and Governance, and Risk Committees conduct an annual self-evaluation.
- New directors receive a full orientation regarding the company and issues specific to the committees to which they have been appointed.
- All directors are provided with access to, and are encouraged to utilize, third-party continuing education.
- Management provides the Board and committees with in-depth technical briefings on substantive issues affecting the company.
- The Board reviews management talent and succession planning at least annually.

Director Independence and Relevant Considerations

Our non-employee Board members have evaluated the independence, as defined in Sections 4 and 5 of the Guidelines and in Section 303A.02 of the NYSE Listed Company Manual, of each of our Board members and determined that all current members of our Board are, and that former members of our Board, Mr. Steven W. Kohlhaugen and Mr. Paul T. Schumacher were, independent. Mr. Brickman, our former CEO, was not considered to be an independent director due to his service as our CEO.

Our non-employee Board members concluded that all current members of our Audit, CHC, Nominating and Governance and Risk Committees are independent within the meaning of Sections 4 and 5 of the Guidelines and Section 303A.02 of the NYSE Listed Company Manual. Our Board also determined that: (i) all current members of our Audit Committee are independent within the meaning of Exchange Act Rule 10A-3 and Section 303A.06 of the NYSE Listed Company Manual; and (ii) all current members of our CHC Committee are independent within the meaning of Exchange Act Rule 10C-1 and Section 303A.02(a)(ii) of the NYSE Listed Company Manual.

In determining the independence of each Board member, our non-employee Board members reviewed the following categories or types of relationships, in addition to those specifically addressed by the standards contained in Section 5 of the Guidelines, to determine whether those relationships, either individually or in aggregate, would constitute a material relationship between the director and us that would impair the director's judgment as a member of the Board or create the perception or appearance of such an impairment:

- **Employment Affiliations with Business Partners** - Messrs. Bloom and Herbert are employed by organizations that engage or have engaged in business with us resulting in payments between us and such organizations. Under the Guidelines, no specific independence determination is required with respect to these payments because they do not exceed the greater of \$1 million or 2% of the firm's consolidated gross revenues for each of the last three fiscal years. After considering the nature and extent of the specific relationships between these organizations and us, our non-employee Board members concluded that the business relationships do not constitute material relationships between either Mr. Bloom or Mr. Herbert and us that would impair their respective independence as our directors.

- **Employment Affiliations with Competitors** - An immediate family member of Ms. Huebscher is employed by a company that is a competitor of Freddie Mac. After considering the nature and extent of the specific relationship between the competitor and the immediate family member and between the competitor and Freddie Mac, our non-employee Board members concluded that the business relationship does not constitute a material relationship that would impair Ms. Huebscher's independence as our director.
- **Board Memberships with Business Partners** - Ms. Casey and Messrs. Drummond, Herbert, and Merrill serve or have served as directors of other organizations that engage or have engaged in business with us resulting in payments between us and such organizations during the past three fiscal years. After considering the nature and extent of the specific relationship between each of those organizations and us, and the fact that these current or past Board members are or were directors of these other organizations rather than employees, our non-employee Board members concluded that those business relationships do not constitute material relationships that would impair their independence as our directors.
- **Financial Relationships with Business Partners** - Messrs. Bloom, Gillani, and Grier, and former director Mr. Kohlhagen each own stock in companies with which we conduct significant business, and such ownership represents a material portion of their respective net worth. To eliminate any potential conflict of interest that might arise as a result of their respective stock ownership, we have established mechanisms pursuant to which they will be recused from discussing and acting upon any matters considered by the Board or any of the committees of which they are or were a member and that directly relate to the company in which they have such stock ownership. In situations where matters are frequently presented to the Board regarding these companies, we have established formal recusal arrangements. The Audit Committee Chair, in consultation with the Non-Executive Chair, addresses any questions regarding whether recusal from a particular discussion or action is appropriate.

In evaluating the independence of Messrs. Bloom, Gillani, Grier, and Kohlhagen in light of their stock ownership of our business partners, our non-employee Board members considered the nature and extent of our business relationships with such business partners and any potential impact that their respective stock ownership may have on their independent judgment as our directors, taking into account the relevant recusal mechanisms. Our non-employee Board members concluded that these mechanisms addressed any actual or potential conflicts of interest with respect to the stock ownership. Accordingly, our non-employee Board members concluded that the stock ownership of our business partners of Messrs. Bloom, Gillani, and Grier do not, and of Mr. Kohlhagen did not, constitute material relationships that would, or did, impair their independence as our directors.

Board and Committee Information

Authority of the Board and Board Committees

The directors serve on behalf of, and exercise authority as directed by, the Conservator and owe their fiduciary duties of care and loyalty to the Conservator. Although the Conservator has provided authority for the Board and its committees to function in accordance with the duties and authorities set forth in applicable statutes, regulations, guidance, orders, and directives, and our Bylaws and committee charters, the Conservator has reserved certain powers of approval for itself. The Conservator provided instructions to the Board in 2008, 2012, and 2017 to consult with and obtain the Conservator's decision before taking certain actions.

The Conservator's instructions as currently revised require that we obtain the Conservator's decision before taking action on any matters that require the consent of or consultation with Treasury under the Purchase Agreement. See **Note 2: Conservatorship and Related Matters** for a list of matters that require the approval of Treasury under the Purchase Agreement.

The Conservator's revised instructions also require us to obtain the Conservator's decision before taking action in the areas identified in the table below. For some matters, the Conservator's revised instructions specify that our Board must review and approve the matter before we request the Conservator's decision, and for other matters the Board is expected to determine the appropriate level of its engagement.

Matters Requiring Prior Board Review and Approval	Other Matters
<ul style="list-style-type: none"> • Redemptions or repurchases of our subordinated debt, except as may be necessary to comply with Section 5.7 of the Purchase Agreement; • Creation of any subsidiary or affiliate, or entering into a substantial transaction with a subsidiary or affiliate, except for routine, ongoing transactions with CSS or the creation of, or a transaction with, a subsidiary or affiliate undertaken in the ordinary course of business; • Changes to, or removal of, Board risk limits that would result in an increase in the amount of risk that may be taken by us; • Retention and termination of external auditors to perform an integrated audit of our financial statements and internal controls over financial reporting; • Termination of law firms serving as consultants to the Board; • Proposed amendments to our bylaws or Board committee charters; • Setting or increasing the compensation or benefits payable to members of the Board; and • Establishing the annual operating budget. 	<ul style="list-style-type: none"> • Material changes in accounting policy; • Proposed changes in our business operations, activities, and transactions that, in the reasonable business judgment of our management, are more likely than not to result in a significant increase in credit, market, reputational, operational, or other key risks; • Matters, including our initiation or substantive response to litigation, that impact or question the Conservator's powers, our status in conservatorship, the legal effect of the conservatorship, interpretations of the Purchase Agreement or terms and conditions of the Financial Agency Agreement with Treasury or our performance under the Financial Agency Agreement; • Agreements with respect to any securities litigation claim and agreements pursuant to which we settle, resolve, or compromise demands, claims, litigation, lawsuits, prosecutions, regulatory proceedings, or tax matters when the amount in dispute is more than \$50 million, including each separate agreement with the same counterparty involving the same dispute or common facts when the aggregate amount in dispute totals more than \$50 million (this provision excludes loan workouts, which are conducted in the ordinary course of business); • Mergers, acquisitions and changes in control of a Key Counterparty where we have a direct contractual right to cease doing business with such Key Counterparty or object to the merger or acquisition of such entity; • Changes to requirements, policies, frameworks, standards, or products that are aligned with Fannie Mae, pursuant to FHFA's direction; • Credit risk transfers that are new transaction types, recurring transactions with any material change in terms, and transactions that involve collateral types not previously included in a risk transfer transaction; • Mortgage servicing rights sales and transfers involving: <ul style="list-style-type: none"> ◦ 100,000 or more loans to a non-bank transferee; or ◦ 25,000 or more loans to any transferee servicer when the transfer would increase the number of the transferee's Freddie Mac- and Fannie Mae-owned seriously delinquent loans by at least 25 percent and the servicing transfer has a minimum of 500 seriously delinquent loans; and • Changes in employee compensation that could significantly impact our employees, including, but not limited to, retention awards, special incentive plans, and merit increase pool funding.

In addition, FHFA requires us to provide it with timely notice of: (i) activities that represent a significant change in current business practices, operations, policies, or strategies not otherwise addressed in the Conservator decision items referenced above; (ii) exceptions and waivers to aligned requirements, policies, frameworks, standards, or products if not otherwise submitted to FHFA for Conservator approval as required above; and (iii) accounting error corrections to previously issued

financial statements that are not de minimis. FHFA will then determine whether any such items require Conservator approval. For more information on the conservatorship, see **MD&A - Conservatorship and Related Matters**.

Board Committees

The Board has five standing committees: Audit, CHC, Executive, Nominating and Governance, and Risk. All standing committees, other than the Executive Committee, meet regularly and are chaired by, and consist entirely of, independent directors. The Committees perform essential functions on behalf of the Board. The Committee Chairs review and approve agendas for all meetings of their respective Committees. Charters for the standing committees describe each committee's responsibilities and have been adopted by the Board and approved by the Conservator. These charters are available on our website at <http://www.freddiemac.com/governance/board-committees.html>. The membership of each committee as of February 9, 2021 and the number of meetings held by each committee in 2020 are set forth below, together with a description of the primary responsibilities of each committee.

Committee	Meetings in 2020	Chair	Members
Audit Committee	9 Committee meetings	Aleem Gillani	<ul style="list-style-type: none"> • Kathleen L. Casey • Lance F. Drummond • Allan P. Merrill
Compensation and Human Capital Committee	7 Committee meetings	Lance F. Drummond	<ul style="list-style-type: none"> • Mark H. Bloom • Aleem Gillani • Christopher E. Herbert
Executive Committee	None	Sara Mathew	<ul style="list-style-type: none"> • Lance F. Drummond • Aleem Gillani • Grace A. Huebscher • Saiyid T. Naqvi
Nominating and Governance Committee	5 Committee meetings	Grace A. Huebscher	<ul style="list-style-type: none"> • Kathleen L. Casey • Mark B. Grier • Allan P. Merrill • Saiyid T. Naqvi
Risk Committee	6 Committee meetings	Saiyid T. Naqvi	<ul style="list-style-type: none"> • Mark H. Bloom • Mark B. Grier • Christopher E. Herbert • Grace A. Huebscher

Audit Committee

The Audit Committee provides oversight of the company's accounting and financial reporting and disclosure processes, the adequacy of the systems of disclosure and internal control established by management, and the audit of the company's financial statements. Among other things, the Audit Committee: (i) appoints the independent auditor and evaluates its independence and performance; (ii) reviews the audit plans for and results of the independent audit and internal audits; and (iii) reviews reports related to processes established by management to provide compliance with legal and regulatory requirements. The Audit Committee's activities during 2020 with respect to the oversight of the independent auditor are described in more detail in **Principal Accounting Fees and Services – Approval of Independent Auditor Services and Fees**. The Audit Committee also periodically reviews the company's guidelines and policies governing the processes for assessing and managing the company's risks and generally reviews the company's major financial risk exposures and the steps taken to monitor and control such exposures. The Audit Committee also approves all decisions regarding the appointment, removal, and

compensation of the General Auditor, who reports independently to the Audit Committee, as well as the annual incentive funding level for our Internal Audit division.

Our Audit Committee satisfies the definition of "audit committee" in Exchange Act Section 3(a)(58)(A) and the requirements of Exchange Act Rule 10A-3. Although our stock is no longer listed on the NYSE, certain of the corporate governance requirements of the NYSE Listed Company Manual, including those relating to audit committees, continue to apply to us because they are incorporated by reference in the Corporate Governance Rule. Our Audit Committee satisfies the "audit committee" requirements in Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual. The Board has determined that all members of our Audit Committee are independent and that Mr. Gillani, a member of the Audit Committee since January 2019 and its current chair, meets the definition of an "audit committee financial expert" under SEC regulations.

Compensation and Human Capital Committee

The CHC Committee oversees the company's compensation and benefits policies and programs, as well as other human capital processes, including: (i) an annual review of talent development programs and initiatives, including succession planning; (ii) oversight of our diversity and inclusion programs and policies, and related management strategies; and (iii) the design and execution of initiatives to strengthen our culture. The company's processes for consideration and determination of executive compensation, and the role of the CHC Committee in those processes, are further described in **Executive Compensation – CD&A**. The CHC Committee Report is included in **Executive Compensation – CD&A – Compensation and Human Capital Committee Report**.

For a discussion of the CHC Committee's conclusion that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on us, see **Executive Compensation – Compensation and Risk**.

For a discussion of the CHC Committee's role with respect to human capital generally, see **Introduction – Our Business – Primary Business Strategies – Human Capital Management**.

The CHC Committee consists entirely of independent directors. None of the members of the CHC Committee during 2020 were officers or employees of Freddie Mac or had any relationship with us that would be required to be disclosed by us under Item 407(e)(4) of Regulation S-K.

Executive Committee

The Executive Committee consists of the Non-Executive Chair, the chair of each other standing committee, and our CEO, when such office is filled. Given the current vacancy in our CEO position, each member is independent. The Executive Committee is authorized to exercise the corporate powers of the Board between meetings of the Board, except for those powers reserved to the Board by our Charter and Bylaws or otherwise.

Nominating and Governance Committee

The Nominating and Governance Committee, which consists entirely of independent directors, oversees the company's corporate governance, including reviewing the company's Bylaws and the Guidelines. It also assists the Board and its committees in conducting annual self-evaluations and identifying qualified individuals to become members of the Board; reviews Board member independence and qualifications and recommends membership of the Board committees; and reviews potential conflicts of interest for members of senior management as well as certain related person transactions.

Risk Committee

The Risk Committee, which consists entirely of independent directors, oversees on an enterprise-wide basis the company's risk management framework, including credit risk, market risk, liquidity risk, operational risk, and enterprise-wide strategic risk. The Risk Committee reviews and recommends the company's enterprise risk policy and Board-level risk appetite metrics and limits to the Board for approval and, among other responsibilities, reviews significant: (i) enterprise risk exposures; (ii) risk management strategies; (iii) results of risk management reviews and assessments; and (iv) emerging risks. The Risk Committee also approves all decisions regarding the appointment or removal of the CRO, and the CRO reports independently to the Risk Committee.

Additional Board Oversight

The Board and Risk Committee provide oversight of the company's information and cybersecurity operations by receiving periodic reports from the Chief Information Officer and other senior officers. These updates include information regarding management's ongoing efforts to manage cybersecurity risk and the steps management has taken to address and mitigate the evolving cybersecurity threat environment. In addition, the Risk Committee receives updates regarding any assessments by external parties about the company's cybersecurity program. Senior management discusses cybersecurity developments with the Chair of the Risk Committee and other Board members between Board and committee meetings, as necessary. The company has procedures to escalate information regarding certain cybersecurity incidents to the appropriate members of the Board in a timely fashion. The Board and its committees also have authority, as they deem appropriate to fulfill Board or committee responsibilities, to engage outside consultants or advisors, including technology and cybersecurity experts, and evaluate the company's information security program. See **MD&A – Risk Management – Overview** for more information on the Board's role in risk oversight.

Board Leadership Structure

The leadership structure established by the Conservator requires that the positions of CEO and chair of the Board be held by different individuals. In addition, FHFA's Corporate Governance Rule requires that the position of chair of the Board be filled by an independent director as defined under the rules of the NYSE.

Communications with Directors

Interested parties wishing to communicate any concerns or questions about Freddie Mac to the Board or its directors may do so by U.S. mail, addressed to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, VA 22102-3110 or by email at boardofdirectors@freddiemac.com. Communications may be directed to the Non-Executive Chair, to any other director or directors, or to groups of directors, such as the independent or non-employee directors.

Codes of Conduct

We have separate codes of conduct for our employees and Board members. The employee code of conduct serves as the code of ethics for senior executives and financial officers. All employees, including senior executives and financial officers, are required to sign an annual acknowledgment that they have read the employee code of conduct and agree to abide by it and will report suspected deviations from the employee code of conduct. When joining our Board, our directors acknowledge that they have reviewed and understand the director code of conduct and agree to be bound by its provisions, and each director re-executes such confirmation annually.

Copies of our employee and director codes of conduct are available, and any amendments or waivers that would be required to be disclosed are posted, on our website at www.freddiemac.com.

Director Compensation

Non-employee Board members receive compensation in the form of cash retainers, paid on a quarterly basis. Non-employee directors are also reimbursed for reasonable out-of-pocket costs for attending meetings of the Board or a Board committee of which they are a member and for other reasonable expenses associated with carrying out their responsibilities as directors.

Our directors are compensated entirely in cash because the Purchase Agreement prohibits us from issuing any shares of our equity securities without the prior written consent of Treasury. See **Executive Compensation – CD&A – Overview of Executive Management Compensation Program**. Unlike compensation for our executives, there is no provision in the director compensation program for pay that varies depending on business results. Although such incentive compensation is deemed appropriate to give management strong incentives to devise and execute business plans and achieve positive financial results, it is viewed as inconsistent with the oversight role of directors.

2020 Non-Employee Director Compensation Levels

Board compensation levels during conservatorship are shown in the table below.

Table 77 - Board Compensation Levels

Board Service	Cash Compensation
Annual Retainer for Non-Executive Chair	\$290,000
Annual Retainer for Non-Employee Directors (other than the Non-Executive Chair)	160,000
Committee Service	Cash Compensation
Annual Retainer for Audit Committee Chair	\$25,000
Annual Retainer for Risk Committee Chair	15,000
Annual Retainer for Committee Chairs (other than Audit or Risk)	10,000
Annual Retainer for Audit Committee Members	10,000

2020 Director Compensation

The following table summarizes the 2020 compensation earned by all persons who served as non-employee directors during 2020.

Table 78 - Director Compensation

Non-Employee Director	Fees Earned or Paid in Cash ⁽¹⁾	Total
Sara Mathew	\$290,000	\$290,000
Mark H. Bloom	160,000	160,000
Kathleen L. Casey ⁽²⁾	168,242	168,242
Lance F. Drummond ⁽²⁾	178,901	178,901
Aleem Gillani	185,000	185,000
Mark B. Grier ⁽³⁾	138,901	138,901
Christopher E. Herbert	160,000	160,000
Grace A. Huebscher ⁽²⁾	176,685	176,685
Steven W. Kohlhagen ⁽⁴⁾	18,681	18,681
Allan P. Merrill ⁽²⁾⁽³⁾	56,359	56,359
Saiyid T. Naqvi	175,000	175,000
Paul T. Schumacher ⁽²⁾⁽³⁾⁽⁴⁾	56,359	56,359

- (1) We do not have pension or retirement plans for our non-employee directors, and all compensation is paid in cash with no additional compensation paid. Therefore, the "Change in Pension Value and Non-qualified Deferred Compensation Earnings" and "All Other Compensation" columns have been omitted.
- (2) In addition to the annual Board service and appropriate Committee Chair retainers, the amount reflects partial annual compensation for service as a member of the Audit Committee or as a Committee Chair during 2020. In February 2020, Mr. Drummond became the Chair of the CHC Committee, and in March 2020, Ms. Casey became a member of the Audit Committee. In September 2020, Messrs. Merrill and Schumacher became members of, and Ms. Huebscher left, the Audit Committee.
- (3) Mr. Grier joined the Board in February 2020 and Messrs. Merrill and Schumacher joined the Board in September 2020.
- (4) Messrs. Kohlhagen and Schumacher left the Board in February 2020 and February 2021, respectively.

Indemnification

We have made arrangements to indemnify our directors against certain liabilities which are similar to the terms on which our executive officers are indemnified. For a description of such terms, see **Executive Compensation – CD&A – Written Agreements Relating to NEO Employment – Indemnification Agreements**.

EXECUTIVE OFFICERS

As of February 9, 2021, our executive officers are as follows:

Michael T. Hutchins

Age	Year of Affiliation	Position
65	2013	President

Mr. Hutchins has served as our President since December 2020 after serving as our interim President beginning in November 2020. In this role, he continues to lead the Investments and Capital Markets division, and the leaders of the company's Single-Family, Multifamily, Human Resources, Information Technology, Administration, and Enterprise Operations divisions report to him. He previously served as EVP - Investments and Capital Markets from January 2015 to November 2020 and as SVP - Investments and Capital Markets from July 2013 to January 2015. Prior to joining Freddie Mac, Mr. Hutchins was Co-Founder and Chief Executive Officer of PrinceRidge, a financial services firm, from 2007 to 2013. Prior to founding PrinceRidge, he was with UBS Group AG from 1996 to 2007, holding a variety of senior management positions, including the Global Head of the Fixed Income Rates & Currencies Group. Prior to UBS, Mr. Hutchins worked at Salomon Brothers, Inc. from 1986 to 1996, where he held a number of management positions, including Co-Head of Fixed Income Capital Markets.

Christian M. Lown

Age	Year of Affiliation	Position
51	2020	Executive Vice President & Chief Financial Officer

Mr. Lown has served as our EVP & Chief Financial Officer since June 2020. In this role, he is responsible for the company's financial controls, accounting, investor relations, financial planning and reporting, tax, and capital oversight. Mr. Lown joined Freddie Mac from Navient Corporation where he served as Executive Vice President and Chief Financial Officer from March 2017 to June 2020. Prior to that, he served as Managing Director of the Financial Institutions Group and Co-Head of Global Financial Technology, North America Banks, and Diversified Finance at Morgan Stanley from 2006 to 2017; Director, Financial Institutions Group, at UBS AG from 2003 to 2006; and Associate, Financial Institutions Group, at Credit Suisse First Boston from 2001 to 2003.

Ricardo A. Anzaldua

Age	Year of Affiliation	Position
67	2018	Executive Vice President & General Counsel

Mr. Anzaldua has served as our EVP & General Counsel since January 2019 as well as serving as Corporate Secretary from January 2019 to April 2020. In this role, he is responsible for the company's legal division, advising the Board and senior management on legal and governance matters, litigation strategy, and leading the company's efforts to navigate complex business and regulatory initiatives. He joined Freddie Mac in May 2018 as EVP - Senior Legal Advisor. Previously, he was Executive Vice President and General Counsel of MetLife, Inc., from 2012 until 2017. From 2007 to 2012, he held senior positions in the legal department of the Hartford Financial Services Group. He began his legal career at the law firm of Cleary, Gottlieb, Steen & Hamilton LLP, where he became a partner in 1999.

Donna M. Corley

Age	Year of Affiliation	Position
47	1995	Executive Vice President - Single-Family Business

Ms. Corley has served as our EVP - Single-Family Business since February 2020 after serving as SVP & Interim Head of Single-Family from November 2019 to February 2020. In this role, she is responsible for managing our relationships with our Seller/ Servicers, the performance of our guarantee book of business, and all sourcing, servicing, risk management, and business operations. Previously, she served as SVP & Chief Risk Officer of Single-Family Business, where she led the team responsible for analyzing and managing the risks that affect Freddie Mac's Single-Family business of financing more than 1.5 million homes annually. She joined Freddie Mac in 1995 as a research analyst and since then has held various portfolio manager positions within the Investment and Capital Markets division and has also led Freddie Mac's credit pricing, risk transfer, and securitization teams.

Anil D. Hinduja

Age	Year of Affiliation	Position
57	2015	Executive Vice President - Chief Risk Officer

Mr. Hinduja has served as our EVP - Chief Risk Officer and head of Enterprise Risk Management since July 2015. In this role, he provides overall direction and leadership for the risk function and is responsible for the company's enterprise-wide risk framework. He joined Freddie Mac from Barclays PLC, where he served in increasingly broader risk management roles beginning in 2009, including Chief Risk Officer for Barclays Africa Group Limited, Group Credit Director for Retail Credit Risk, and Chief Risk Officer for Barclays' retail bank in the U.K. Prior to joining Barclays, he spent 19 years at Citigroup in diverse roles with increasing responsibility across finance, operations, sales and distribution, business, and risk management in global consumer businesses. In risk, he was Director for Global Consumer Credit Risk and then Chief Risk Officer for the Consumer Lending Group, where he was responsible for managing risk in the mortgage, auto, and student loan businesses. His tenure at Citigroup culminated in his term as President and CEO of Citi Home Equity.

Deborah L. Jenkins

Age	Year of Affiliation	Position
53	2008	Executive Vice President - Multifamily

Ms. Jenkins has served as our EVP - Multifamily since November 2018. In this role, she leads a team of more than 900 people tasked with providing liquidity and stability to multifamily mortgage markets while supporting affordable rental housing throughout the country. She previously served as SVP - Multifamily Underwriting and Credit — the principal manager of underwriting and credit approvals for all Multifamily debt investments, credit policy governance, and asset level securitization activities. Ms. Jenkins spearheaded enhancements in the Multifamily division's underwriting process specifically to stand up its securitization program, including its K- and SB-Deals. She was a Senior Vice President with Wells Fargo National Bank in Michigan before joining Freddie Mac in March 2008.

Frank Nazzaro

Age	Year of Affiliation	Position
59	2018	Executive Vice President - Chief Information Officer

Mr. Nazzaro has served as our EVP - Chief Information Officer since October 2019 after serving as Acting Chief Information Officer from May 2019 to October 2019. He leads the Information Technology (IT) division and provides corporate-wide leadership for the company's technology strategy. Mr. Nazzaro is an accomplished senior technology executive with more than 20 years of experience in the financial services industry. With an in-depth knowledge in infrastructure and applications, he brings a wealth of experience in transformational IT activities and strong leadership capabilities essential to IT's strategic initiatives, including Cloud migration, Modern Delivery, and Employee Technology Experience. He joined Freddie Mac in 2018 as Senior Vice President and Chief Technology Officer leading Enterprise Technology Solutions. From 2016 to 2018, he was Group Vice President and CTO for Travelport LLC, where he led Cloud Architecture, Infrastructure, and Operations globally. From 2012 to 2016, he was CTO at CIT Group where he was responsible for Transformation, Architecture, Technology Strategy, and IT Infrastructure. He has held several senior technology and management roles at RBC Capital Markets, Bridgewater, and UBS.

Jerry Weiss

Age	Year of Affiliation	Position
62	2003	Executive Vice President - Chief Administrative Officer

Mr. Weiss has served as our EVP - Chief Administrative Officer since August 2010. In this role, he serves as the company's senior executive liaison to FHFA and Treasury. He oversees the Government and Industry Relations and Public Policy, Public Relations and Corporate Marketing, Internal Communications, Conservatorship Affairs and Initiatives, Economic and Housing Research, Regulatory Affairs, Corporate Services, and Making Home Affordable - Compliance organizations. In addition, since November 2014 he has served as a member of the Board of Managers of CSS. He also served as our CCO from August 2010 until June 2011. Prior to August 2010, Mr. Weiss served as our SVP and CCO and in various other senior management capacities since joining us in October 2003. Before that, Mr. Weiss worked from 1990 at Merrill Lynch Investment Managers, including as First Vice President and Global Head of Compliance. From 1982 to 1990, Mr. Weiss was with a national law practice in Washington, D.C., where he specialized in securities regulation and corporate finance matters.

Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

This section contains information regarding our compensation programs (all of which have been approved by FHFA) and the compensation of the following individuals who we determined to be our Named Executive Officers, or NEOs, for the year ended December 31, 2020.

Named Executive Officers	
David M. Brickman	Chief Executive Officer ⁽¹⁾
Michael T. Hutchins	President
Christian M. Lown	Executive Vice President & Chief Financial Officer
Ricardo A. Anzaldua	Executive Vice President & General Counsel
Anil D. Hinduja	Executive Vice President - Chief Risk Officer
Donald F. Kish	Senior Vice President - Corporate Controller & Principal Accounting Officer, former Interim Chief Financial Officer

(1) Mr. Brickman resigned from the company effective January 8, 2021.

For information on our primary business objectives and the progress we made during 2020 toward accomplishing those objectives, see **Introduction – About Freddie Mac**.

Overview of Executive Management Compensation Program

Compensation in 2020 for each NEO, other than Mr. Brickman, whose compensation is discussed below, was governed by the Executive Management Compensation Program, or EMCP. The EMCP balances our need to retain and attract executive talent with promoting the conservatorship objectives included in FHFA's Conservatorship Scorecard, as well as goals separately established by management related to the commercial aspects of our business, which are included in our Corporate Scorecard. All compensation under the EMCP is delivered in cash because the Purchase Agreement does not permit us to provide equity-based compensation to our employees unless approved by Treasury.

Effective January 1, 2020, the company amended the EMCP in response to changes directed by FHFA, acting as Conservator, for so long as we are in conservatorship, as described in **Executive Compensation – Elements of Target TDC**.

Elements of Target TDC

For all NEOs other than the CEO, compensation under the EMCP in 2020 consisted of the following elements:

Base Salary Rate	Deferred Salary		
			At-Risk Deferred Salary
	Fixed Deferred Salary	Conservatorship Scorecard and Assessment Criteria	Corporate Scorecard / Individual
<ul style="list-style-type: none"> ■ Cannot exceed \$600,000 without approval from FHFA ■ Earned and paid bi-weekly 	<ul style="list-style-type: none"> ■ To encourage executive retention ■ Equal to total Deferred Salary less the At-Risk portion 	<ul style="list-style-type: none"> ■ Subject to reduction based on Conservatorship Scorecard performance and the Assessment Criteria 	<ul style="list-style-type: none"> ■ Subject to reduction based on performance against both the Corporate Scorecard and individual objectives

(1) As discussed below, pursuant to an update to the EMCP effective January 1, 2020, At-Risk Deferred Salary will be paid on the last pay date of the corresponding quarter of the second year following the performance period for Mr. Lown, who joined us as our CFO in June 2020. For executives hired before December 31, 2019,

including all other eligible NEOs, the increase in mandatory deferral period for At-Risk Deferred Salary from one year to two years will take effect beginning with amounts earned in the 2022 performance period.

As in past years, 30% of target TDC for each NEO (other than our CEO) is At-Risk Deferred Salary that is subject to reduction based on Conservatorship Scorecard performance as well as Corporate Scorecard and individual performance. This At-Risk Deferred Salary has been paid in end-of-quarter installments in the year following the performance year. In 2019, FHFA directed us to increase the mandatory deferral period for At-Risk Deferred Salary received by certain executives (including our NEOs) from one year to two years. For executives hired before December 31, 2019, this change will be effective for At-Risk Deferred Salary earned beginning January 1, 2022. For executives hired on or after December 31, 2019, the change became effective immediately. Accordingly, At-Risk Deferred Salary earned beginning January 1, 2022 by our current eligible NEOs (other than Mr. Lown) will be paid in quarterly installments in the corresponding calendar quarter in the second year following the performance year. Therefore, At-Risk Deferred Salary earned in 2022 by these NEOs will be paid in quarterly installments in 2024. For Mr. Lown, who was hired on or after December 31, 2019, all At-Risk Deferred Salary earned will be paid in quarterly installments in the second year following the performance year, resulting in his At-Risk Deferred Salary earned in 2020 being paid in quarterly installments in 2022.

The objectives against which 2020 corporate performance was measured, together with the assessment of actual performance against those objectives and the Assessment Criteria used by FHFA, are described in **Determination of 2020 At-Risk Deferred Salary – At-Risk Deferred Salary Based on Conservatorship Scorecard Performance** and **Determination of 2020 At-Risk Deferred Salary – At-Risk Deferred Salary Based on Corporate Scorecard Goals and Individual Performance**. These performance measures were chosen because they reflected our 2020 goals during conservatorship.

See **Other Executive Compensation Considerations – Effect of Termination of Employment** for information on the effect of a termination of employment, including the timing and payment of any unpaid portion of Deferred Salary and related interest.

Executive Compensation Best Practices

What We Do	What We Don't Do
<ul style="list-style-type: none"> ■ Clawback provisions with a significant portion of compensation subject to recapture and/or forfeiture ■ Use of an independent compensation consultant by the Compensation and Human Capital Committee ■ Annual compensation risk review ■ Single executive perquisite, reimbursement of tax, estate, and/or personal financial planning expenses (up to \$4,500 annually, with an additional \$2,500 in the first year of eligibility) ■ Evaluation of company performance against multiple measures, including non-financial measures 	<ul style="list-style-type: none"> ■ No agreements that guarantee a specific amount of compensation for a specified term of employment ■ No golden parachute payments or other similar change in control provisions ■ No tax "gross-ups" ■ No hedging or pledging of company securities permitted

CEO Compensation

Mr. Brickman's compensation in 2020 included a Base Salary level of \$600,000, in compliance with the Equity in Government Compensation Act of 2015. He did not participate in the EMCP and, therefore, did not receive any compensation subject to either corporate or individual performance. Mr. Brickman was eligible to participate in all employee benefit plans offered to Freddie Mac's other senior executives under the terms of those plans. See **Summary Compensation Table** for additional information.

Determination of 2020 Target TDC for Eligible NEOs

Role of Compensation Consultant

As part of the annual process to determine the Target TDC for each of the eligible NEOs, the CHC Committee receives guidance from Meridian Compensation Partners, LLC, or Meridian, its independent compensation consultant. In addition to the annual process to determine Target TDC, Meridian provides guidance to the CHC Committee throughout the year on other executive compensation matters.

Meridian has not provided the CHC Committee with any non-executive compensation services, nor has the firm provided any consulting or other services to our management. During 2020, the CHC Committee reviewed Meridian's independence based on the factors outlined in Exchange Act Rule 10C-1(b)(4) and determined that Meridian continues to be independent.

2020 Comparator Group Companies

The CHC Committee annually evaluates each eligible NEO's Target TDC in relation to the compensation of executives in comparable positions at companies that are either in a similar line of business or are otherwise comparable for purposes of recruiting and retaining individuals with the necessary skills and capabilities. We refer to this group of companies as the Comparator Group.

When there is either no reasonable match or insufficient data from the Comparator Group for a position, or if Meridian believes that additional data sources would strengthen the analysis of competitive market compensation levels, the CHC Committee may use alternative survey sources.

At FHFA's recommendation, Freddie Mac and Fannie Mae have aligned their Comparator Groups so that consistent compensation data is used by both companies for the same or similar senior officer positions.

The Comparator Group used in determining compensation for 2020 consisted of the following companies:

The Allstate Corporation	Fannie Mae	Prudential Financial, Inc.
Ally Financial Inc.	Fifth Third Bancorp	Regions Financial Corporation
American Express Company	The Hartford Financial Services Group, Inc.	State Street Corporation
American International Group, Inc.	JPMorgan Chase & Co*	Synchrony Financial
Bank of America Corporation*	KeyCorp	Truist Financial Corporation
The Bank of New York Mellon Corporation	Mastercard Incorporated	U.S. Bancorp
Capital One Financial Corporation	MetLife, Inc.	Visa, Inc.
Citigroup Inc.*	Northern Trust Corporation	Voya Financial, Inc.
Citizens Financial Group, Inc.	PNC Financial Services Group, Inc.	Wells Fargo & Company*
Discover Financial Services		

* Only mortgage or real estate division-level compensation data from these diversified banking firms may be utilized where available and appropriate for the position being benchmarked.

The CHC Committee has determined that these same companies will comprise the 2021 Comparator Group.

Establishing Target TDC

The CHC Committee developed its 2020 Target TDC recommendations for the eligible NEOs, other than Mr. Hutchins, by reviewing data from the Comparator Group. For Mr. Hutchins, the CHC Committee reviewed data from a broader financial services survey reflecting companies with significant assets under management. The CHC Committee's 2020 Target TDC recommendation for each of the eligible NEOs was reviewed and approved by FHFA.

2020 Target TDC

The following table sets forth the components of 2020 Target TDC for each of our eligible NEOs.

Table 79 - 2020 Target TDC

Named Executive Officer ⁽¹⁾	2020 Target TDC			
	Base Salary Rate	Fixed Deferred Salary	At-Risk Deferred Salary	Target TDC
Michael T. Hutchins	\$600,000	\$1,675,000	\$975,000	\$3,250,000
Christian M. Lown ⁽²⁾	327,869	815,934	489,560	1,633,363
Ricardo A. Anzaldua	500,000	1,250,000	750,000	2,500,000
Anil D. Hinduja	600,000	1,220,000	780,000	2,600,000
Donald F. Kish ⁽³⁾	425,000	257,500	292,500	975,000

- (1) Mr. Brickman did not participate in the EMCP in 2020 and therefore is not included in this table. For a discussion of Mr. Brickman's compensation, see **CEO Compensation**.
- (2) Mr. Lown was appointed Chief Financial Officer effective June 15, 2020. Amounts in this table reflect his prorated Target TDC. His annualized Target TDC is \$3,000,000, consisting of Base Salary of \$600,000, Fixed Deferred Salary of \$1,500,000, and At-Risk Deferred Salary of \$900,000. In addition, Mr. Lown will receive a cash sign-on award of \$1,275,000 in recognition of forfeited compensation at his previous employer. This award will be paid in three installments: \$475,000 in February 2021; \$475,000 in February 2022; and \$325,000 in February 2023. If Mr. Lown is not an employee of Freddie Mac on an installment payment date because he voluntarily resigns from the company or if the company terminates his employment due to the occurrence of any of the Forfeiture Events described in the Recapture Agreement, the installment will be forfeited. Each installment is subject to repayment if, prior to the first anniversary of an installment payment, Mr. Lown voluntarily resigns from the company or if the company terminates his employment due to the occurrence of any of the Forfeiture Events described in the Recapture Agreement.
- (3) In addition to Target TDC, Mr. Kish accrued a special cash award at a rate of \$50,000 per month, beginning December 19, 2019 and continuing through June 14, 2020, in recognition of his service as Interim Chief Financial Officer. The award was payable in two equal installments: the first was paid in June 2020 and the second was paid in August 2020. He also accrued a special cash award at a rate of \$30,000 per month, in recognition of his increased responsibilities in support of our Chief Financial Officer, Mr. Lown, from June 15, 2020 to December 31, 2020, payable in two equal installments: the first was paid in January 2021 and the second will be paid in March 2021. Mr. Kish must remain employed by the company to receive the second installment payment, except in certain termination events including death, disability, and involuntary non-performance-based termination by Freddie Mac. See **Written Agreements Relating to NEO Employment**.

Determination of 2020 At-Risk Deferred Salary

The CHC Committee and FHFA considered our achievements in pursuing our primary business objectives, as well as other factors, in determining the funding level for At-Risk Deferred Salary in 2020. FHFA determined the funding level for the portion of At-Risk Deferred Salary based on Conservatorship Scorecard performance and Assessment Criteria, and the CHC Committee determined, with FHFA's review and approval, the amounts payable to each eligible NEO for the portion of At-Risk Deferred Salary based on Corporate Scorecard goals and individual performance.

At-Risk Deferred Salary Based on Conservatorship Scorecard Performance

Half of each eligible NEO's 2020 At-Risk Deferred Salary, or 15% of Target TDC, was subject to reduction based on FHFA's assessment of (i) the company's performance against the goals in the 2020 Conservatorship Scorecard and (ii) the Assessment Criteria described below. FHFA independently assessed our performance against the 2020 Conservatorship Scorecard and the Assessment Criteria and determined that an 80% funding level was justified for the portion of the eligible NEOs' At-Risk Deferred Salary. In assessing our performance against the 2020 Conservatorship Scorecard, the factors considered by FHFA included our completion of all of the Conservatorship Scorecard objectives and our performance against the Assessment Criteria.

In making its assessment, FHFA used the following criteria (collectively, the Assessment Criteria):

- The extent to which our activities foster Competitive, Liquid, Efficient, And Resilient (CLEAR) national housing finance markets that support homeowners and renters with responsible and sustainable products and programs;
- The extent to which we conduct business in a safe and sound manner, anticipate and mitigate emerging risk issues, and remediate identified risk concerns on a timely basis;
- The extent to which we meet expectations under all of FHFA's requirements, including the Conservatorship Capital Framework (CCF);
- The extent to which we conduct initiatives with consideration for diversity and inclusion under statutory requirements consistent with FHFA's expectations;
- The extent to which we cooperate and collaborate with Fannie Mae, CSS, the industry, and other stakeholders, in consultation with FHFA; and
- The extent to which we deliver work products that are high quality, thorough, creative, effective, and timely.

The table below presents the Conservatorship Scorecard objectives and FHFA's assessment of our achievement against those objectives.

Performance Goals	FHFA's Summary of Performance
I. Foster CLEAR National Housing Finance Markets	
<ul style="list-style-type: none"> ● Housing Goals / Duty-to-Serve: Fulfill Freddie Mac's Housing Goals and Duty-to-Serve plans by offering sustainable mortgage programs and conducting effective outreach. ● Uniform Mortgage-Backed Security (UMBS): Carefully monitor and maintain UMBS cash flow alignment and take such further steps as necessary to ensure a well-functioning To-Be-Announced (TBA) securitization market. ● Credit Score Final Rule Implementation: Implement the final Credit Score Rule with adherence to the regulation's requirements in a timely and effective manner. ● Key On-going Initiatives: Successfully continue to implement key on-going initiatives. <ul style="list-style-type: none"> ○ Multifamily Caps - manage to new multifamily cap requirements announced September 13, 2019 ○ LIBOR Transition - prepare for an effective transition from LIBOR to approved alternative reference rates. ○ Limited English Proficiency (LEP) - continue to support the needs of lenders and other market participants serving borrowers with limited English proficiency through continued progress on multi-year language access plans. ○ Uniform Residential Loan Application (URLA) - fully implement new URLA. ● Level Playing Field Standards and Increased Transparency: <ul style="list-style-type: none"> ○ Support strategies that enhance a level playing field for a wide range of mortgage market participants. <ul style="list-style-type: none"> ○ Provide any requested assistance toward the development of a new Qualified Mortgage (QM) standard by the Consumer Financial Protection Bureau. ○ Assess additional data that could be made publicly available to enhance risk transfer markets and foster a competitive mortgage market that does not crowd out private capital. ● Efficient Operation of State and Local Housing Markets: Assess opportunities to support and encourage state and local policies that enable the housing market to function more efficiently by (1) reducing the cost of housing production and/or (2) lowering the cost of providing mortgage financing. 	<p>Goal was achieved.</p> <p>Goal was achieved.</p> <p>Goal was achieved.</p> <p>All goals were achieved.</p> <p>Freddie Mac achieved this sub-goal through ceasing to purchase or issue LIBOR-indexed single-family and multifamily mortgages, LIBOR-indexed collateralized mortgage obligations (CMOs), LIBOR-indexed single-family credit risk transfer (CRT) securitizations, and LIBOR-indexed floating rate unsecured debt that matures beyond the end of 2021; commenced the purchase and issuance of SOFR-indexed single-family and multifamily mortgages; SOFR-indexed CMOs, SOFR-indexed multifamily and single-family CRT securitizations, and SOFR-indexed floating rate unsecured debt.</p> <p>Freddie Mac achieved this sub-goal through the addition of Vietnamese, Korean, and Tagalog language resources with the existing Spanish and Chinese language resources to the FHFA's Mortgage Translations clearinghouse.</p> <p>All goals were achieved.</p> <p>Goal was achieved.</p>
II. Ensure Safety and Soundness	

Performance Goals	FHFA's Summary of Performance
<ul style="list-style-type: none"> • Risk Profile: Review Freddie Mac's risk profiles across all business activities and reduce risk and complexity to levels more appropriate for conservatorship status and a limited capital cushion. • Risk Transfer: Continue to transfer a significant amount of credit risk to private markets in a commercially reasonable and safe and sound manner. <ul style="list-style-type: none"> ○ Undertake actions to meet single-family and multifamily credit risk transfer objectives established by FHFA. ○ Actively pursue legacy asset risk transfer activities, including sales of non-performing loans (NPL) and re-performing loans (RPL). ○ Under FHFA direction, undertake a comprehensive review of the CRT program, including a cost-benefit analysis. • CCF: Develop and implement business management and capital planning capabilities to fully operationalize the CCF requirements. • Mortgage Servicing: Continue mortgage servicing and asset management efforts that promote stability and readiness for more challenging market conditions. <ul style="list-style-type: none"> ○ Implement Servicer Eligibility Requirements 2.0 ○ Assess readiness of servicers and servicing policies and processes for an economically-stressed environment. • Core Operations and Technology: Increase focus on core Freddie Mac operational and technology management to ensure stability, resiliency, efficiency, and risk reduction. <ul style="list-style-type: none"> ○ Continue efforts to enhance business resiliency and recovery management capabilities to minimize the impact of disruptions and maintain business operations at pre-defined levels. ○ Continue efforts to protect the availability, integrity, and confidentiality of information. ○ Continue efforts to improve the efficiency and effectiveness of operations, including legacy system modernization where necessary. ○ Prudently oversee CSS and the CSP to ensure that they support the securitization needs of the Enterprises and operate in an efficient and safe and sound manner. 	<p>Goal was achieved.</p> <p>All goals were achieved.</p> <p>Goal was achieved.</p> <p>Servicer Eligibility Requirements 2.0 was not implemented in 2020, per FHFA's direction. All other goals were achieved.</p> <p>All goals were achieved.</p>
III. Prepare for a Transition Out of Conservatorship	
<ul style="list-style-type: none"> • Roadmap Toward End of Conservatorship: Provide support to FHFA as needed to develop a roadmap with milestones for exiting conservatorship. • Treasury and HUD Reform Plan Coordination and Alignment: Conduct such activities as directed by FHFA arising from recommendations in the Treasury and HUD Reform Plans. • Efficient Utilization of Capital: Develop and implement FHFA-approved strategies that ensure the efficient utilization of capital targeted to support the core guaranty business with adequate returns to attract the private capital necessary to enable an exit from the conservatorship. • Common Securitization Platform Strategy: Develop a post-conservatorship strategy and governance framework for CSS/CSP, including an assessment of any additional capabilities beneficial for the CSS/CSP to perform, to support a competitive mortgage market. • Address Identified Areas in Need of Improvement: Maintain an effective process to ensure that internal audit and supervisory findings are remediated by management in a timely fashion with appropriate board oversight. • Fair Lending: Maintain a sustainable, effective process for fair lending risk assessment, monitoring, and mitigation, and work with the FHFA's Office of Fair Lending Oversight to prepare for transition to post-conservatorship fair lending supervision and oversight. 	<p>Goal was achieved.</p> <p>Goal was achieved.</p> <p>Goal was achieved.</p> <p>Goal was achieved.</p> <p>Goal was achieved.</p> <p>Goal was achieved.</p>

At-Risk Deferred Salary Based on Corporate Scorecard Goals and Individual Performance

The other half of each eligible NEO's At-Risk Deferred Salary, also equal to 15% of Target TDC, was subject to reduction based on the company's performance against the Corporate Scorecard goals and the NEO's individual performance. The Corporate Scorecard goals drive how we manage and improve the commercial aspects of our business and are intended to complement the FHFA Strategic Plan and Conservatorship Scorecard. Certain of the individual performance objectives for the eligible NEOs were either Conservatorship Scorecard objectives or Corporate Scorecard goals, or directly supported their achievement.

No weightings were assigned to the Corporate Scorecard goals. As a result, it was necessary for the CHC Committee to use its judgment in determining the overall level of performance. In making its determination, the CHC Committee primarily considered the fact that almost all of the Corporate Scorecard goals were achieved or exceeded. The CHC Committee determined that, based on the company's performance against the Corporate Scorecard, no reduction should be applied due to company performance for this portion of At-Risk Deferred Salary.

The Board has adopted Corporate Scorecard goals for 2021 that align with our Strategic Plan.

The table below presents the Corporate Scorecard goals and the CHC Committee's assessment of our achievement against those goals.

Corporate Scorecard Goal	Assessment of Performance
Exit Conservatorship	The company achieved or exceeded all elements of this goal, including major milestones relating to capital restoration and management in anticipation of a potential exit from conservatorship, remediation of significant issues, and positive financial results.
Create a World-Class Platform	The company achieved or exceeded all elements of this goal through a transformation of the company's infrastructure and information security, adoption of modern delivery, and improvements in business resiliency and related initiatives.
Become the Leader in Housing	The company achieved or exceeded all but one element of this goal through increased diversity and inclusion efforts, progress towards achieving affordable housing goals, and supporting the adoption of UMBS. Based on preliminary information, the company believes it met four of five single-family affordable housing goals and all three of its multifamily affordable housing goals.

The CHC Committee also assessed the individual performance of each eligible NEO. In making its assessments, the CHC Committee took into consideration input from Mr. Brickman, prior to his departure, as well as the company's Corporate Scorecard performance. In each case, the CHC Committee's determination was consistent with Mr. Brickman's recommendation. FHFA reviewed and approved the compensation associated with these determinations.

Each eligible NEO's individual performance is discussed below.

Michael T. Hutchins, President**Performance Highlights**

- Strong leadership of the company's market activities, including successfully decreasing less liquid assets in an economically efficient manner and being responsive to market conditions in debt funding and interest-rate hedging while leading efforts to comply with new liquidity requirements.
- Partnered with the Single-Family business to accommodate record loan purchase volumes through the Cash Window channel and continued to enhance the liquidity of Freddie Mac's traded Single-Family bonds in the secondary mortgage market.
- Led cross-divisional efforts to transition from LIBOR to SOFR, including the launch of several SOFR-based offerings.
- Partnered with other leaders to achieve milestones in preparation of a potential conservatorship exit, including enhancing the company's financial forecasting and analytic processes.
- Continued to improve operational capabilities, including strengthening data management, modernizing payment processes, and enhancing remediation management.
- Successfully transitioning to the role of President, including gaining a deeper understanding of all aspects of the company and providing leadership in developing the company's business plan, financial budget, and key priorities for 2021.

At-Risk Deferred Salary (Corporate Scorecard/Individual) Funding Decision

The CHC Committee determined that Mr. Hutchins should receive 100% of his At-Risk Deferred Salary that was subject to reduction based on the company's performance against the Corporate Scorecard and his individual performance.

Christian M. Lown, Executive Vice President & Chief Financial Officer**Performance Highlights**

- Provided leadership since joining the company in June 2020 identifying the range of tasks necessary to help facilitate the company's recapitalization and potential conservatorship exit as well as reorganizing functions to increase service, reduce costs, and enhance our control structure.
- Strengthened capital management framework through build-out of governance and enterprise activities capabilities and recruitment of seasoned leaders into the company and partnered with other leaders to analyze FHFA's re-proposed capital rule.
- Identified and implemented operational and productivity improvements, which included enhanced financial analysis and business insight capabilities for internal and external reporting; revised enterprise supply chain risk assessment and operating processes; and achieved remediation and risk reduction milestones.

At-Risk Deferred Salary (Corporate Scorecard/Individual) Funding Decision

The CHC Committee determined that Mr. Lown should receive 100% of his At-Risk Deferred Salary that was subject to reduction based on the company's performance against the Corporate Scorecard and his individual performance.

Ricardo A. Anzaldúa, Executive Vice President & General Counsel**Performance Highlights**

- Provided guidance to the Board, senior management, FHFA, and financial advisor on a wide variety of legal and governance issues associated with potential conservatorship exit.
- Effectively supported a variety of business initiatives, including: COVID-related business decisions on forbearance adaptations and moratoriums on foreclosures and evictions; implementation of initiatives to reduce risk and increase efficiency during the COVID-19 pandemic while aligning with direction provided by FHFA; and a variety of complex business-line legal initiatives.
- Partnered with other leaders to analyze FHFA's re-proposed capital rule; led final stages of comment process; and managed legal risk arising from the mandate to transition away from LIBOR-based floating-rate contractual arrangements.
- Provided effective legal advice and support to senior management and Freddie Mac's Board of Directors with respect to the transition in leadership of Freddie Mac and the addition of new members to its Board of Directors.
- Strong leadership in the ongoing development of Legal Division staff with an increased focus on continuous learning, professional development, social responsibility, and the creation of appropriate spans of authority.

At-Risk Deferred Salary (Corporate Scorecard/Individual) Funding Decision

The CHC Committee determined that Mr. Anzaldúa should receive 100% of his At-Risk Deferred Salary that was subject to reduction based on the company's performance against the Corporate Scorecard and his individual performance.

Anil D. Hinduja, Executive Vice President - Chief Risk Officer**Performance Highlights**

- Advanced the company's risk framework through design of a firm-wide risk maturity program.
- Enhanced risk appetite framework to incorporate earnings and capital planning, while making progress on capital-related projects.
- Provided leadership to address remediation of supervisory and control issues and partnered with Internal Audit to strengthen assurance of operations.
- Strengthened capabilities within the independent risk function through build-out of risk and control capabilities and recruitment of seasoned leaders into the company.

At-Risk Deferred Salary (Corporate Scorecard/Individual) Funding Decision

The CHC Committee determined that Mr. Hinduja should receive 100% of his At-Risk Deferred Salary that was subject to reduction based on the company's performance against the Corporate Scorecard and his individual performance.

Donald F. Kish, Senior Vice President, Corporate Controller, Principal Accounting Officer, former Interim Chief Financial Officer**Performance Highlights**

- Served as Interim CFO and member of the Senior Operating Committee of the company for the first half of the year, while also fulfilling responsibilities as the Corporate Controller and Principal Accounting Officer.
- Provided strong leadership to the Finance Division, including divisional risk oversight, migration to a full work-from-home environment during the pandemic, and reorganizing certain functions within the division to clarify roles and responsibilities.
- Supported adoption of the new CECL accounting standard, effective January 1, 2020, from a tax, accounting, and reporting perspective.
- Partnered with other leaders to determine the impacts of the CARES Act and other COVID-related programs and confirmed the impacts were appropriately reflected within the company's financial statements, including appropriate reserve levels for potential credit losses.
- Initiated cross-divisional operational controls testing service to achieve efficiency in testing approach and costs.

At-Risk Deferred Salary (Corporate Scorecard/Individual) Funding Decision

The CHC Committee determined that Mr. Kish should receive 100% of his At-Risk Deferred Salary that was subject to reduction based on the company's performance against the Corporate Scorecard and his individual performance.

2020 Deferred Salary

The following chart reports the actual amounts of 2020 Deferred Salary for each NEO, other than Mr. Brickman who was not eligible for 2020 Deferred Salary. The actual amount earned in each calendar quarter is scheduled to be paid on the last pay date of the corresponding calendar quarter in 2021, except for Mr. Lown, whose At-Risk Deferred Salary earned in 2020 will be paid on the last pay date of the corresponding calendar quarter in 2022. See **Overview of Executive Management Compensation Program** for additional information.

Table 80 - 2020 Deferred Salary

Named Executive Officer	2020 Actual Deferred Salary		
	Fixed	At-Risk	
		Conservatorship Scorecard	Corporate Scorecard/ Individual
Mr. Hutchins	\$1,675,000	\$390,000	\$487,500
Mr. Lown	815,934	195,824	244,780
Mr. Anzaldúa	1,250,000	300,000	375,000
Mr. Hinduja	1,220,000	312,000	390,000
Mr. Kish	257,500	117,000	146,250

Written Agreements Relating to NEO Employment

We entered into letter agreements with each of our NEOs, other than Mr. Brickman and Mr. Kish, in connection with their hiring. The letter agreements set forth specific initial levels of Base Salary and, where applicable, Target TDC. The compensation of each NEO is subject to change by FHFA and the terms of the EMCP. See **Determination of 2020 Target TDC** for 2020 Target TDC including Base Salary amounts for the NEOs. Other than the letter agreement entered into with Mr. Lown described below, there are no remaining material provisions of any of the letter agreements in effect as they have either been superseded by the EMCP, as described above, or the provisions are no longer effective, such as sign-on bonuses that have been paid and are no longer subject to repayment.

We entered into a compensation arrangement with Mr. Kish in recognition of his service from December 19, 2019 through June 14, 2020 as Interim Chief Financial Officer. Pursuant to this arrangement, Mr. Kish accrued a special award at a rate of \$50,000 per month, pro-rated for any partial month of service as Interim Chief Financial Officer. Mr. Kish received the award in two equal installments in June and August 2020. We also entered into a compensation arrangement with Mr. Kish in recognition of his increased responsibilities in support of our Chief Financial Officer, Mr. Lown, from June 15, 2020 to December 31, 2020. Pursuant to this arrangement, Mr. Kish accrued a special cash award at a rate of \$30,000 per month, pro-rated for any partial month of service, payable in two equal installments: the first in January 2021 and the second in March 2021. To be eligible to receive the second installment, Mr. Kish must remain an employee at the time such installment is payable, except in certain termination events including death, disability, and involuntary non-performance-based termination by Freddie Mac.

We entered into a letter agreement with Mr. Lown in connection with his employment as our EVP & Chief Financial Officer. The terms of Mr. Lown's agreement provided him with an annual Target TDC opportunity of \$3,000,000, consisting of Base Salary of \$600,000, Fixed Deferred Salary of \$1,500,000, and At-Risk Deferred Salary of \$900,000, as well as the opportunity to participate in all employee benefit plans offered to our executive officers pursuant to the terms of those plans, and certain relocation benefits. The letter agreement with Mr. Lown also provides for a cash sign-on award of \$1,275,000 in recognition of forfeited compensation at his previous employer. This award will be paid in three installments: \$475,000 in February 2021; \$475,000 in February 2022; and \$325,000 in February 2023. If Mr. Lown is not an employee of Freddie Mac on an installment payment date due to his voluntary resignation or Freddie Mac terminates his employment due to the occurrence of any of the Forfeiture Events described in the Recapture Agreement, the installment will be forfeited. Each installment will be subject to repayment in the event that, prior to the first anniversary of an installment payment date, Mr. Lown voluntarily resigns from his employment with Freddie Mac for any reason or Freddie Mac terminates his employment due to the occurrence of any of the Forfeiture Events described in the Recapture Agreement.

We have also entered into restrictive covenant and confidentiality agreements with each of our NEOs. The non-competition and non-solicitation provisions included in the restrictive covenant and confidentiality agreements are described in **Restrictive Covenant and Confidentiality Agreements**.

The NEOs (other than Mr. Kish) are not currently entitled to severance benefits upon any type of termination event. For additional information on compensation and benefits payable in the event of a termination of employment, see **Potential Payments Upon Termination of Employment**.

Restrictive Covenant and Confidentiality Agreements

Each of our NEOs is subject to a restrictive covenant and confidentiality agreement with us. Each agreement provides that the NEO will not seek or accept employment with designated competitors that involves performing similar duties for 12 months immediately following termination of employment, regardless of whether the executive's employment is terminated by the executive, by us, or by mutual agreement. During this period, each NEO agrees not to solicit or recruit any of our managerial employees. The agreements also provide for the confidentiality of information that constitutes trade secrets or proprietary or other confidential information. Effective January 1, 2021, the restrictive covenant and confidentiality agreement added a provision that provides for a 90-day "cooling off" period after a separation from employment, during which the NEO will be prohibited from participating directly or indirectly in a transaction involving Freddie Mac. Each of the NEOs (other than Mr. Brickman) entered into that updated restrictive covenant and confidentiality agreement. Because Mr. Brickman, as CEO, did not participate in the company's incentive program (which was the consideration for entering into the agreement) he did not enter into that updated restrictive covenant and confidentiality agreement, but subsequently entered into an additional agreement, effective as of February 10, 2021, pursuant to which he agreed to this additional provision. A copy of the form of the restrictive covenant and confidentiality agreements for our NEOs other than Mr. Brickman and a copy of the restrictive covenant and confidentiality agreement for Mr. Brickman are filed as exhibits, as reflected in the Exhibit Index.

Recapture and Forfeiture Agreement

Freddie Mac has adopted, after FHFA review, the Recapture and Forfeiture Agreement, or the Recapture Agreement. In order to participate in the EMCP, each of our NEOs has entered into a Recapture Agreement.

The Recapture Agreement provides for the recapture and/or forfeiture of Deferred Salary (including related interest) earned, paid, or to be paid pursuant to the terms of the EMCP if, after providing the required notice, our Board of Directors, in the good faith exercise of its sole discretion, determines that a Forfeiture Event has occurred. The Forfeiture Events and compensation subject to recapture and/or forfeiture are described below.

Materially Inaccurate Information

- **Forfeiture Event** - The NEO has earned or obtained the legally binding right to a payment of Deferred Salary based on materially inaccurate financial statements or any other materially inaccurate performance measure.
- **Compensation Subject to Recapture and/or Forfeiture** - Any Deferred Salary in excess of the amount that the Board determines would likely have been otherwise earned using accurate measures during the two years prior to the Forfeiture Event.

Termination for Felony Conviction or Willful Misconduct

- **Forfeiture Event** - The NEO's employment is terminated in any of the following circumstances:
 - Termination of employment because the NEO is convicted of, or pleads guilty or nolo contendere to, a felony;
 - Subsequent to termination of employment, the NEO is convicted of, or pleads guilty or nolo contendere to, a felony, based on conduct occurring prior to termination, and within one year of such conviction or plea, the Board determines that such conduct is materially harmful to Freddie Mac; or
 - Termination of employment because, or, within two years of termination, the Board determines that, the NEO engaged in willful misconduct in the performance of his or her duties that was materially harmful to Freddie Mac.
- **Compensation Subject to Recapture and/or Forfeiture** - Any Deferred Salary earned during the two years prior to the date that the NEO is terminated, any Deferred Salary scheduled to be paid within two years after termination, and any cash payment made or to be made as consideration for any release of claims agreement.

Gross Neglect or Gross Misconduct

- **Forfeiture Event** - The NEO's employment is terminated because, in carrying out his or her duties, the NEO engages in conduct that constitutes gross neglect or gross misconduct that is materially harmful to Freddie Mac, or, within two years after the NEO's termination of employment, the Board determines that the NEO, prior to his or her termination, engaged in such conduct.
- **Compensation Subject to Recapture and/or Forfeiture** - Any Deferred Salary paid at the time of termination or subsequent to the date of termination, including any cash payment made as consideration for any release of claims agreement.

Violation of a Post-Termination Non-Competition Covenant

- **Forfeiture Event** - The NEO violates a post-termination non-competition covenant set forth in the restrictive covenant and confidentiality agreement in effect when a payment of Deferred Salary is scheduled to be made.
- **Compensation Subject to Recapture and/or Forfeiture** - 50% of the Deferred Salary paid during the twelve months immediately preceding the violation and 100% of any unpaid Deferred Salary.

Under the Recapture Agreement, the Board has discretion to determine the appropriate dollar amount, if any, to be recaptured from and/or forfeited by the NEO, which is intended to be the gross amount of compensation in excess of what Freddie Mac would have paid the NEO had Freddie Mac taken the Forfeiture Event into consideration at the time such compensation decision was made.

A copy of the form of the Recapture Agreement is filed as an exhibit, as reflected in the Exhibit Index.

The following additional event is applicable only to the CEO and CFO, to the extent they have compensation subject to reimbursement in accordance with Section 304 of the Sarbanes-Oxley Act.

- **Accounting Restatement Resulting from Misconduct** - If, as a result of misconduct, we are required to prepare an accounting restatement due to material non-compliance with financial reporting requirements, the CEO and CFO are required to reimburse us for amounts determined in accordance with Section 304.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers (including each of our NEOs), each an indemnitee. For indemnification agreements entered into with executive officers after August 2011, the form of agreement has been revised to provide that indemnification rights under the agreement would terminate if and when the executive officer remained with Freddie Mac after ceasing to report directly to the CEO with respect to any claims arising from matters occurring after the officer no longer reported directly to the CEO. Similar indemnification rights would continue to be available to such executive officers under the Bylaws going forward. The indemnification agreements provide that we will indemnify the indemnitee to the fullest extent permitted by our Bylaws and Virginia law. This obligation includes, subject to certain terms and conditions, indemnification against all liabilities and reasonable expenses (including attorneys' fees) actually incurred by the indemnitee in connection with any threatened or pending action, suit, or proceeding, except such liabilities and expenses as are incurred because of the indemnitee's willful misconduct or knowing violation of criminal law. The indemnification agreements provide that if requested by the indemnitee, we will advance expenses, subject to repayment by the indemnitee of any funds advanced if it is ultimately determined that the indemnitee is not entitled to indemnification. The rights to indemnification under the indemnification agreements are not exclusive of any other right the indemnitee may have under any statute, agreement, or otherwise. Our obligations under the indemnification agreements will continue after the indemnitee is no longer a director or officer of the company with respect to any possible claims based on the fact that the indemnitee was a director or officer, and the indemnification agreements will remain in effect in the event the conservatorship is terminated. The indemnification agreements also provide that indemnification for actions instituted by FHFA will be governed by the standards set forth in FHFA's Notice of Proposed Rulemaking, published in the Federal Register on November 14, 2008.

Other Executive Compensation Considerations

Effect of Termination of Employment

The timing and payment of any unpaid portion of Deferred Salary and related interest is based upon the reason for termination, as discussed in **Potential Payments Upon Termination of Employment**.

Perquisites

We believe that perquisites should be a minimal part of the compensation package for our NEOs. Total annual perquisites for any NEO cannot exceed \$25,000 without FHFA approval, and we do not provide a gross-up to cover any taxes due on the perquisite itself. The only perquisite provided to our NEOs during 2020 was reimbursement for assistance with personal financial planning, tax planning, and/or estate planning, up to an annual maximum benefit of \$4,500, with an additional \$2,500 allowance provided in the first year in which an NEO becomes eligible for the benefit.

SERP and SERP II

After our NEOs have satisfied the one-year service requirement, they are eligible to participate in our SERP. The SERP is designed to provide participants with the full amount of benefits to which they would have been entitled under our Thrift/401(k) Plan if that plan was not subject to certain dollar limits under the Internal Revenue Code. This is referred to as the "SERP Benefit." For participants in the EMCP, no SERP Benefit is accrued with respect to annual pay in excess of two times a participant's Base Salary.

The SERP II was available to employees who were participants in the company's Pension Plan as of the date the Pension Plan was terminated. It was intended to provide participants with the full amount of the benefits to which they would have been entitled under the tax-qualified Transitional Plan (see our Annual Report on Form 10-K filed on February 19, 2015 for additional information) if that plan was not subject to certain dollar limits under the Internal Revenue Code. This was referred to as the "SERP II Benefit." Messrs. Brickman and Kish were the only NEOs who were eligible for the SERP II Benefit.

For additional information regarding these benefits, see **2020 Compensation Information for NEOs and Nonqualified Deferred Compensation**.

Stock Ownership, Hedging, and Pledging Policies

Our stock ownership guidelines were suspended when conservatorship began because we ceased paying our executives stock-based compensation. The Purchase Agreement prohibits us from issuing any shares of our equity securities without the prior written consent of Treasury. The suspension of stock ownership requirements is expected to continue through conservatorship and until such time that we resume granting stock-based compensation.

Pursuant to our company policy, all employees, including our NEOs, and our directors are prohibited from:

- Engaging in all transactions (including purchasing and selling equity and non-equity securities) involving our securities (except selling company securities owned prior to the implementation of the policy and then only with pre-clearance);
- Purchasing or selling derivative securities related to our equity securities or dealing in any derivative securities related to our equity securities;
- Transacting in options (other than options granted by us, and then only with pre-clearance) or other hedging instruments related to our securities; and
- Holding our securities in a margin account or pledging our securities as collateral for a loan.

FHFA's Role in Setting Executive Compensation

Although the CHC Committee plays a significant role in considering and recommending executive compensation, FHFA is actively involved in determining such compensation in its role as our Conservator and as our regulator. The CHC Committee's authority and flexibility is, therefore, subject to certain limitations, including:

- The powers of FHFA as our Conservator include the authority to set executive compensation. Under the terms of the Purchase Agreement, FHFA is required to consult with Treasury on any increases in compensation or new compensation arrangements for our executive officers.
- Our directors serve on behalf of the Conservator and exercise their authority as provided by the Conservator. More information about the role of our directors is provided above in **Directors, Corporate Governance, and Executive Officers – Board and Committee Information – Authority of the Board and Board Committees**.
- FHFA requires us to submit to it proposed new compensation arrangements or increased amounts or benefits payable under existing compensation arrangements for executive officers.
- FHFA retains the authority not only to approve both the terms and amount of any compensation prior to payment to any of our executive officers, but also to modify any existing compensation arrangements.

Section 162(m) Limits on the Tax Deductibility of Compensation Expenses

Section 162(m) of the Internal Revenue Code imposes a \$1 million limit on the amount that we may annually deduct for compensation to anyone serving as CEO or CFO at any time during the year, certain other NEOs employed by us at any time during the year and any individual who was a CEO, CFO, or NEO after 2016 and who is receiving Freddie Mac compensation (unless pursuant to a binding contract in effect on November 2, 2017 that is eligible for grandfathering). For calendar years after 2017 (pursuant to the Tax Cuts and Jobs Act), this limit applies even if the compensation is "performance-based."

Compensation and Human Capital Committee Report

The Compensation and Human Capital Committee has reviewed and discussed the **Compensation Discussion and Analysis** with management and, based on such review and discussion, has recommended to the Board that the **Compensation Discussion and Analysis** be included in this Form 10-K.

This report is respectfully submitted by the members of the Compensation and Human Capital Committee.

Lance F. Drummond, Chair

Mark H. Bloom

Aleem Gillani

Christopher E. Herbert

COMPENSATION AND RISK

Our management conducted an assessment of our compensation policies and practices that apply to employees at all levels, including those participating in the EMCP. The assessment was conducted by members of our ERM and human resources divisions, and included an evaluation of:

- The types of compensation offered (including fixed, variable, and deferred);
- Eligibility for participation in compensation programs;
- Compensation program design and governance;
- The process for establishing performance objectives; and
- Processes and program approvals for our compensation programs.

The assessment was discussed with the CHC Committee in January 2021. Management's conclusion, with which the CHC Committee concurred, is that the company's compensation programs and practices do not encourage unnecessary or excessive risk behaviors in pursuit of Corporate or Conservatorship Scorecard objectives or otherwise, and the programs and practices would not be reasonably likely to have a material adverse effect on Freddie Mac.

CEO PAY RATIO

SEC rules require annual disclosure of the ratio of a company's CEO's total annual compensation to that of its median employee. For 2020, we used the 2018 median employee who we identified as of November 25, 2018 using payroll data as reported on Form W-2, Box 5 and annualized the compensation for individuals that had not worked the full year. In December 2020, after internal review and analysis and pursuant to SEC rules, we determined to use the same median employee for the calculation of the 2020 CEO Pay Ratio as we did for the calculation of the 2018 CEO Pay Ratio because we have not made significant recent changes to our compensation programs and the median employee identified in 2018 remains representative of our employee population. Except as noted below, we calculated that employee's total annual compensation for 2020 using the same method required for calculating the CEO's (and other NEOs') total annual compensation for purposes of **Table 82 - Summary Compensation Table**.

The table below sets forth the total annual compensation for our CEO and median employee and the ratio between the two.

Table 81 - CEO Pay Ratio

Employee	CEO Pay Ratio	
	Total Compensation	Ratio
David M. Brickman (CEO)	\$702,000 ⁽¹⁾	4.56 to 1
Median Employee	153,970 ⁽²⁾	

(1) The total compensation of \$702,000 for Mr. Brickman includes base salary and other benefits, including contributions made under the tax-qualified Thrift/401(k) Plan and accruals earned pursuant to the SERP Benefit. See **CEO Compensation** and **Summary Compensation Table** for further discussion.

(2) Reflects actual 2020 total compensation for the median employee except for estimated incentive compensation payment because, as of the filing of this Form 10-K, we have not concluded our performance year 2020 compensation planning process for employees other than our NEOs. This estimate includes the projected incentive payout for individuals in comparable positions with similar performance ratings.

Given the different methodologies that companies may use to determine their CEO pay ratio, the ratio reported above should not be used as a basis for comparison between companies.

2020 COMPENSATION INFORMATION FOR NEOs

The following sections set forth compensation information for our NEOs: Mr. Brickman (who served as CEO until January 8, 2021); Mr. Lown (who has served as our CFO since June 15, 2020); the three other most highly compensated executive officers who were serving as executive officers as of December 31, 2020; and Mr. Kish, who served as our Interim CFO until June 14, 2020.

Summary Compensation Table

Table 82 - Compensation Summary

Named Executive Officer	Year	Salary		Bonus	Non-Equity Incentive Plan Compensation ⁽³⁾	All Other Compensation ⁽⁴⁾	Total
		Earned During Year ⁽¹⁾	Deferred ⁽²⁾				
David M. Brickman⁽⁵⁾ Chief Executive Officer	2020	\$600,000	\$—	\$—	\$—	\$102,000	\$702,000
	2019	600,000	837,500	—	456,867	112,621	2,006,988
	2018	500,000	1,507,478	—	867,919	163,266	3,038,663
Michael T. Hutchins President	2020	623,077	1,675,000	—	884,476	119,239	3,301,792
	2019	600,000	1,675,000	—	913,735	123,634	3,312,369
	2018	500,000	1,575,208	—	897,202	98,862	3,071,272
Christian M. Lown⁽⁶⁾ EVP & Chief Financial Officer	2020	334,616	815,934	—	447,610	48,706	1,646,866
Ricardo A. Anzaldua⁽⁶⁾ EVP & General Counsel	2020	519,231	1,250,000	—	680,366	98,207	2,547,804
	2019	500,000	1,250,000	—	702,873	68,745	2,521,618
Anil D. Hinduja⁽⁶⁾ EVP - Chief Risk Officer	2020	623,077	1,220,000	—	707,581	115,622	2,666,280
	2019	600,000	1,220,000	—	730,988	117,651	2,668,639
Donald F. Kish⁽⁶⁾ SVP - Corporate Controller, Principal Accounting Officer, former Interim Chief Financial Officer	2020	441,346	257,500	490,301 ⁽⁷⁾	265,343	77,076	1,531,566
	2019	414,712	235,865	—	260,603	73,227	984,407

(1) Amounts shown in this sub-column consist of base salary paid during the year on a bi-weekly basis. Calendar year 2020 contained 27 bi-weekly pay periods, rather than the usual 26 bi-weekly pay periods. This additional pay period occurs approximately once every 11 years because we pay on a bi-weekly basis. As a result of the additional bi-weekly pay period in 2020, salary amounts for 2020 for Messrs. Hutchins, Lown, Anzaldua, Hinduja and Kish are slightly higher than the annual base salary rate. The 2020 base salary rate for each executive was as follows: for Mr. Hutchins: \$600,000; for Mr. Lown: \$600,000; for Mr. Anzaldua: \$500,000; for Mr. Hinduja: \$600,000; and for Mr. Kish: \$425,000. In February, FHFA requested that Mr. Brickman repay the amount he received for the 27th pay period, and Mr. Brickman voluntarily agreed to do so.

(2) Amounts shown reflect Fixed Deferred Salary earned during the year. The interest rate for Fixed Deferred Salary earned during 2020, 2019, and 2018 was 0.795%, 1.315%, and 0.880%, respectively, which is equal to 50% of the one-year Treasury Bill rate as of December 31 of the applicable prior year. Fixed Deferred Salary earned during each quarter is paid in cash on the last pay date of the corresponding quarter in the following year, along with accrued interest. Interest on Fixed Deferred Salary earned during 2020, 2019, and 2018 is included in All Other Compensation.

(3) Amounts shown reflect At-Risk Deferred Salary earned during each year as well as interest on that At-Risk Deferred Salary. The interest rate for At-Risk Deferred Salary earned during 2020, 2019, and 2018 was the same as noted for the interest rate for the Fixed Deferred Salary. Except in the case of Mr. Lown, At-Risk Deferred Salary earned during each quarter will be paid in cash on the last pay date of the corresponding quarter in the following year. For Mr. Lown, At-Risk Deferred Salary earned during each quarter will be paid in cash on the last pay date of the corresponding quarter in the second calendar year. See **Determination of 2020 At-Risk Deferred Salary and Executive Management Compensation Program Overview**.

- (4) Amounts for 2020 reflect: (i) contributions made under our tax-qualified Thrift/401(k) Plan for plan year 2020; (ii) accruals earned pursuant to the SERP Benefit for plan year 2020; (iii) interest on Fixed Deferred Salary earned during 2020 and (iv) reimbursement of certain relocation expenses incurred by Mr. Lown. The amounts for 2020 are as follows:

Named Executive Officer	Thrift/401(k) Plan Contributions	SERP Benefit Accruals	Interest on Fixed Deferred Salary	Relocation Expenses
Mr. Brickman	\$24,225	\$77,775	—	—
Mr. Hutchins	24,225	81,698	13,316	—
Mr. Lown	—	—	6,487	42,219
Mr. Anzaldúa	24,225	64,044	9,938	—
Mr. Hinduja	24,225	81,698	9,699	—
Mr. Kish	24,225	50,804	2,047	—

Employer contributions to the Thrift/401(k) Plan are generally available on the same terms to all our employees. After the first year of employment, we match up to 6% of eligible compensation at 100% of the employee's contributions. Also, after their first year of employment, employees receive an additional employer contribution to our Thrift/401(k) Plan equal to 2.5% of compensation earned in the prior year. Employee contributions, our matching contributions, and the 2.5% employer contribution are invested in accordance with the employee's investment elections and are immediately vested. For additional information regarding the SERP Benefit, see **Nonqualified Deferred Compensation**.

Perquisites are valued at their aggregate incremental cost to us. During the years reported, the aggregate value of perquisites received by any NEO was less than \$10,000. Therefore, in accordance with SEC rules, amounts shown under "All Other Compensation" do not include perquisites.

- (5) Mr. Brickman resigned effective January 8, 2021. Mr. Brickman became CEO in July 2019 and during his tenure as CEO his compensation consisted solely of an annual Base Salary of \$600,000. Prior to his service as CEO, he participated in the EMCP and was eligible for Deferred Salary.
- (6) Pursuant to SEC reporting requirements, because Messrs. Anzaldúa, Hinduja, and Kish were not NEOs in 2018, information for that year is not required to be disclosed. Because Mr. Lown first joined the company and became an NEO in 2020, information for 2018 and 2019 is not required to be disclosed.
- (7) Mr. Kish accrued a special cash award of \$294,301, representing \$50,000 per month, beginning December 19, 2019 and continuing through June 14, 2020, in recognition of his service as Interim Chief Financial Officer. The award was payable in two equal installments: the first was paid in June 2020 and the second was paid in August 2020. He also accrued a special cash award of \$196,000, representing \$30,000 per month, in recognition of his increased responsibilities in support of our Chief Financial Officer, Mr. Lown, from June 15, 2020 to December 31, 2020, payable in two equal installments: the first was paid in January 2021 and the second will be paid in March 2021. Mr. Kish must remain employed by the company to receive the second installment payment, except in certain termination events including death, disability, and involuntary non-performance-based termination by Freddie Mac. See **Written Agreements Relating to NEO Employment**.

Grants of Plan-Based Awards

The following table contains information concerning grants of plan-based awards to each of the NEOs during 2020. The Purchase Agreement prohibits us from issuing equity securities without Treasury's prior written consent. No stock awards were granted during 2020. For a description of the performance and other measures used to determine payouts, see **Elements of Target Total Direct Compensation, Determination of 2020 Target TDC for NEOs, Determination of 2020 At-Risk Deferred Salary**, and **2020 Deferred Salary**.

Table 83 - Grants of Plan-Based Awards

Named Executive Officer ⁽¹⁾	At-Risk Deferred Salary Award	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽²⁾	
		Threshold	Target/Maximum
Mr. Hutchins	Conservatorship Scorecard	—	\$487,500
	Corporate Scorecard/Individual	—	487,500
	Total	—	975,000
Mr. Lown	Conservatorship Scorecard	—	244,780
	Corporate Scorecard/Individual	—	244,780
	Total	—	489,560
Mr. Anzaldua	Conservatorship Scorecard	—	375,000
	Corporate Scorecard/Individual	—	375,000
	Total	—	750,000
Mr. Hinduja	Conservatorship Scorecard	—	390,000
	Corporate Scorecard/Individual	—	390,000
	Total	—	780,000
Mr. Kish	Conservatorship Scorecard	—	146,250
	Corporate Scorecard/Individual	—	146,250
	Total	—	292,500

(1) Mr. Brickman was not eligible to receive Deferred Salary in 2020 and therefore is not included in this table.

(2) The amounts reported reflect At-Risk Deferred Salary granted in 2020 which is subject to reduction based on: (i) corporate performance against the Conservatorship Scorecard; and (ii) the company's performance against the Corporate Scorecard goals and an officer's individual performance. The amount of At-Risk Deferred Salary actually earned can range from 0% of target (reported in the Threshold column) to a maximum of 100% of target (reported in the Target/Maximum column). Actual At-Risk Deferred Salary amounts earned during 2020 are reported in the Non-Equity Incentive Plan Compensation column of **Table 82 - Summary Compensation Table**.

Outstanding Equity Awards at Fiscal Year-End

None of the NEOs had unexercised options or unvested RSUs as of December 31, 2020.

Option Exercises and Stock Vested

None of the NEOs exercised options or had RSUs vest during 2020.

Pension Benefits

No Pension Benefits table is presented here as the Pension Plan termination was completed in 2015. For additional information, see **Other Executive Compensation Considerations**.

Nonqualified Deferred Compensation

Non-qualified deferred compensation for the NEOs consists of the SERP Benefit and, for those NEOs who were eligible for the Transitional Plan (or those NEOs who may have deferred Roth contributions into their Thrift/401(k) Plan account), the SERP II Benefit. The SERP and SERP II are unfunded, non-qualified defined contribution plans designed to provide participants with the full amount of benefits to which they would have been entitled under the Thrift/401(k) Plan and Transitional Plan (for those NEOs eligible) if these plans were not subject to certain dollar limits under the Internal Revenue Code.

The SERP Benefit equals the amount of the employer matching and 2.5% contributions for each NEO that would have been made to the Thrift/401(k) Plan during the year, based upon the participant's eligible compensation, without application of those limits, less the amount of the matching contributions and 2.5% contributions made to the Thrift/401(k) Plan during the year, but does not take into account pay that exceeds two times the NEO's Base Salary. We believe the SERP Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with the companies in our Comparator Group.

To be eligible for the SERP Benefit, the NEO must be eligible for matching contributions and the 2.5% contribution under the Thrift/401(k) Plan for part of the year, as discussed in Footnote 4 to **Table 82 - Summary Compensation Table**. In addition, to be eligible for the portion of the SERP Benefit attributable to employer matching contributions, the NEO must contribute the maximum amount permitted under the terms of the Thrift/401(k) Plan on either a pre- or post-tax basis.

The SERP II Benefit provided an accrual for each year an NEO participated in the Transitional Plan equal to the amount of the employer contribution that would have been made to the Transitional Plan for the year, without application of the Internal Revenue Code limits, less the amount of the contribution actually made to the Transitional Plan, but does not take into account pay that exceeds two times the NEO's Base Salary. The SERP II also provides participants with the flexibility to make Roth contributions to the Thrift/401(k) Plan and still receive employer matching contributions as noted above.

Participants are credited with earnings or losses in their SERP and SERP II Benefit accounts based upon each participant's individual direction of the investment of such notional amounts among the virtual investment funds available under the SERP and SERP II, which are the same as the investment options available under the Thrift/401(k) Plan. SERP and SERP II Benefits are generally distributed in a lump sum 90 days after the end of the calendar year in which a separation from service occurs. A six-month delay in the commencement of distributions on account of a separation from service applies to key employees, in accordance with Internal Revenue Code Section 409A. If the NEO dies, the vested SERP Benefit is paid in the form of a lump sum within 90 days of death, and the SERP II Benefit is paid by March 31st following the year the NEO dies.

The following table shows the contributions, earnings, withdrawals and distributions, and accumulated balances under the SERP and SERP II Benefits for each NEO.

Table 84 - SERP and SERP II Benefits

Named Executive Officer	Executive Contribution in Last FY (\$) ⁽¹⁾	Freddie Mac Accruals in Last FY (\$) ⁽²⁾	Aggregate Earnings in Last FY (\$) ⁽³⁾	Aggregate Withdrawals/ Distributions (\$)	Balance at Last FYE (\$) ⁽⁴⁾
Mr. Brickman					
<i>SERP Benefit</i>	\$—	\$77,775	\$21,887	\$—	\$995,370
<i>SERP II Benefit</i>	—	—	51,051	—	420,070
Mr. Hutchins					
<i>SERP Benefit</i>	—	81,698	93,816	0	563,814
Mr. Lown⁽⁵⁾					
<i>SERP Benefit</i>	—	—	—	—	—
Mr. Anzaldua					
<i>SERP Benefit</i>	—	64,044	251	—	104,545
Mr. Hinduja					
<i>SERP Benefit</i>	—	81,698	88,763	—	451,686
Mr. Kish					
<i>SERP Benefit</i>	—	50,804	56,282	—	435,804
<i>SERP II Benefit</i>	—	—	17,823	—	137,235

(1) The SERP and SERP II do not allow for employee contributions.

(2) Amounts reported reflect accruals under the SERP during 2020, including the 2.5% contribution accruals which will be allocated to NEO accounts in 2021. These amounts are also reported in the "All Other Compensation" column in **Table 82 - Summary Compensation Table**.

(3) Amounts reported represent the total interest and other earnings credited to each NEO under the SERP and SERP II Benefits.

(4) Amounts reported reflect the accumulated balances under the SERP and SERP II Benefits for each NEO and include the plan year 2020 accruals noted in footnote 2 above. All NEOs are fully vested in their SERP and, for Messrs. Brickman and Kish, their SERP II Benefit account balances.

The following 2019 SERP Benefit accrual amounts were reported in the "All Other Compensation" column in the 2019 Summary Compensation Table as compensation for each NEO for whom accruals were made during 2019: Mr. Hutchins: \$77,808, Mr. Anzaldua: \$40,046, Mr. Hinduja: \$77,808, Mr. Brickman: \$77,808, and Mr. Kish: \$46,325. See our Annual Report on Form 10-K filed on February 13, 2020.

The following 2018 SERP Benefit accrual amounts were reported in the "All Other Compensation" column in the 2018 Summary Compensation Table as compensation for each NEO for whom accruals were made during 2018: Mr. Hutchins: \$61,625; and Mr. Brickman: \$108,750. See our Annual Report on Form 10-K filed on February 14, 2019.

(5) Mr. Lown has not satisfied the one-year service requirement and, therefore, was not eligible for the SERP Benefit in 2020.

Potential Payments Upon Termination of Employment

The EMCP addresses the treatment of Base Salary and Deferred Salary upon various termination events. Base Salary ceases upon an NEO's termination of employment, regardless of the termination reason. An NEO generally does not need to be employed by us on the payment date to receive payments of Deferred Salary (including related interest) that are unpaid at the time of termination of employment. The following table describes the effect of various termination events upon unpaid Deferred Salary. The actual payment of any level of termination benefits that is not otherwise provided for in the EMCP is subject to FHFA review and approval.

- **Forfeiture Event** — All earned but unpaid Fixed and At-Risk Deferred Salary (including related interest) is subject to forfeiture upon the occurrence of a Forfeiture Event, as described above under ***Written Agreements Relating to NEO Employment — Recapture and Forfeiture Agreement***.
- **Death** — All earned but unpaid Fixed and At-Risk Deferred Salary (including related interest) is paid in full as soon as administratively possible, but not later than 90 calendar days after the date of death. Any earned but unpaid At-Risk Deferred Salary is not subject to reduction based on corporate and individual performance if the reduction has not been determined as of the date of death.
- **Long-Term Disability** — All earned but unpaid Fixed and At-Risk Deferred Salary (including related interest) is paid in full in accordance with the Approved Payment Schedule. Any earned but unpaid At-Risk Deferred Salary is not subject to reduction based on corporate and individual performance if the reduction has not been determined as of the termination date.
- **Any Other Reason (including, but not limited to, voluntary termination, retirement, and involuntary termination for any reason other than a Forfeiture Event)** — All earned but unpaid Deferred Salary (including related interest) is paid in accordance with the Approved Payment Schedule, and earned but unpaid At-Risk Deferred Salary remains subject to the performance assessment and reduction process. Except in the case of retirement, the amount of earned but unpaid Fixed Deferred Salary will be reduced by 2% for each full or partial month by which the NEO's termination precedes January 31 of the second calendar year following the calendar year in which the Fixed Deferred Salary is earned. No such reduction is applicable if an NEO retires, which is deemed to have occurred upon a voluntary termination of employment after attaining or exceeding 62 years of age, without regard to length of service, or attaining or exceeding 55 years of age with 10 or more years of service.

The table below describes the compensation and benefits that would have been payable to each NEO had the officer terminated his employment under various circumstances as of December 31, 2020.

The table below does not address changes in control, as we are not obligated to provide any additional compensation to our NEOs in connection with a change in control. The table also does not address potential payments upon a termination for cause, which is a termination resulting from the occurrence of an event or conduct described in the Recapture Agreement. All earned but unpaid Deferred Salary is subject to forfeiture upon the occurrence of such a termination. However, the amount of compensation, if any, to be recaptured and/or forfeited is determined by the Board of Directors, which can only occur following the occurrence of a for cause termination. See ***Written Agreements Relating to NEO Employment — Recapture and Forfeiture Agreement***.

The table below also does not include vested balances in the SERP and SERP II. All NEOs are fully vested in their account balances. Amounts shown in the table also do not include certain items available to all employees generally upon a termination event.

The table below also does not include stock options or RSUs, as there were no outstanding stock options or RSUs held by NEOs as of December 31, 2020.

Table 85 - Compensation and Benefits if NEO Terminated Employment as of December 31, 2020

Named Executive Officer ⁽¹⁾	Death	Disability	Retirement ⁽²⁾	All Other Not For Cause Terminations ⁽³⁾
Michael T. Hutchins				
Deferred Salary:				
Fixed	\$1,675,000	\$1,675,000	\$1,675,000	
At Risk-Conservatorship Scorecard ⁽⁴⁾	487,500	487,500	390,000	
At Risk-Corporate Scorecard/Individual ⁽⁵⁾	487,500	487,500	487,500	
Interest on Deferred Salary ⁽⁶⁾	13,146	21,068	20,292	
Total	\$2,663,146	\$2,671,068	\$2,572,792	
Christian M. Lown				
Deferred Salary:				
Fixed	\$815,934	\$815,934		\$603,791
At Risk-Conservatorship Scorecard ⁽⁴⁾	244,780	244,780		195,824
At Risk-Corporate Scorecard/Individual ⁽⁵⁾	244,780	244,780		244,780
Interest on Deferred Salary ⁽⁶⁾	4,184	14,271		11,806
Total	\$1,309,678	\$1,319,765		\$1,056,201
Ricardo A. Anzaldua				
Deferred Salary:				
Fixed	\$1,250,000	\$1,250,000	\$1,250,000	
At Risk-Conservatorship Scorecard ⁽⁴⁾	375,000	375,000	300,000	
At Risk-Corporate Scorecard/Individual ⁽⁵⁾	375,000	375,000	375,000	
Interest on Deferred Salary ⁽⁶⁾	9,921	15,900	15,304	
Total	\$2,009,921	\$2,015,900	\$1,940,304	
Anil Hinduja				
Deferred Salary:				
Fixed	\$1,220,000	\$1,220,000		\$902,800
At Risk-Conservatorship Scorecard ⁽⁴⁾	390,000	390,000		312,000
At Risk-Corporate Scorecard/Individual ⁽⁵⁾	390,000	390,000		390,000
Interest on Deferred Salary ⁽⁶⁾	9,921	15,900		12,758
Total	\$2,009,921	\$2,015,900		\$1,617,558
Donald F. Kish				
Base Salary:				\$637,500 ⁽⁷⁾
Deferred Salary:				
Fixed	\$257,500	\$257,500		\$257,500
At Risk-Conservatorship Scorecard ⁽⁴⁾	146,250	146,250		117,000
At Risk-Corporate Scorecard/Individual ⁽⁵⁾	146,250	146,250		146,250
Interest on Deferred Salary ⁽⁶⁾	2,728	4,373		4,140
Total	\$552,728	\$554,373		\$1,162,390

(1) Mr. Brickman is excluded from this table because he was not eligible for any additional compensation in connection with a termination of employment.

(2) Messrs. Hutchins and Anzaldua are the only retirement-eligible NEOs under the EMCP.

(3) All Other Not For Cause Terminations refer to (i) voluntary terminations other than for retirement or (ii) involuntary terminations other than for cause. No amount is shown for Messrs. Hutchins and Anzaldua because they are retirement eligible. In accordance with early termination provisions in the EMCP, the amounts disclosed

for Deferred Salary: Fixed for all other NEOs have been reduced by 26% to reflect a December 31, 2020 termination event. Mr. Kish, who is not an Executive Officer, is not subject to such reduction upon a severance-eligible termination.

- (4) The amounts reported for Deferred Salary: At Risk-Conservatorship Scorecard reflect the funding level determined by FHFA with respect to performance against the 2020 Conservatorship Scorecard. In cases of death or disability, the process for determining funding level is waived if the funding level has not been determined at the date of termination.
- (5) The amounts reported for Deferred Salary: At Risk-Corporate Scorecard/Individual in the Retirement and All Other Not For Cause Terminations columns reflect the assessment of 2020 performance approved by the CHC Committee and FHFA. For death or disability, the provisions are the same as for the amounts reported for Deferred Salary: At Risk-Conservatorship Scorecard.
- (6) Interest on Deferred Salary is accrued and paid in accordance with the terms of the EMCP. The amount of interest in the Death column assumes that payment occurs on the 90th day following the date of death, which is assumed to be December 31, 2020. For Mr. Lown, the interest on At-Risk Deferred Salary in the case of disability and all other not for cause terminations is calculated for two years based on the two-year deferral period in accordance with the EMCP for executives hired on or after December 31, 2019.
- (7) Represents amounts payable to Mr. Kish in accordance with the terms of severance applicable to certain officers in the event that he was involuntarily terminated for reasons other than cause. Mr. Kish would not be eligible for this amount in the event of a voluntary termination. Executive Officers, or those serving as interim Executive Officers, are not eligible for severance. Mr. Kish was not eligible for this amount as of December 31, 2019 because he was serving as Interim Chief Financial Officer.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

SECURITY OWNERSHIP

Our only class of voting stock is our common stock. Upon its appointment as Conservator, FHFA immediately succeeded to the voting rights of holders of our common stock. The following table shows the beneficial ownership of our common stock as of February 10, 2021 by our current directors, our NEOs, all of our directors and executive officers as a group, and holders of more than 5% of our common stock. Beneficial ownership is determined in accordance with SEC rules for computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person. As of February 10, 2021, each director and NEO, and all of our directors and executive officers as a group, owned less than 1% of our outstanding common stock. We ceased paying our executives and directors stock-based compensation when we entered conservatorship. In addition, the Purchase Agreement prohibits us from issuing any of our equity securities, including as compensation to our directors and executive officers, without the prior written consent of Treasury, and no equity securities, other than the senior preferred stock issued to Treasury, have been issued since we entered conservatorship. In addition, company policy prohibits directors and executive officers from engaging in transactions involving our equity securities, except selling company securities owned prior to the implementation of the policy. See **Executive Compensation - Other Executive Compensation Considerations - Stock Ownership, Hedging and Pledging Policies** for additional information. Unless otherwise noted, the information presented below is based on information provided to us by the individuals or entities specified in the table.

Stock Ownership By Directors and Executive Officers

Table 86 - Stock Ownership by Directors and Executive Officers

Directors and Named Executive Officers	Position	Common Stock Beneficially Owned Excluding Stock Options ⁽¹⁾	Stock Options Exercisable Within 60 Days of Feb. 9, 2021	Total Common Stock Beneficially Owned
Mark H. Bloom	Director	—	—	—
Kathleen L. Casey	Director	—	—	—
Lance F. Drummond	Director	—	—	—
Aleem Gillani	Director	—	—	—
Mark B. Grier	Director	—	—	—
Christopher E. Herbert	Director	—	—	—
Grace A. Huebscher	Director	—	—	—
Sara Mathew	Director	—	—	—
Allan P. Merrill	Director	—	—	—
Saiyid T. Naqvi	Director	—	—	—
Michael T. Hutchins	President	—	—	—
Christian M. Lown	EVP & Chief Financial Officer	—	—	—
Ricardo A. Anzaldua	EVP & General Counsel	—	—	—
Anil D. Hinduja	EVP - Chief Risk Officer	—	—	—
David M. Brickman ⁽³⁾	Former Chief Executive Officer	3,395	—	3,395 ⁽²⁾
Donald F. Kish	SVP, Corporate Controller, Principal Accounting Officer, former Interim Chief Financial Officer	—	—	—
All directors and executive officers as a group (20 persons)		9,932	—	9,932⁽²⁾

- (1) Includes shares of stock beneficially owned as of February 9, 2021.
- (2) Represents shares of stock beneficially owned prior to the company's entry into conservatorship.
- (3) Mr. Brickman resigned from the company effective January 8, 2021.

Stock Ownership by Greater-Than 5% Holders

Table 87 - Stock Ownership by Greater Than 5% Holders

5% Holders ⁽¹⁾	Common Stock Beneficially Owned	Percent of Class
U.S. Department of the Treasury 1500 Pennsylvania Avenue, NW Washington, D.C. 20220	Variable ⁽²⁾	79.9%

- (1) Pershing Square Capital Management, L.P., PS Management GP, LLC, and William A. Ackman ("Pershing") have filed certain reports on Schedule 13D, the latest of which was filed on March 31, 2014. In that report, Pershing reported a beneficial ownership percentage calculation of 9.78%, based solely on the 650,039,533 shares of our common stock outstanding as reported in our Annual Report on Form 10-K filed on February 27, 2014, and excluding the shares issuable to Treasury pursuant to the warrant. The Schedule 13D indicated that Pershing also had additional economic exposure to approximately 8,434,958 notional shares of common stock, bringing the total aggregate economic exposure on the date of that filing to 72,010,523 shares of common stock (approximately 11.08% of the outstanding common stock). In that filing, Pershing indicated that because it believes our common stock is not a voting security, it had determined not to file future reports on Schedule 13D. We do not know Pershing's current beneficial ownership of our common stock.
- (2) In September 2008, we issued Treasury a warrant to purchase, for one one-thousandth of a cent (\$0.00001) per share, shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis at the time the warrant is exercised. The warrant may be exercised in whole or in part at any time until September 7, 2028. As of the date of this filing, Treasury has not exercised the warrant. The information above assumes Treasury beneficially owns no other shares of our common stock.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

We have no shares of common stock available for issuance upon the exercise of options, warrants, and rights under our existing equity compensation plans at December 31, 2020. Prior to conservatorship, stockholders approved the Employee Stock Purchase Plan, the 2004 Stock Compensation Plan, and the 1995 Stock Compensation Plan (together, the Employee Plans), and the 1995 Directors' Stock Compensation Plan (the Directors' Plan). The authorizations to issue shares of common stock under the Employee Plans and Directors' Plan have expired pursuant to their respective terms. Therefore, we are not providing an Equity Compensation Table.

Certain Relationships And Related Transactions

POLICY GOVERNING RELATED PERSON TRANSACTIONS

The Board has adopted a written policy governing the approval of related person transactions. This policy sets forth procedures for the review and approval or ratification of transactions involving related persons. Under the policy, "related person" means any person who is, or was at any time since the beginning of our last completed fiscal year, a director, a director nominee, an executive officer, or an immediate family member of any of the foregoing persons.

Under authority delegated by the Board, the Nominating and Governance Committee, or its Chair or other designated member under certain circumstances, each an Authorized Approver, is responsible for applying the Related Person Transactions Policy. Transactions covered by the Related Person Transactions Policy consist of any transaction, arrangement, or relationship or series of similar transactions, arrangements, or relationships, in which:

- The aggregate amount involved exceeded or is expected to exceed \$120,000;
- We were or are expected to be a participant; and
- Any related person had or will have a direct or indirect material interest.

The Related Person Transactions Policy includes a list of categories of transactions identified by the Board as having no significant potential for an actual conflict of interest or the appearance of a conflict or improper benefit to a related person, and thus such transactions are not considered potential related person transactions subject to review.

Our Legal division (or our Compliance department in certain limited circumstances) assesses whether any proposed transaction involving a related person is covered by the Related Person Transactions Policy. If so, the transaction is reviewed by the appropriate Authorized Approver.

If possible, approval of a related person transaction is obtained prior to the effectiveness or consummation of the transaction. If advance approval of a related person transaction by the Authorized Approver is not feasible or is otherwise not obtained, then the transaction is considered promptly by the Authorized Approver to determine whether ratification is warranted.

In determining whether to approve or ratify a related person transaction covered by the Related Person Transactions Policy, the Authorized Approver reviews and considers all relevant information, which may include:

- The nature of the related person's interest in the transaction;
- The approximate total dollar value of, and extent of the related person's interest in, the transaction;
- Whether the transaction was or would be undertaken in the ordinary course of our business;
- Whether the transaction is proposed to be, or was, entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party; and
- The purpose, and potential benefits to us, of the transaction.

TRANSACTIONS WITH 5% SHAREHOLDERS

In connection with our entry into conservatorship, we issued a warrant to Treasury to purchase shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding, on a fully diluted basis. There have been a number of transactions between us and Treasury since the beginning of 2020, as discussed in **MD&A – Consolidated Results of Operations, MD&A – Liquidity and Capital Resources, MD&A – Conservatorship and Related Matters, MD&A – Regulation and Supervision, Note 2, Note 9, and Note 13**.

We are the compliance agent for Treasury for certain foreclosure avoidance activities under HAMP. Among other duties, as the program compliance agent, we conduct examinations and review servicer compliance with the published requirements for the program.

FHFA, as Conservator, approved the Purchase Agreement and our role as compliance agent in the MHA Program and the Memorandum of Understanding with Treasury, FHFA, and Fannie Mae under the HFA Initiative. FHFA also instructed us to implement a \$5,000 principal reduction incentive under HAMP in which Treasury will pay the incentive for borrowers with certain of our HAMP modified loans. The remaining transactions described in the sections referenced above did not require review and approval under any of our policies and procedures relating to transactions with related persons.

TRANSACTIONS WITH INSTITUTIONS RELATED TO DIRECTORS

In the ordinary course of business, we were a party during 2020, and expect to continue to be a party during 2021, to certain business transactions with institutions affiliated with members of our Board. Management believes that the terms and conditions of the transactions were no more and no less favorable to us than the terms of similar transactions with unaffiliated institutions to which we are, or expect to be, a party. None of these transactions were required to be disclosed under SEC rules.

TRANSACTIONS WITH INSTITUTIONS RELATED TO EXECUTIVE OFFICERS

Mr. Lown's brother, Jeffrey Lown, serves as the Chief Executive Officer and President of Cherry Hill Mortgage Investment Corporation ("Cherry Hill"), from which he receives equity compensation. Cherry Hill is externally managed by Cherry Hill Mortgage Management, LLC (or CHMM). CHMM provides or obtains the personnel and services necessary for Cherry Hill to conduct its business through a contractual arrangement with Freedom Mortgage Corporation. Freedom Mortgage sets and pays the cash compensation for Cherry Hill's named executive officers, including Jeffrey Lown.

Freedom Mortgage and its wholly-owned subsidiary, RoundPoint Mortgage, are single-family seller/servicers. Freedom Mortgage is a single-family seller/servicer and had an Early Funding Facility with us. Since January 1, 2020, the largest aggregate amount outstanding under the Early Funding Facility was \$2.4 million, which was allocated into, and settled pursuant to, a cash window contract. Freedom Mortgage paid \$2,287 in interest under the Early Funding Facility in 2020. The current aggregate amount outstanding under the Early Funding Facility is \$0.

In 2020, Freedom Mortgage and its affiliates sold us approximately \$5.0 billion of single-family mortgages. In addition, Freedom Mortgage services approximately 138,000 loans, with a UPB as of December 31, 2020 of approximately \$28.6 billion. Our company's current contracts with Freedom Mortgage and its affiliates contemplate sales of up to \$10 billion of single-family mortgages annually.

In addition, in 2020, Freedom Mortgage had a Mortgage Servicing Rights financing line with us, but Freedom Mortgage terminated such financing line effective May 28, 2020, before Mr. Lown joined the company as its Chief Financial Officer.

Jeffrey Lown's cash and equity compensation are not directly derived from or affected by the size or nature of Freedom Mortgage's or Cherry Hill's relationship with the company.

Jeffrey Lown is also a director of one of Cherry Hill's subsidiaries, Aurora Financial Group Inc. ("Aurora"). Aurora is also a single-family servicer servicing approximately 30,000 loans with a UPB as of December 31, 2020 of \$7.0 billion. Jeffrey Lown's compensation is not directly derived from or affected by the size or nature of Aurora's relationship with us.

In connection with Mr. Lown's appointment as our CFO, the Nominating and Governance Committee reviewed our relationship with Cherry Hill, Freedom Mortgage, and Aurora. In addition, the Nominating and Governance Committee approved the company's proposed mitigation plan which includes establishing controls designed to prevent Mr. Lown from any direct engagement with, access to information regarding, or otherwise influencing Freddie Mac's current and future business dealings with any entity in which Jeffrey Lown has direct or indirect financial interests.

CONSERVATORSHIP AGREEMENTS

Treasury, FHFA, and the Federal Reserve have taken a number of actions to support us during conservatorship, including entering into the Purchase Agreement, described in this Form 10-K. See **MD&A – Conservatorship and Related Matters** and **Note 2**.

Principal Accounting Fees and Services

DESCRIPTION OF FEES

PricewaterhouseCoopers LLP has served as our independent public accountants since 2002. The following is a description of fees billed to us by PricewaterhouseCoopers LLP during 2020 and 2019.

Auditor Fees⁽¹⁾

Table 88 - Auditor Fees

(In thousands)	2020	2019
Audit Fees ⁽²⁾	\$20,550	\$19,861
Audit-Related Fees ⁽³⁾	7,180	7,220
Tax Fees ⁽⁴⁾	48	128
All Other Fees ⁽⁵⁾	10	49
Total	\$27,788	\$27,258

- (1) These fees represent amounts billed (including reimbursable expenses within the designated year).
- (2) Audit fees include fees in connection with quarterly reviews of our Interim financial information and the audit of our annual consolidated financial statements.
- (3) Audit-related fees include: (i) fees for the performance of certain agreed-upon procedures regarding aspects of compliance with the Purchase Agreement covenants; (ii) compliance evaluation of the minimum servicing standards as set forth in the Uniform Single Attestation Program for Mortgage Bankers; (iii) fees for pre-implementation assistance for current expected credit losses accounting in 2019; (iv) fees related to accounting policy consultations; and (v) fees for the performance of certain agreed-upon procedures related to our risk transfer and structured transactions, pursuant to engagement letters with the company, including where the fees are billed to and paid by unconsolidated trusts created in connection with such transactions.
- (4) The tax fees billed relate to non-audit tax compliance and consulting services to provide advice and recommendations related to tax planning or reporting matters.
- (5) All other fees include: (i) our subscription to a web-based suite of human resources benchmark data; and (ii) our subscription to accounting research and disclosure software.

APPROVAL OF INDEPENDENT AUDITOR SERVICES AND FEES

Under its charter, the Audit Committee is responsible for the following:

- Appointing our independent public accounting firm (subject to FHFA approval as required);
- Approving all audit and non-audit services permitted under applicable law to be performed by the independent public accounting firm (subject to FHFA approval as required);
- Approving our independent public accounting firm's proposed risk assessment, scope, and audit approach with respect to the annual audit; and
- Overseeing the performance of, and relationship with, our independent public accounting firm.

The Sarbanes-Oxley Act of 2002 and related SEC rules require that all services provided to companies subject to the reporting requirements of the Exchange Act by their independent auditors be pre-approved by their audit committee or by authorized members of the committee, with certain exceptions. The Audit Committee's charter requires that the Audit Committee pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors (or to designate one or more members of the Audit Committee to pre-approve such services and report such pre-approval to the Audit Committee).

Audit services that are within the scope of an auditor's engagement approved by the Audit Committee prior to the performance of those services are deemed pre-approved and do not require separate pre-approval. Audit services not within the scope of an Audit Committee-approved engagement, as well as permissible non-audit services, must be separately pre-approved by the Audit Committee.

When the Audit Committee pre-approves a service, it sets a dollar limit for such service. Management obtains pre-approval of the Audit Committee, or of the Chair of the Audit Committee (when the Chair of the Audit Committee has been delegated such authority), before it incurs fees exceeding the dollar limit. If the Chair of the Audit Committee approves the increase, the Chair will report such approval at the Audit Committee's next scheduled meeting. The Audit Committee has delegated to the Chair the authority to address requests to pre-approve certain additional audit and non-audit services to be performed by the

company's independent auditor with fees totaling up to a maximum of \$250,000 per quarter, with reporting of any such approval decisions to the Audit Committee at its next scheduled meeting. The pre-approval procedure is administered by our senior financial management, which reports throughout the year to the Audit Committee. The Audit Committee pre-approved all audit, audit-related, tax, and other services performed by our independent public accounting firm in 2020 and 2019.

The Audit Committee appoints the independent public accounting firm on an annual basis. In connection with applicable partner rotation requirements, the Audit Committee and its Chair are involved in considering the selection of the independent registered public accounting firm's new lead partner and concurring/reviewing partner. In evaluating the performance of the independent public accounting firm, the Audit Committee considers a number of factors, including the following:

- The firm's status as a registered public accounting firm with the Public Company Accounting Oversight Board (United States), or PCAOB, as required by the Sarbanes-Oxley Act of 2002 and the Rules of the PCAOB;
- Its independence and processes for maintaining its independence;
- Its approach to resolving significant accounting and auditing matters;
- Its capability and expertise in handling the complexity of the company's business, including the capability and expertise of the lead audit partner and of the key members of the engagement team;
- Historical and recent performance, including the extent and quality of the independent public accounting firm's communications with the Audit Committee, and the results of a management survey of the independent public accounting firm's overall performance;
- Data related to audit quality and performance, including recent PCAOB inspection reports on the firm; and
- The appropriateness of its fees, both on an absolute basis and as compared with peers.

The Audit Committee has determined that the non-audit services rendered by PricewaterhouseCoopers during its most recent fiscal year are compatible with maintaining PricewaterhouseCoopers' independence.

Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

(1) Consolidated Financial Statements

The consolidated financial statements required to be filed in this Form 10-K are included in **Financial Statements and Supplementary Data**.

(2) Financial Statement Schedules

None.

(3) Exhibits

An **Exhibit Index** has been filed as part of this Form 10-K beginning on page 339.

Glossary

This Glossary includes acronyms and defined terms that are used throughout this report.

- **ACIS** - Agency Credit Insurance Structure - Transactions in which we purchase insurance policies that provide credit protection for certain specified credit events that occur and are typically allocated to the non-issued notional credit risk positions of a STACR transaction. We also enter into other ACIS transactions that provide credit protection for certain specified credit events on loans not included in a reference pool created for a STACR transaction, or provide front-end credit risk transfer as loans come into the portfolio. Under each of these insurance policies, we pay monthly premiums that are determined based on the outstanding balance of the reference pool. When specific credit events occur, we generally receive compensation from the insurance policy up to an aggregate limit based on actual losses.
- **Administration** - Executive branch of the U.S. government.
- **Agency securities** - Generally refers to mortgage-related securities issued or guaranteed by the GSEs or government agencies.
- **Alt-A loan** - Although there is no universally accepted definition of Alt-A, many 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 these loans are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. We categorize loans in our single-family credit guarantee portfolio as Alt-A if the lender that delivers them to us classified the loans as Alt-A, or if the loans had reduced documentation requirements as well as a combination of certain credit characteristics and expected performance characteristics at acquisition which, when compared to full documentation loans in our portfolio, indicate that the loan should be classified as Alt-A. 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 as an Alt-A loan because the refinance loan is not identified by the servicer as an Alt-A loan. We categorize our investments in non-agency mortgage-related securities as Alt-A if the securities were identified as such based on information provided to us when we entered into these transactions.
- **AMI** - Area Median Income.
- **AOCI** - Accumulated other comprehensive income (loss), net of taxes.
- **ARM** - Adjustable-rate mortgage - A mortgage loan with an interest rate that adjusts periodically over the life of the loan based on changes in a benchmark index.
- **ASC** - Accounting Standards Codification.
- **ASU** - Accounting Standards Update.
- **Back-end coverage type** - Applies to transactions in which the credit risk transfer occurs after our purchase of the loan or guarantee of a security.
- **Board** - Board of Directors.
- **Bps** - Basis points - One one-hundredth of 1%. This term is commonly used to quote the yields of debt instruments or movements in interest rates.
- **Capital Reserve Amount** - See *Net worth sweep dividend, Net Worth Amount, Capital Reserve Amount, and Capital Reserve End Date* for additional information.
- **Capital Reserve End Date** - See *Net worth sweep dividend, Net Worth Amount, Capital Reserve Amount, and Capital Reserve End Date* for additional information.
- **CARES Act** - Coronavirus Aid, Relief, and Economic Security Act- An economic stimulus bill signed into law on March 27, 2020, designed to mitigate the negative economic effects of the COVID-19 pandemic in the United States.
- **CCF** - Conservatorship Capital Framework - An economic capital system with detailed formulae provided by FHFA that is used to evaluate and manage our financial risk and to make economic business decisions while in conservatorship.
- **CCO** - Chief Compliance Officer.
- **CD&A** - Compensation Discussion and Analysis.
- **CDC** - Centers for Disease Control and Prevention
- **CECL** - The Current Expected Credit Losses impairment model as defined by FASB ASC Topic 326, Financial Instruments - Credit Losses, pursuant to ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments; ASU 2019-04, Codification Improvements to Financial Instruments - Credit Losses (Topic 326); ASU 2019-05, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument; and ASU 2019-11, Codification Improvements to Financial Instruments - Credit Losses (Topic 326).
- **CEO** - Chief Executive Officer.
- **CFO** - Chief Financial Officer.
- **CFPB** - Consumer Financial Protection Bureau.

- **Charge-offs, gross** - Represent the amount of a loan that has been discharged in order to remove the loan from our consolidated balance sheets when the loan is deemed uncollectible, regardless of when the impact of the credit loss was recorded on our consolidated statements of comprehensive income. Generally the amount of a charge-off is the recorded investment in excess of the fair value of the loan's collateral.
- **Charter** - The Federal Home Loan Mortgage Corporation Act, as amended, 12 U.S.C. § 1451 et seq.
- **CHC Committee** - The Compensation and Human Capital Committee of the Board.
- **CMBS** - Commercial mortgage-backed security - A security backed by loans on commercial property (often including multifamily rental properties) as opposed to one-to-four family residential real estate. Although the loan pools underlying CMBS can include loans financing multifamily properties and commercial properties, such as office buildings and hotels, the classes of CMBS that we hold receive distributions of scheduled cash flows only from multifamily properties.
- **Comprehensive income (loss)** - Consists of net income (loss) plus other comprehensive income (loss).
- **Conforming loan/Conforming loan limit** - A conventional single-family loan with an original principal balance that is equal to or less than the applicable statutory conforming loan limit, which is a dollar amount cap on the original principal balance of single-family loans we are permitted by law to purchase or securitize. The conforming loan limit is determined annually based on changes in FHFA's house price index.
- **Conservator** - The FHFA, acting in its capacity as Conservator of Freddie Mac.
- **Conservatorship Capital** - The capital needed under the CCF for analysis of transactions and business.
- **Conservatorship Scorecard** - FHFA's mechanism for outlining specific conservatorship priorities for Freddie Mac, Fannie Mae, and their joint venture, Common Securitization Solutions, LLCSM.
- **Convexity** - A measure of how much a financial instrument's duration changes as interest rates change.
- **Core single-family loan portfolio** - Consists of loans in our single-family credit guarantee portfolio that were originated after 2008. We do not include relief refinance loans, including HARP loans, in this loan portfolio as underwriting procedures for relief refinance loans are limited, and, in many cases, do not include all of the changes in underwriting standards we have implemented since 2008.
- **Credit enhancement** - A financial arrangement that is designed to reduce credit risk by partially or fully compensating an investor in a mortgage or security (e.g., Freddie Mac) in the event of specified losses. Examples of credit enhancements include insurance, CRT transactions, overcollateralization, indemnification agreements, and government guarantees.
- **Credit losses** - Consists of charge-offs and REO operations (income) expense, which are both net of recoveries.
- **Credit-related expense** - Consists of our benefit (provision) for credit losses, credit enhancement expense, benefit for (decrease in) credit enhancement recoveries, and REO operations expense.
- **Credit risk transfer (CRT) transactions** - Arrangements where we actively transfer the credit risk exposure on mortgages that we own or guarantee.
- **Credit score** - Credit score data is based on FICO scores, a credit scoring system developed by Fair, Isaac and Co. FICO scores are currently the most commonly used credit scores. FICO scores are ranked on a scale of approximately 300 to 850 points with a higher value indicating a lower likelihood of credit default.
 - **Original credit score** - The credit score of the borrower at the time of loan origination or our purchase.
 - **Current credit score** - The credit score of the borrower as of the first month of the most recent quarter.
- **CRO** - Chief Risk Officer.
- **CSS** - Common Securitization Solutions, LLC.
- **CSP** - Common Securitization Platform.
- **Current LTV Ratio or CLTV** - The current LTV ratios are management estimates, which are updated on a monthly basis. Current market values are estimated by adjusting the value of the property at origination based on changes in the market value of homes in the same geographic area since that time. Changes in market value are derived from our internal index, which measures price changes for repeat sales and refinancing activity on the same properties using Freddie Mac and Fannie Mae single-family loan acquisitions. Estimates of the current LTV ratio exclude any secondary financing by third parties.
- **December 2017 Letter Agreement** - An agreement that we through the Conservator, acting on our behalf, entered into with Treasury on December 21, 2017 to amend the 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 27, 2012.
- **Deed in lieu of foreclosure** - An alternative to foreclosure in which the borrower voluntarily conveys title to the property to the lender and the lender accepts such title (sometimes together with an additional payment by the borrower) in full satisfaction of the mortgage indebtedness.
- **Delinquency** - A failure to make timely payments of principal and/or interest on a loan. For single-family loans, we generally report delinquency rate information based on the number of loans that are seriously delinquent. For multifamily loans, we report delinquency rate information based on the UPB of loans that are two monthly payments or more past due

or in the process of foreclosure. Loans that have been modified are not counted as delinquent as long as the borrower is not delinquent under the modified terms. Unless stated otherwise, multifamily delinquency rates presented in this Form 10-K refer to gross delinquency rates before consideration of risk transfers.

- **Delivery fee** - A fee charged to sellers above base contractual guarantee fees to compensate us for higher levels of risk in some loan products.
- **Derivative** - A financial instrument whose value depends upon the characteristics and value of an underlying such as a financial asset or index. Examples of an underlying include a security or commodity price, interest or currency rates, and other financial indices.
- **Dodd-Frank Act** - Dodd-Frank Wall Street Reform and Consumer Protection Act.
- **Dollar roll transactions** - Transactions whereby we enter into an agreement to sell and subsequently repurchase (or purchase and subsequently resell) agency securities.
- **DSCR** - Debt Service Coverage Ratio - An indicator of future credit performance for multifamily loans. The DSCR estimates a multifamily borrower's ability to service its mortgage obligation using the secured property's cash flow, after deducting non-mortgage expenses from income. The higher the DSCR, the more likely a multifamily borrower will be able to continue servicing its loan obligation.
- **DTI** - Debt-to-income.
- **Duration** - Duration is a measure of a financial instrument's price sensitivity to changes in interest rates.
- **Duration gap** - One of our primary interest-rate risk measures. Duration gap is a measure of the difference between the estimated durations of our interest rate sensitive assets and liabilities. We present the duration gap of our financial instruments in units expressed as months. A duration gap of zero implies that the change in value of our interest rate sensitive assets from an instantaneous change in interest rates would be expected to be accompanied by an equal and offsetting change in the value of our interest rate sensitive liabilities, thus leaving economic value unchanged.
- **DUS** - Fannie Mae's Delegated Underwriting and Servicing program.
- **EMCP** - Executive Management Compensation Program.
- **Enhanced Relief Refinance** - Provides liquidity for borrowers who are current on their mortgages but unable to refinance because their LTV ratios exceed standard refinance limits. This program became available in January 2019 for loans originated on or after October 1, 2017.
- **Enterprises** - Freddie Mac and Fannie Mae.
- **ERC** - Enterprise Risk Committee.
- **ERCF** - Enterprise Regulatory Capital Framework - Final rule released by FHFA in November 2020 and published in the Federal Register on December 17, 2020, that establishes a new regulatory capital framework for Freddie Mac and Fannie Mae.
- **ERM** - Enterprise Risk Management.
- **ERP** - Enterprise Risk Policy - The ERP sets forth the core components of the enterprise risk framework that defines how we identify, assess, manage, control, and report on risks.
- **EVP** - Executive Vice President.
- **Exchange Act** - Securities Exchange Act of 1934, as amended.
- **Fannie Mae** - Federal National Mortgage Association.
- **FASB** - Financial Accounting Standards Board.
- **Federal Reserve** - Board of Governors of the Federal Reserve System.
- **FHA** - Federal Housing Administration.
- **FHFA** - Federal Housing Finance Agency - An independent agency of the U.S. government with responsibility for regulating Freddie Mac, Fannie Mae, and the FHLBs.
- **FHLB** - Federal Home Loan Bank.
- **55-day MBS** - A single-class pass-through security with a 55-day payment delay for non-TBA-eligible fixed-rate mortgage loans. Freddie Mac began issuing 55-day MBS on and after June 3, 2019.
- **Fixed-rate loan** - Refers to a loan originated at a specific rate of interest that remains constant over the life of the loan. For purposes of presentation in this report, we have categorized a number of modified loans as fixed-rate loans, even though the modified loans have rate adjustment provisions. In these cases, while the terms of the modified loans provide for the interest rate to adjust in the future, such future rates are determined at the time of the modification rather than at a subsequent date.
- **Foreclosure alternative** - A workout option pursued when a home retention action is not successful or not possible. A foreclosure alternative is either a short sale or deed in lieu of foreclosure.
- **Foreclosure or foreclosure sale** - Refers to our completion of a transaction provided for by the foreclosure laws of the applicable state, in which a delinquent borrower's ownership interest in a mortgaged property is terminated and title to the

property is transferred to us or to a third party. When we, as loan holder, acquire a property in this manner, we pay for it by extinguishing some or all of the mortgage debt.

- **Freddie Mac mortgage-related securities** - Securities we issue and guarantee that are backed by mortgages.
- **Front-end coverage type** - Applies to transactions in which the credit risk transfer occurs prior to, or simultaneously with, our purchase of the loan.
- **GAAP** - Generally accepted accounting principles in the United States of America.
- **Giant MBS** - Resecuritizations of newly issued 55-day MBS (and/or Giant MBS), and/or 55-day MBS (and/or Giant MBS) that Freddie Mac has issued in exchange for non-TBA-eligible PCs and non-TBA-eligible Giant PCs that have been delivered to Freddie Mac in response to the exchange offer. Giant MBS are single-class securities that involve the direct pass-through of all cash flows of the underlying collateral to holders of the beneficial interests.
- **Giant PCs** - Resecuritizations of previously issued PCs or Giant PCs. Giant PCs are single-class securities that involve the direct pass through of all cash flows of the underlying collateral to holders of the beneficial interests.
- **Ginnie Mae** - Government National Mortgage Association, which guarantees the timely payment of principal and interest on mortgage-related securities backed by federally insured or guaranteed loans, primarily those insured by FHA or guaranteed by the VA.
- **Green Advantage loan** - A multifamily loan that we offer under our Green Advantage initiative, whereby borrowers finance the installation of green technologies that reduce energy and water consumption.
- **GSD/FICC** - Government Securities Division of Fixed Income Clearing Corporation.
- **GSE Act** - The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Reform Act.
- **GSEs** - Government sponsored enterprises - Refers to certain legal entities created by the U.S. government, including Freddie Mac, Fannie Mae, and the FHLBs.
- **Guarantee fee** - The fee that we receive for guaranteeing the payment of principal and interest to mortgage security investors, which consists primarily of a combination of a monthly guarantee fee paid as a percentage of the UPB of the underlying loans, and initial upfront payments, such as delivery fees.
- **Guidelines** - Corporate Governance Guidelines, as revised.
- **HAMP** - Home Affordable Modification Program - Refers to the effort under the MHA Program whereby the U.S. government, Freddie Mac, and Fannie Mae committed funds to help eligible homeowners avoid foreclosure and keep their homes through loan modifications. HAMP ended in December 2016.
- **HARP** - Home Affordable Refinance Program - Refers to the effort under the MHA Program that sought to help eligible borrowers with existing loans that are guaranteed by us or Fannie Mae to refinance into loans with more affordable monthly payments and/or fixed-rate terms without obtaining new mortgage insurance in excess of the insurance coverage, if any, that was already in place. HARP was targeted at borrowers with current LTV ratios above 80%. The HARP program ended in December 2018 and has been replaced by Freddie Mac's Enhanced Relief Refinance program.
- **HFA** - State or local Housing Finance Agency.
- **HUD** - U.S. Department of Housing and Urban Development - HUD has authority over Freddie Mac with respect to fair lending.
- **Implied volatility** - A measurement of how the value of a financial instrument changes due to changes in the market's expectation of potential changes in future interest rates. A decrease in implied volatility generally increases the estimated fair value of our mortgage-related assets and decreases the estimated fair value of our callable debt and option-based derivatives, while an increase in implied volatility generally has the opposite effect.
- **Initial margin** - The collateral that we post with a derivatives clearinghouse in order to do business with such clearinghouse. The amount of initial margin varies over time.
- **Integrated Mortgage Insurance (IMAGIN)** - An insurance-based offering that provides loan-level protection for loans with 80% and higher LTV ratios. IMAGIN is designed to expand and diversify sources of private capital supporting low down payment lending. Mortgage insurance provided for each loan is generally underwritten by a group of insurers and reinsurers. IMAGIN is offered to a broad range of Freddie Mac sellers, who can choose IMAGIN or traditional primary mortgage insurance at their discretion.
- **Interest-only loan** - A loan that allows the borrower to pay only interest (either fixed-rate or adjustable-rate) for a fixed period of time before payments of principal begin. After the interest-only period, the borrower may choose to refinance the loan, pay off the principal balance in total, or pay the scheduled principal and interest payment due on the loan.
- **Investment gains (losses), net** - Consists of gains and losses from mortgage loans, investment securities, debt, and derivatives.
- **January 2021 Letter Agreement** - An agreement that we through the Conservator, acting on our behalf, entered into with Treasury on January 14, 2021 to further amend (i) the 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 and (ii) the Purchase Agreement.

- **K Certificates** - Structured pass-through certificates backed primarily by recently originated multifamily loans purchased by Freddie Mac.
- **Legacy and relief refinance single-family loan portfolio** - Consists of loans in our single-family credit guarantee portfolio that were originated in 2008 and prior, as well as relief refinance loans, including HARP loans that were originated after 2008.
- **Level 1 Securitization Products** - Single-class pass-through securities that represent undivided beneficial interests in trusts that hold pools of loans. These products include UMBS, 55-day MBS, and PCs.
- **LIBOR** - London Interbank Offered Rate.
- **LIHTC partnerships** - Low-income housing tax credit partnerships - These LIHTC partnerships invest directly in limited partnerships that own and operate affordable multifamily rental properties that generate federal income tax credits and deductible operating losses.
- **Liquidation preference** - Generally refers to an amount that holders of preferred securities are entitled to receive out of available assets upon liquidation of a company. The initial liquidation preference of our senior preferred stock was \$1.0 billion. The aggregate liquidation preference of our senior preferred stock includes the initial liquidation preference plus amounts funded by Treasury under the Purchase Agreement, as well as \$3.0 billion added pursuant to the December 2017 Letter Agreement. In addition pursuant to the September 2019 and January 2021 Letter Agreements, the liquidation preference of the senior preferred stock has and will be increased at the end of each fiscal quarter, from September 30, 2019 through the Capital Reserve End Date, by an amount equal to the increase in the Net Worth Amount, if any during the immediately prior fiscal quarter. We may make payments to reduce the liquidation preference of the senior preferred stock only in limited circumstances.
- **Liquidity and Contingency Operating Portfolio** - Subset of our other investments portfolio. Consists of cash and cash equivalents, certain securities purchased under agreements to resell, and certain non-mortgage-related securities.
- **LLC** - Limited liability company.
- **Loan liquidations** - Loans removed from the pools underlying Freddie Mac mortgage-related securities and other mortgage-related guarantees due to prepayment, maturity, repurchase or charge-off, foreclosure alternatives, third-party sales, and loans going into REO. Loans are also terminated through sales of seriously delinquent loans and non-consolidated senior subordinate securitization structure transactions collateralized by reperforming loans. In addition, periodic paydown of loan principal is also included in loan liquidations.
- **Long-term debt** - Debt due after one year based on the original contractual maturity of the debt instrument. Our long-term debt issuances include medium-term notes, Reference Notes securities, STACR debt notes, and SCR debt notes.
- **LTV ratio** - Loan-to-value ratio - The ratio of the unpaid principal amount of a loan to the value of the property that serves as collateral for the loan, expressed as a percentage. We report LTV ratios based solely on the amount of the loan purchased or guaranteed by us, generally excluding any second-lien loans (unless we own or guarantee the second lien).
- **Market spread** - The difference between the yields of two debt securities, or the difference between the yield of a debt security and a benchmark yield, such as LIBOR. We measure market spreads primarily using our models.
- **MBS** - Mortgage-backed security.
- **MBSD/FICC** - Mortgage Backed Securities Division of the Fixed Income Clearing Corporation.
- **MCIP** - Multifamily Credit Insurance Pool.
- **MD&A** - Management's Discussion and Analysis of Financial Condition and Results of Operations.
- **MHA Program** - Making Home Affordable Program - The MHA Program was designed to help in the housing recovery, promote liquidity and housing affordability, expand foreclosure prevention efforts, and set market standards. The MHA Program included HARP and HAMP.
- **Mortgage assets** - Refers to both loans and the mortgage-related securities we hold in our mortgage-related investments portfolio.
- **Mortgage-related investments portfolio** - Our mortgage investment portfolio, which consists of mortgage-related securities and unsecuritized single-family and multifamily loans. The size of our mortgage-related investments portfolio under the Purchase Agreement is determined without giving effect to the January 1, 2010 change in accounting guidance related to transfers of financial assets and consolidation of VIEs.
- **MSA** - Metropolitan Statistical Area.
- **Multifamily loan** - A loan secured by a property with five or more residential rental units or by a manufactured housing community.
- **Multifamily mortgage portfolio** - Consists of multifamily mortgage loans held by us on our consolidated balance sheets as well as our guarantee of securitization products, primarily K Certificates, SB Certificates, and other mortgage-related guarantees that are held by third parties. It excludes loans underlying our guarantees of HFA bonds.
- **Multifamily new business activity** - Represents loan purchases, issuances of other mortgage-related guarantees, and issuances of other securitization products for which we have not previously purchased the underlying loans.

- **Net Worth Amount** - See *Net worth sweep dividend, Net Worth Amount, Capital Reserve Amount, and Capital Reserve End Date* for additional information.
- **Net worth (deficit)** - The amount by which our total assets exceed (or are less than) our total liabilities as reflected on our consolidated balance sheets prepared in conformity with GAAP.
- **Net worth sweep dividend, Net Worth Amount, Capital Reserve Amount, and Capital Reserve End Date** - For each quarter from January 1, 2013 through the Capital Reserve End Date, the dividend payment on the senior preferred stock 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. The term Net Worth Amount is defined as the total assets of Freddie Mac (excluding Treasury's commitment and any unfunded amounts thereof), less our total liabilities (excluding any obligation in respect of capital stock), in each case as reflected on our consolidated balance sheets prepared in conformity with GAAP. If the calculation of the dividend payment for a quarter does not exceed zero, then no dividend shall accrue or be payable for that quarter. The applicable Capital Reserve Amount was \$600 million for 2017, increased to \$3.0 billion in 2018 pursuant to the December 2017 Letter Agreement, increased to \$20.0 billion pursuant to the September 2019 Letter Agreement, and increased further to the amount of adjusted total capital necessary to meet capital requirements and buffers set forth in the ERCF pursuant to the January 2021 Letter Agreement (if we were not to pay our dividend requirement on the senior preferred stock in full in any future period until the Capital Reserve End Date, the applicable Capital Reserve Amount would thereafter be zero). The Capital Reserve End Date is the last day of the second consecutive fiscal quarter during which Freddie Mac has had and maintained capital equal to or in excess of all of the capital requirements and buffers under the ERCF.
- **Non-accrual loan** - A loan for which we are not accruing interest income. We place loans on non-accrual status when we believe collectability of principal and interest in full is not reasonably assured, which generally occurs when a loan is three monthly payments past due, unless the loan is well secured and in the process of collection based upon an individual loan assessment.
- **Non-performing loan** - A loan where the borrower is three months or more past due or is in the process of foreclosure.
- **NYSE** - New York Stock Exchange.
- **OAS** - Option-adjusted spread - An estimate of the incremental yield spread between a particular financial instrument (e.g., a security, loan, or derivative contract) and a benchmark yield curve (e.g., LIBOR, agency, or U.S. Treasury securities). This includes consideration of potential variability in the instrument's cash flows resulting from any options embedded in the instrument, such as prepayment options. When the OAS on a given asset widens, the fair value of that asset will typically decline, all other market factors being equal. The opposite is true when the OAS on a given asset tightens.
- **Optigo®** - Freddie Mac's Multifamily lender network and loan offerings.
- **Option ARM loan** - Loans that permit a variety of repayment options, including minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment alternative for option ARM loans allows the borrower to make monthly payments that may be less than the interest accrued for the period. The unpaid interest is added to the principal balance of the loan, known as negative amortization. For our non-agency mortgage-related securities that are backed by option ARM loans, we categorize securities as option ARM if the securities were identified as such based on information provided to us when we entered into these transactions. We have not identified option ARM securities as either subprime or Alt-A securities.
- **Original LTV ratio** - A credit measure for loans, calculated as the UPB of the loan divided by the lesser of the appraised value of the property at the time of loan origination or the borrower's purchase price. Second liens not owned or guaranteed by us are excluded from the LTV ratio calculation. The existence of a second-lien loan reduces the borrower's equity in the home and, therefore, can increase the risk of default and the amount of the gross loss if a default occurs.
- **OTC** - Over-the-counter.
- **OTCQB** - A marketplace, operated by the OTC Markets Group Inc., for OTC-traded U.S. companies that are registered and current in their reporting with the SEC or a U.S. banking or insurance regulator.
- **PCs** - Participation Certificates - Single-class pass-through securities that we issue and guarantee as part of a securitization transaction. Typically we purchase loans from sellers, place a pool of loans into a PC trust, and issue PCs from that trust. The PCs are generally transferred to the seller of the loans as consideration for the loans or are sold to third-party investors or retained by us if we purchased the loans for cash.
 - **Gold PCs** - Single-class pass-through securities with a 45-day payment delay that Freddie Mac issued for fixed-rate mortgage loans prior to June 3, 2019. Freddie Mac no longer issues Gold PCs. Existing Gold PCs are eligible for exchange into UMBS (for TBA-eligible securities) or 55-day MBS (for non-TBA-eligible securities).
 - **ARM PCs** - Single-class pass-through securities with a 75-day payment delay for ARM products.
- **Pension Plan** - The Federal Home Loan Mortgage Corporation Employees' Pension Plan.
- **Performing loan** - A loan where the borrower is less than three months past due and is not in the process of foreclosure.
- **Primary mortgage market** - The market where lenders originate loans by lending funds to borrowers. We do not lend money directly to homeowners and do not participate in this market.
- **Purchase Agreement / Senior Preferred Stock Purchase Agreement** - An agreement that we through the Conservator,

acting on our behalf, entered into with Treasury on September 7, 2008, relating to Treasury's purchase of senior preferred stock and warrant, which was subsequently amended and restated on September 26, 2008 and further amended on May 6, 2009, December 24, 2009, August 17, 2012, December 21, 2017, September 27, 2019, and January 14, 2021.

- **PVS** - Portfolio Value Sensitivity - One of our primary interest-rate risk measures. PVS measures are estimates of the amount of average potential pre-tax loss in the value of our financial assets and liabilities due to parallel (PVS-L) and non-parallel (PVS-YC) changes in LIBOR.
- **RCSA** - Risk and Control Self-Assessment.
- **Reform Act** - The Federal Housing Finance Regulatory Reform Act of 2008, which, among other things, amended the GSE Act by establishing a single regulator, FHFA, for Freddie Mac, Fannie Mae, and the FHLBs.
- **REIT** - Real estate investment trust.
- **Relief refinance loan** - A single-family loan delivered to us for purchase or guarantee that meets the criteria of the Freddie Mac Relief Refinance MortgageSM initiative. Part of this initiative was our implementation of HARP for our loans, and relief refinance options are also available for certain non-HARP loans. Although HARP was targeted at borrowers with current LTV ratios above 80%, our initiative also allows borrowers with LTV ratios of 80% and below to participate.
- **REMIC** - Real Estate Mortgage Investment Conduit - A type of multiclass mortgage-related security that divides the cash flows (principal and interest) of the underlying mortgage-related assets into two or more classes that meet the investment criteria and portfolio needs of different investors. This structure allows commingling of TBA-eligible Freddie Mac and Fannie Mae collateral.
- **REO** - Real estate owned - Real estate which we have acquired through a foreclosure sale or through a deed in lieu of foreclosure.
- **Reperforming loan** - An unsecured loan that was previously three months or more past due based on the loan's original contractual terms or in the process of foreclosure, but the borrower subsequently made payments or entered into payment deferrals such that the loan returns to less than three months past due, or a performing modified loan, which is a loan that was modified and is less than three months past due and is not in the process of foreclosure.
- **Reputation risk** - The risk of damage to the Freddie Mac brand and reputation from any action, inaction, or association that is perceived to be inappropriate, unethical, or inconsistent with our mission.
- **RMBS** - Residential mortgage-backed security - A security backed by loans on one-to-four family residential real estate.
- **RSU** - Restricted stock unit.
- **S&P** - Standard & Poor's.
- **SB Certificates** - Structured pass-through certificates backed primarily by recently originated small balance multifamily loans purchased by Freddie Mac.
- **SCR debt note** - Structured Credit Risk debt note - A debt security where the principal balance is subject to the performance of a reference pool of multifamily loans guaranteed by Freddie Mac.
- **SEC** - U.S. Securities and Exchange Commission.
- **Seasoned single-family mortgage loans** - Includes seriously delinquent and reperforming loans.
- **Secondary mortgage market** - A market consisting of institutions engaged in buying and selling loans in the form of whole loans (i.e., loans that have not been securitized) and mortgage-related securities. We participate in the secondary mortgage market by issuing guaranteed mortgage-related securities and by purchasing loans and mortgage-related securities for investment.
- **Segment Earnings** - Segment Earnings are presented for each segment by reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP 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 - Single-family Guarantee, Multifamily, and Capital Markets. Certain activities that are not part of a reportable segment are included in the All Other category.
- **Seller/Service Guide (Guide)** - The Guide consists of Freddie Mac's requirements relating to the purchase, sale, and servicing of single-family mortgages. The Guide reflects how and when sellers and servicers interact with Freddie Mac.
- **Senior preferred stock** - The shares of Variable Liquidation Preference Senior Preferred Stock issued to Treasury under the Purchase Agreement.
- **Senior subordinate securitization structures** - Structures in which we issue guaranteed senior securities and unguaranteed subordinated securities backed by reperforming single-family loans or recently originated single-family loans.
- **September 2019 Letter Agreement** - An agreement that we through the Conservator, acting on our behalf, entered into with Treasury on September 27, 2019 to amend the 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 27, 2012.
- **Seriously delinquent or SDQ** - Single-family loans that are three monthly payments or more past due or in the process of

foreclosure as reported to us by our servicers. Unless stated otherwise, SDQ rates presented in this Form 10-K refer to gross SDQ rates before consideration of credit enhancements.

- **SERP** - The Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan.
- **Short sale** - An alternative to foreclosure consisting of a sale of a mortgaged property in which the homeowner sells the home at market value and the lender accepts proceeds (sometimes together with an additional payment or promissory note from the borrower) that are less than the outstanding loan indebtedness in full satisfaction of the loan.
- **Short-term debt** - Debt due within one year based on the original contractual maturity of the debt instrument. Our short-term debt issuances primarily include discount notes and Reference Bills securities.
- **SIFMA** - Securities Industry and Financial Markets Association.
- **Single-family credit guarantee portfolio** - Consists of unsecuritized single-family loans, single-family loans held by consolidated trusts, single-family loans underlying nonconsolidated resecuritization products, single-family loans covered by long-term standby commitments, and certain mortgage-related securities not issued by us that we guarantee that are collateralized by single-family loans. Excludes our resecuritizations of Ginnie Mae Certificates because these guarantees do not expose us to meaningful amounts of credit risk due to the credit enhancement provided on them by the U.S. government.
- **Single-family loan** - A loan secured by a property containing four or fewer residential dwelling units.
- **Single-family new business activity** - Single-family loans we purchased or guaranteed.
- **SOFR** - Secured Overnight Financing Rate.
- **STACR debt note** - Structured Agency Credit Risk debt note - A Freddie Mac issued debt security where the principal balance is linked to the credit performance of a reference pool of single-family loans owned or guaranteed by Freddie Mac.
- **STACR Trust note** - Structured Agency Credit Risk Trust note - A debt security issued by an unconsolidated trust where the principal balance is linked to the credit performance of a reference pool of single-family loans owned or guaranteed by Freddie Mac. We make payments to the trust to support payment of the interest due on the notes, and we receive payments from the trust as a result of defined credit events on the reference pool.
- **Step-rate modified loan** - A term that we generally use to refer to our HAMP loans that have provisions for reduced interest rates that remain fixed for the first five years and then increase over a period of time to a market rate.
- **Strategic risk** - The risk to earnings, capital, profitability, mission, or reputation arising from adverse business decisions, or the improper implementation of those decisions, that may negatively affect the company's strategy.
- **Strips** - Multiclass securities that are formed by resecuritizing previously issued Level 1 Securitization Products or single-class resecuritization products and issuing principal-only and interest-only securities backed by the cash flows from the underlying collateral. This structure allows commingling of TBA-eligible Freddie Mac and Fannie Mae collateral.
- **Subprime** - Participants in the mortgage market may characterize single-family loans, based upon their overall credit quality at the time of origination, generally considering them to be prime or subprime. Subprime generally refers to the credit risk classification of a loan. There is no universally accepted definition of subprime. The subprime segment of the mortgage market primarily serves borrowers with poorer credit payment histories and such loans typically have a mix of credit characteristics that indicate a higher likelihood of default and higher loss severities than prime loans. Such characteristics might include, among other factors, a combination of high LTV ratios, low credit scores, or originations using lower underwriting standards, such as limited or no documentation of a borrower's income. 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. Certain security collateral underlying our other securitization products has been identified as subprime based on information provided to Freddie Mac when the transactions were entered into. We also categorize our investments in non-agency mortgage-related securities as subprime if they were identified as such based on information provided to us when we entered into these transactions.
- **Supers** - Resecuritizations of UMBS and certain other mortgage securities. Supers are single-class securities that involve the direct pass-through of all cash flows of the underlying collateral to holders of the beneficial interests. This structure allows commingling of TBA-eligible Freddie Mac and Fannie Mae collateral.
- **SVP** - Senior Vice President.
- **Swaption** - An option contract to enter into an interest-rate swap. In exchange for an option premium, a buyer obtains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date.
- **Target TDC** - Target total direct compensation.
- **TBA** - To be announced.
- **The Tax Cuts and Jobs Act** - The tax reform bill ("An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. Law No. 115-97") enacted on December 22, 2017, which included a reduction of the statutory corporate income tax rate from 35% to 21%.
- **TDR** - Troubled debt restructuring - A restructuring of a debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

- **Thrift/401(k) Plan** - The Federal Home Loan Mortgage Corporation Thrift/401(k) Savings Plan.
- **Top risk** - Enterprise-wide elevated risk or emerging risk that could significantly affect the organization's ability to achieve its strategic objectives, has the potential to create significant financial, operational, or reputational risk, and requires an appropriate risk response by senior management and reporting to the Risk Committee of the Board.
- **Total mortgage portfolio** - Includes loans and mortgage-related securities held on our consolidated balance sheets as well as our nonconsolidated issued and guaranteed single-class and multiclass securities, and other mortgage-related guarantees issued to third parties.
- **Total other comprehensive income (loss) (or other comprehensive income (loss))** - Consists of the after-tax changes in the unrealized gains and losses on available-for-sale securities, the effective portion of derivatives accounted for as cash flow hedge relationships, and defined benefit plans.
- **Treasury** - U.S. Department of the Treasury.
- **UMBS** - Uniform mortgage-backed security - A single (common) mortgage-related security with a 55-day payment delay for TBA-eligible fixed-rate mortgage loans. Freddie Mac and Fannie Mae began issuing UMBS on and after June 3, 2019. The UMBS represents undivided beneficial ownership interest in, and the right to receive payments from, pools of one- to four- family residential mortgages that are held in trust for investors.
- **UPB** - Unpaid principal balance - Loan UPB amounts in this report have not been reduced by charge-offs recognized prior to the loan being subject to a foreclosure sale, deed in lieu of foreclosure, or short sale transaction.
- **Upfront fee** - A fee charged to sellers that primarily includes delivery fees that are calculated based on credit risk factors such as the loan product type, loan purpose, LTV ratio, and credit score.
- **USDA** - U.S. Department of Agriculture.
- **VA** - U.S. Department of Veterans Affairs.
- **Variation margin** - Payments we make to or receive from a derivatives clearinghouse or counterparty based on the change in fair value of a derivative instrument. Variation margin is typically transferred within one business day.
- **VERP** - Voluntary Early Retirement Program.
- **VIE** - Variable Interest Entity - A VIE is an entity that has a total equity investment at risk that is not sufficient to finance its activities without additional subordinated financial support provided by another party, or where the group of equity holders does not have: (i) the ability to make significant decisions about the entity's activities; (ii) the obligation to absorb the entity's expected losses; or (iii) the right to receive the entity's expected residual returns.
- **Warrant** - Refers to the warrant we issued to Treasury on September 7, 2008 pursuant to the Purchase Agreement. The warrant provides Treasury the ability to purchase, for a nominal price, shares of our common stock equal to 79.9% of the total number of shares of Freddie Mac common stock outstanding on a fully diluted basis on the date of exercise.
- **Workforce housing** - Multifamily housing that is affordable to the majority of low to middle income households.
- **Workout, or loan workout** - A workout is either a home retention action, which is either a loan modification, repayment plan, or forbearance plan, or a foreclosure alternative, which is either a short sale or a deed in lieu of foreclosure.
- **XBRL** - eXtensible Business Reporting Language.
- **Yield curve** - A graphical display of the relationship between yields and maturity dates for bonds of the same credit quality. The slope of the yield curve is an important factor in determining the level of net interest yield on a new mortgage asset, both initially and over time. For example, if a mortgage asset is purchased when the yield curve is inverted (i.e., short-term interest rates higher than long-term interest rates), our net interest yield on the asset will tend to be lower initially and then increase over time. Likewise, if a mortgage asset is purchased when the yield curve is steep (i.e., short-term interest rates lower than long-term interest rates), our net interest yield on the asset will tend to be higher initially and then decrease over time.

Exhibit Index

Exhibit	Description*
3.1	Federal Home Loan Mortgage Corporation Act (12 U.S.C. §1451 et seq.), as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed on July 31, 2018)
3.2	Bylaws of the Federal Home Loan Mortgage Corporation, as amended and restated December 22, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant's Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 23, 2020)
4.1	Eighth Amended and Restated Certificate of Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Voting Common Stock (no par value per share) dated September 10, 2008 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on September 11, 2008)
4.2	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Preferred Stock (par value \$1.00 per share), dated April 23, 1996 (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.3	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.81% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated October 27, 1997 (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.4	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated March 23, 1998 (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.5	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.1% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated September 23, 1998 (incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.6	Amended and Restated Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Preferred Stock (par value \$1.00 per share), dated September 29, 1998 (incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.7	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.3% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated October 28, 1998 (incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.8	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.1% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated March 19, 1999 (incorporated by reference to Exhibit 4.8 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.9	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.79% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated July 21, 1999 (incorporated by reference to Exhibit 4.9 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.10	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Preferred Stock (par value \$1.00 per share), dated November 5, 1999 (incorporated by reference to Exhibit 4.10 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)

* 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.

Exhibit	Description*
4.11	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Preferred Stock (par value \$1.00 per share), dated January 26, 2001 (incorporated by reference to Exhibit 4.11 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.12	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Preferred Stock (par value \$1.00 per share), dated March 23, 2001 (incorporated by reference to Exhibit 4.12 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.13	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.81% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated March 23, 2001 (incorporated by reference to Exhibit 4.13 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.14	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Preferred Stock (par value \$1.00 per share), dated May 30, 2001 (incorporated by reference to Exhibit 4.14 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.15	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated May 30, 2001 (incorporated by reference to Exhibit 4.15 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.16	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.7% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated October 30, 2001 (incorporated by reference to Exhibit 4.16 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.17	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.81% Non-Cumulative Preferred Stock (par value \$1.00 per share), dated January 29, 2002 (incorporated by reference to Exhibit 4.17 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.18	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated July 17, 2006 (incorporated by reference to Exhibit 4.18 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.19	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6.42% Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated July 17, 2006 (incorporated by reference to Exhibit 4.19 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.20	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.9% Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated October 16, 2006 (incorporated by reference to Exhibit 4.20 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.21	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.57% Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated January 16, 2007 (incorporated by reference to Exhibit 4.21 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.22	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.66% Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated April 16, 2007 (incorporated by reference to Exhibit 4.22 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)
4.23	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6.02% Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated July 24, 2007 (incorporated by reference to Exhibit 4.23 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)

* 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.

Exhibit	Description*
4.24	<u>Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6.55% Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated September 28, 2007 (incorporated by reference to Exhibit 4.24 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)</u>
4.25	<u>Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock (par value \$1.00 per share), dated December 4, 2007 (incorporated by reference to Exhibit 4.25 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)</u>
4.26	<u>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 27, 2012 (incorporated by reference to Exhibit 4.26 to the Registrant's Annual Report on Form 10-K filed on February 28, 2013)</u>
4.27	<u>Second 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 January 1, 2018 (incorporated by reference to Exhibit 4.27 to the Registrant's Annual Report on Form 10-K filed on February 15, 2018)</u>
4.28	<u>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 (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q filed on October 30, 2019)</u>
4.29	<u>Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</u>
4.30	<u>Federal Home Loan Mortgage Corporation Global Debt Facility Agreement, dated February 13, 2020 (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q filed on April 30, 2020)</u>
10.1	<u>Federal Home Loan Mortgage Corporation Executive Deferred Compensation Plan (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.28 the Registrant's Registration Statement on Form 10 filed on July 18, 2008)†</u>
10.2	<u>First Amendment to the Federal Home Loan Mortgage Corporation Executive Deferred Compensation Plan (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2008)†</u>
10.3	<u>Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)†</u>
10.4	<u>First Amendment to the Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (as amended and restated January 1, 2008) (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K filed on February 24, 2010)†</u>
10.5	<u>Second Amendment to the Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (as amended and restated January 1, 2008) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 28, 2011)†</u>
10.6	<u>Third Amendment to the Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (as amended and restated January 1, 2008) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 6, 2012)†</u>
	* 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.

Exhibit	Description*
10.7	Fourth Amendment to the Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (as amended and restated January 1, 2008) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on August 7, 2013)†
10.8	Fifth Amendment to the Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (as amended and restated January 1, 2008) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 25, 2013)†
10.9	Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan II (effective January 1, 2014) (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed on February 19, 2015)†
10.10	First Amendment to the Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan II (effective January 1, 2014)(incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on August 4, 2015)†
10.11	Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)†
10.12	First Amendment to the Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)†
10.13	Second Amendment to the Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.36 to the Registrant's Registration Statement on Form 10 filed on July 18, 2008)†
10.14	Third Amendment to the Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K filed on February 18, 2016)†
10.15	Fourth Amendment to the Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed on February 16, 2017)†
10.16	Executive Management Compensation Program Recapture and Forfeiture Agreement (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed on February 16, 2017)†
10.17	2015 Executive Management Compensation Program (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on August 4, 2015)†
10.18	2020 Executive Management Compensation Program (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 10-Q filed on October 30, 2019)†
10.19	Restrictive Covenant and Confidentiality Agreement, dated September 6, 2018, between Freddie Mac and David Brickman (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on September 5, 2018)†
10.20	Form of Restrictive Covenant and Confidentiality Agreement between the Federal Home Loan Mortgage Corporation and Executive Officers†
10.21	Memorandum Agreement, dated June 24, 2013, between Freddie Mac and Michael Hutchins (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K filed on February 18, 2016)†
10.22	Memorandum Agreement, dated May 22, 2020, between Freddie Mac and Christian M. Lown (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2020)†

* 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.

Exhibit	Description*
10.23	Memorandum Agreement, dated April 20, 2018, between Freddie Mac and Ricardo A. Anzaldua (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K filed on February 13, 2020)†
10.24	Memorandum Agreement, dated April 6, 2015, between Freddie Mac and Anil Hinduja (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K filed on February 16, 2017)†
10.25	Memorandum Agreement, dated February 19, 2020, between Freddie Mac and Donnie Kish (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 21, 2020)†
10.26	Memorandum Agreement, dated January 7, 2021, between Freddie Mac and Donnie Kish (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 8, 2021)†
10.27	Description of Non-Employee Director Compensation (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 23, 2008)†
10.28	Form of Indemnification Agreement between the Federal Home Loan Mortgage Corporation and executive officers (for agreements with officers entered into prior to August 2011) (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on December 23, 2008)†
10.29	Form of Indemnification Agreement between the Federal Home Loan Mortgage Corporation and executive officers (for agreements with officers entered into beginning in August 2011) (incorporated by reference to Exhibit 10.54 to the Registrant's Annual Report on Form 10-K filed on March 9, 2012)†
10.30	Form of Indemnification Agreement between the Federal Home Loan Mortgage Corporation and Outside Directors (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 27, 2017)†
10.31	PC Master Trust Agreement, dated May 16, 2019 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed July 31, 2019)
10.32	UMBS and MBS Master Trust Agreement, dated April 30, 2019 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on July 31, 2019)
10.33	Amended and Restated Senior Preferred Stock Purchase Agreement dated as of September 26, 2008, between the United States Department of the Treasury and Federal Home Loan Mortgage Corporation, acting through the Federal Housing Finance Agency as its duly appointed Conservator (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2008)
10.34	Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of May 6, 2009, between the United States Department of the Treasury and Federal Home Loan Mortgage Corporation, acting through the Federal Housing Finance Agency as its duly appointed Conservator (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q filed on May 12, 2009)
10.35	Second Amendment dated as of December 24, 2009, to the Amended and Restated Senior Preferred Stock Purchase Agreement dated as of September 26, 2008, between the United States Department of the Treasury and Federal Home Loan Mortgage Corporation, acting through the Federal Housing Finance Agency as its duly appointed Conservator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 29, 2009)
10.36	Third Amendment dated as of August 17, 2012, to the Amended and Restated Senior Preferred Stock Purchase Agreement dated as of September 26, 2008, between the United States Department of the Treasury and Federal Home Loan Mortgage Corporation, acting through the Federal Housing Finance Agency as its duly appointed Conservator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 17, 2012)
10.37	Letter Agreement dated December 21, 2017 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 December 21, 2017)
10.38	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)

* 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.

Exhibit	Description*
10.39	Letter Agreement dated January 14, 2021 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 January 19, 2021)
10.40	Warrant to Purchase Common Stock, dated September 7, 2008 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on September 11, 2008)
24.1	Powers of Attorney
31.1	Certification of Principal Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
99.1	Third Amended and Restated Limited Liability Company Agreement of Common Securitization Solutions, LLC, dated as of January 9, 2020 (incorporated by reference to Exhibit 99.1 to the Registrant's Annual Report on Form 10-K filed on February 13, 2021)
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 Extension Label
101.PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* The SEC file numbers for the Registrant's Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are 000-53330 and 001-34139.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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/ Michael T. Hutchins

Michael T. Hutchins

President

Date: February 11, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
<u>/s/ Sara Mathew*</u> Sara Mathew	Non-Executive Chair of the Board	February 11, 2021
<u>/s/ Michael T. Hutchins</u> Michael T. Hutchins	President (Principal Executive Officer)	February 11, 2021
<u>/s/ Christian M. Lown</u> Christian M. Lown	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 11, 2021
<u>/s/ Donald F. Kish</u> Donald F. Kish	Senior Vice President – Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	February 11, 2021
<u>/s/ Mark H. Bloom*</u> Mark H. Bloom	Director	February 11, 2021
<u>/s/ Kathleen L. Casey*</u> Kathleen L. Casey	Director	February 11, 2021
<u>/s/ Launcelot F. Drummond*</u> Launcelot F. Drummond	Director	February 11, 2021
<u>/s/ Aleem Gillani*</u> Aleem Gillani	Director	February 11, 2021
<u>/s/ Mark B. Grier*</u> Mark B. Grier	Director	February 11, 2021
<u>/s/ Christopher E. Herbert*</u> Christopher E. Herbert	Director	February 11, 2021
<u>/s/ Grace A. Huebscher*</u> Grace A. Huebscher	Director	February 11, 2021
<u>/s/ Allan P. Merrill*</u> Allan P. Merrill	Director	February 11, 2021
<u>/s/ Saiyid T. Naqvi*</u> Saiyid T. Naqvi	Director	February 11, 2021

*By: /s/ Alicia S. Myara
Alicia S. Myara
Attorney-in-Fact

Form 10-K Index

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Description of Registrant's Securities Registered Pursuant to Section 12 of The Securities Exchange Act of 1934

As of December 31, 2020, Federal Home Loan Mortgage Corporation (Freddie Mac) had 21 classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (1) our voting common stock, no par value per share (Common Stock) and (2) twenty series of perpetual, non-cumulative preferred stock, par value of \$1.00 per share (Preferred Stock). We also have four classes of perpetual, non-cumulative preferred stock outstanding that were issued through private placement and are not registered under Section 12.

Since September 2008, we have been operating in conservatorship, with the Federal Housing Finance Agency (FHFA) as our Conservator. In connection with our entry into conservatorship, we, through FHFA, in its capacity as Conservator, entered into the Senior Preferred Stock Purchase Agreement with the U.S. Department of the Treasury (Treasury). Under this Purchase Agreement, we issued Treasury one million shares of Variable Liquidation Preference Senior Preferred Stock (Senior Preferred Stock) and a warrant to purchase, for a nominal price, shares of our Common Stock equal to 79.9% of the total number of shares of our Common Stock outstanding on a fully diluted basis at the time the warrant is exercised (Warrant). The conservatorship, Purchase Agreement as amended and restated (Purchase Agreement), Senior Preferred Stock, and Warrant have a significant impact on the rights, preferences, and privileges of the holders of our Common Stock and Preferred Stock.

The following description is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Certificate of Designation for the Common Stock or class of Preferred Stock (as applicable, each a Certificate of Designation), Federal Home Loan Mortgage Corporation Act, as amended (our Charter), and our Amended and Restated Bylaws (Bylaws), each of which are incorporated by reference as an exhibit to this Annual Report on Form 10-K. We encourage you to read the Certificates of Designation, Charter, Bylaws, Purchase Agreement, and applicable provisions of Virginia law for additional information.

I. Description of Common Stock

General

Under Section 304 of our Charter, we are authorized to issue an unlimited number of shares of Common Stock. The Common Stock has the terms set forth in the Certificate of Designation. Computershare Trust Company, N.A., is the transfer agent, dividend disbursing agent, and registrar for the Common Stock.

Authorized Issuance

Our Common Stock was created by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Under Section 731(d) of this Act, shares of our then-outstanding senior participating preferred stock were automatically converted into an equivalent number of shares of Common Stock.

There are currently 4,000,000,000 shares of Common Stock issued or authorized for issuance by our Board of Directors. As of December 31, 2020, there were 725,863,886 shares of Common Stock issued and 650,059,292 shares outstanding. The outstanding shares of our Common Stock are fully paid and non-assessable. Any additional shares of Common Stock that we issue will be fully paid and non-assessable. Our Board of Directors may increase the authorized number of shares of Common Stock at any time, without the consent of the holders of Common Stock.

Under the Purchase Agreement, we cannot repurchase our Common Stock without Treasury's consent.

Dividends

Dividends on shares of our Common Stock are not mandatory. Holders of our Common Stock are entitled to receive dividends when, as, and if declared by our Board of Directors out of assets legally available therefor. The Board of Directors fixes both the amount of dividends, if any, to be paid to holders of our outstanding Common Stock and the dates of payment. We will pay each dividend on shares of Common Stock to the holders of record of outstanding shares as they appear in our books and records on the record date fixed by our Board of Directors. The record date must not be earlier than 45 days or later than ten days before a dividend payment date.

Our payment of dividends is subject to the following restrictions:

- **Restrictions Relating to the Conservatorship** - During conservatorship, any dividends will be declared by, and paid at the direction of, the Conservator, acting as successor to the rights, titles, powers, and privileges of the Board of Directors. The Conservator has prohibited us from paying any dividends on our Common Stock. FHFA has instructed our Board of Directors that it should consult with and obtain the approval of FHFA before taking actions involving dividends. In addition, FHFA has adopted a regulation prohibiting us from making capital distributions during conservatorship, except as authorized by the Director of FHFA.

- **Restrictions Under the Purchase Agreement** - The Purchase Agreement prohibits us and any of our subsidiaries from declaring or paying any dividends on the Common Stock without the prior written consent of the Treasury.
- **Restrictions Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended (GSE Act)** - Under the GSE Act, FHFA has authority to prohibit capital distributions, including payment of dividends, if we fail to meet applicable capital requirements. However, our capital requirements have been suspended during conservatorship.
- **Restrictions Under our Charter** - Without regard to our capital classification, we must obtain prior written approval of FHFA to make any capital distribution that would decrease total capital to an amount less than the risk-based capital level or that would decrease core capital to an amount less than the minimum capital level. As noted above, our capital requirements have been suspended during conservatorship.
- **Restrictions Relating to Preferred Stock** - Payment of dividends on our Common Stock is also subject to the prior payment of dividends on our 24 series of preferred stock and one series of Senior Preferred Stock outstanding, representing an aggregate of 464,170,000 shares and 1,000,000 shares, respectively, as of December 31, 2020. Payment of dividends on all outstanding preferred stock, other than the Senior Preferred Stock, is subject to the prior payment of dividends on the Senior Preferred Stock.

Voting Rights

During conservatorship, the holders of our Common Stock have no voting rights. Upon its appointment as Conservator, FHFA immediately succeeded to the voting rights of holders of our Common Stock, including the right to elect members of our Board of Directors.

If the company was not in conservatorship, holders of our Common Stock would have the right to vote:

- For the election of members of our Board of Directors, to the extent prescribed by applicable federal law;
- With respect to amendment, alteration, supplementation, or repeal of the provisions of the Certificate of Designation (described below);
- With respect to such other matters, if any, as may be prescribed by our Board of Directors, in its sole discretion, or by applicable federal law.

Holders of our Common Stock are not granted any right under our Charter or the Certificate of Designation to vote on specified matters in which stockholders in business corporations under state law are typically entitled to vote, such as amendments to our Charter or changes in our capital structure.

Holders of our Common Stock entitled to vote are entitled to one vote per share on all matters presented to them for their vote. Holders may cast votes in person or by proxy at a meeting of the holders of our Common Stock or, if so determined by our Board of Directors, by written consent of the holders of the requisite number of shares of our Common Stock. In connection with any meeting of the holders of shares of our Common Stock, our Board of Directors will fix a record date, which must not be earlier than 60 days or later than 10 days before the date of such meeting. The holders of record of shares of our Common Stock on the record date are entitled to notice of, and to vote at, any such meeting and any adjournment. We may establish reasonable rules and procedures regarding the solicitation of the vote of holders of our Common Stock at any such meeting or otherwise, the conduct of such vote, quorum requirements and the requisite number or percentage of affirmative votes required for the approval of any matter and as to all related questions. Such rules and procedures shall conform to the requirements of any national securities exchange on which our Common Stock may be listed.

Ownership Reports

The Certificate of Designation includes provisions that require certain persons to report to us their beneficial ownership of our Common Stock. Except as otherwise provided in the Certificate of Designation, any “beneficial owner” (as that term is defined in Rule 13d-3 under the Exchange Act) of the outstanding Common Stock must report such ownership to us and the NYSE (and to any other exchange on which our Common Stock is then listed). The required reports of beneficial ownership and any amendments must be submitted in writing to us and each exchange where the Common Stock is listed on the forms, in the time periods, and in the manner as would be required by Sections 13(d) and 13(g) of the Exchange Act and the rules and regulations thereunder if the Common Stock were registered under Section 12 of the Exchange Act.

To ensure compliance with the beneficial ownership reporting requirements relating to our Common Stock, we may refuse to permit the voting of any shares of Common Stock in excess of 5% beneficially owned by any person who fails to comply with those requirements. Any beneficial owner of our Common Stock that we believe to be in violation of the beneficial ownership reporting requirements must respond to our inquiries for the purpose of determining the existence, nature, or extent of any such violation. If a response satisfactory to us has not been received within five business days after the date on which the inquiry was mailed, the shares of our Common Stock to which the inquiry relates will be considered for all purposes to be beneficially owned in violation of the reporting requirements, and we are authorized to take appropriate remedial actions, including the refusal to permit the voting of those excess shares.

No Preemptive Rights and No Conversion

No holder of our Common Stock has any preemptive right to purchase or subscribe for any of our other shares, rights, options, or other securities. The holders of shares of our Common Stock do not have any right to convert their shares into or exchange their shares for any of our other classes or series of stock or other securities or other obligations of Freddie Mac.

No Redemption

We do not have the right to redeem any shares of our Common Stock, and no holders of our Common Stock have the right to require us to redeem their shares.

No Sinking Fund

Our Common Stock is not subject to any sinking fund, which is a separate capital reserve maintained to pay stockholders with preferred rights for their investment in the event of liquidation or redemption.

Liquidation Rights

Upon our dissolution, liquidation, or winding up, after payment of or provision for our liabilities and the expenses of our dissolution, liquidation, or winding up, and after any payment or distribution has been made on any of our other classes or series of stock ranking prior to our Common Stock upon liquidation, the holders of the outstanding shares of our Common Stock will be entitled to receive out of our assets available for distribution to stockholders, before any payment or distribution is made on any of our other classes or series of stock ranking junior to Common Stock upon liquidation, the amount of \$0.21 per share, plus a sum equal to all dividends declared but unpaid on their shares to the date of final distribution. The holders of the outstanding shares of any class or series of our stock ranking prior to, on a parity with, or junior to our Common Stock upon liquidation will also receive out of those assets payment of any corresponding preferential amount to which the holders of that stock may, by the terms thereof, be entitled. No stock with that corresponding right currently exists. The remaining balance of any of our assets available for distribution to stockholders upon a dissolution, liquidation or winding up will be distributed to the holders of our outstanding Common Stock in the aggregate. As of December 31, 2020, the Senior Preferred Stock had an aggregate liquidation preference of \$86.5 billion, and the 24 outstanding classes of our preferred stock, other than the Senior Preferred Stock, had an aggregate liquidation preference of \$14.1 billion plus any then-current dividends, which would have priority over our Common Stock upon liquidation. We are authorized to issue an unlimited amount of preferred stock.

Neither the sale of all or substantially all of our property or business, nor our merger, consolidation, or combination into or with any other corporation or entity, will be deemed to be a dissolution, liquidation, or winding up for the purpose of these provisions on liquidation rights.

Additional Classes or Series of Stock

We have the right to create and issue additional classes or series of stock ranking prior to, on a parity with, or junior to our Common Stock, as to dividends, liquidation, or otherwise, without the consent of holders of our Common Stock.

Amendments

Without the consent of the holders of our Common Stock, we have the right to amend, alter, supplement, or repeal any terms of our Common Stock in the Certificate of Designation to cure any ambiguity, to correct or supplement any term that may be defective or inconsistent with any other term, or to make any other provisions so long as such action does not materially and adversely affect the interests of the holders of our Common Stock. Otherwise, the Certificate of Designation may be amended, altered, supplemented, or repealed only with the consent of the holders of at least two-thirds of the outstanding shares of our Common Stock. The creation of additional classes and series of stock whether ranking prior to, on a parity with, or junior to our Common Stock, or a split or reverse split of our Common Stock (including an attendant adjustment to its par value), does not require any consent. As a consequence, the rights of holders of our Common Stock could be adversely affected by the creation of additional classes or series of stock. The Conservator currently holds voting rights on any such matters requiring consent of the holders of our Common Stock.

Listing

On July 8, 2010, we delisted our Common Stock from the NYSE pursuant to a directive by our Conservator. Our Common Stock is traded exclusively in the OTCQB Marketplace under the ticker symbol FMCC. We expect that our Common Stock will continue to trade in the OTCQB Marketplace so long as market makers demonstrate an interest in trading the Common Stock.

II. Description of Preferred Stock

Summary of Key Terms and Listing

Under Section 306(f) of our Charter, we are authorized to issue an unlimited number of shares of preferred stock, on such terms and conditions as the Board of Directors shall prescribe. Each class of the Preferred Stock has the terms set forth in its Certificate of Designation. Computershare Trust Company, N.A., is the transfer agent, dividend disbursing agent, and registrar for the Preferred Stock.

On July 8, 2010, we delisted our Preferred Stock from the NYSE pursuant to a directive by our Conservator. Our Preferred Stock is traded exclusively in the OTCQB Marketplace. We expect that our Preferred Stock will continue to trade in the OTCQB Marketplace so long as market makers demonstrate an interest in trading the Preferred Stock.

The table below provides a summary of the Preferred Stock outstanding as of December 31, 2020, including dividend rates, issue dates, shares authorized and outstanding, redemption prices per share, total outstanding balances, earliest redemption dates, and ticker symbols.

(In millions, except redemption price per share)	Issue Date	Shares Authorized	Shares Outstanding	Redemption Price per Share	Total Outstanding Balance	Redeemable On or After	OTCQB Symbol
1996 Variable-rate ⁽¹⁾	April 26, 1996	5.00	5.00	\$50.00	\$250	June 30, 2001	FMCCI
5%	March 23, 1998	8.00	8.00	50.00	400	March 31, 2003	FMCKK
1998 Variable-rate ⁽²⁾	Sept 23/29, 1998	4.40	4.40	50.00	220	Sept 30, 2003	FMCCG
5.10%	Sept 23, 1998	8.00	8.00	50.00	400	Sept 30, 2003	FMCCH
5.79%	July 21, 1999	5.00	5.00	50.00	250	June 30, 2009	FMCKK
1999 Variable-rate ⁽³⁾	November 5, 1999	5.75	5.75	50.00	287	December 31, 2004	FMCCL
2001 Variable-rate ⁽⁴⁾	January 26, 2001	6.50	6.50	50.00	325	March 31, 2003	FMCCM
2001 Variable-rate ⁽⁵⁾	March 23, 2001	4.60	4.60	50.00	230	March 31, 2003	FMCCN
5.81%	March 23, 2001	3.45	3.45	50.00	173	March 31, 2011	FMCCO
6%	May 30, 2001	3.45	3.45	50.00	173	June 30, 2006	FMCCP
2001 Variable-rate ⁽⁶⁾	May 30, 2001	4.02	4.02	50.00	201	June 30, 2003	FMCCJ
5.70%	October 30, 2001	6.00	6.00	50.00	300	December 31, 2006	FMCKP
2006 Variable-rate ⁽⁷⁾	July 17, 2006	15.00	15.00	50.00	750	June 30, 2011	FMCCS
6.42%	July 17, 2006	5.00	5.00	50.00	250	June 30, 2011	FM CCT
5.90%	October 16, 2006	20.00	20.00	25.00	500	Sept 30, 2011	FMCKO
5.57%	January 16, 2007	44.00	44.00	25.00	1,100	December 31, 2011	FMCKM
5.66%	April 16, 2007	20.00	20.00	25.00	500	March 31, 2012	FMCKN
6.02%	July 24, 2007	20.00	20.00	25.00	500	June 30, 2012	FMCKL
6.55%	Sept 28, 2007	20.00	20.00	25.00	500	Sept 30, 2017	FMCKI
2007 Fixed-to-floating rate ⁽⁸⁾	December 4, 2007	240.00	240.00	25.00	6,000	December 31, 2012	FMCKJ

- (1) Dividend rate resets quarterly and is equal to the sum of three-month LIBOR plus 1% divided by 1.377. The dividend rate is capped at 9.00%.
- (2) Dividend rate resets quarterly and is equal to the sum of three-month LIBOR plus 1% divided by 1.377. The dividend rate is capped at 7.50%.
- (3) Dividend rate resets on January 1 every five years after January 1, 2005 based on a five-year Constant Maturity Treasury (CMT) rate. The dividend rate is capped at 11.00%. Optional redemption on December 31, 2004 and on December 31 every five years thereafter.
- (4) Dividend rate resets on April 1 every two years after April 1, 2003 based on the two-year CMT rate plus 0.10%. The dividend rate is capped at 11.00%. Optional redemption on March 31, 2003 and on March 31 every two years thereafter.
- (5) Dividend rate resets on April 1 every year based on 12-month LIBOR minus 0.20%. The dividend rate is capped at 11.00%. Optional redemption on March 31, 2003 and on March 31 every year thereafter.
- (6) Dividend rate resets on July 1 every two years after July 1, 2003 based on the two-year CMT rate plus 0.20%. The dividend rate is capped at 11.00%. Optional redemption on June 30, 2003 and on June 30 every two years thereafter.
- (7) Dividend rate resets quarterly and is equal to the sum of three-month LIBOR plus 0.50% but not less than 4.00%.
- (8) Dividend rate is set at an annual fixed rate of 8.375% from December 4, 2007 through December 31, 2012. For the period beginning on or after January 1, 2013, dividend rate resets quarterly and is equal to the higher of: (a) the sum of three-month LIBOR plus 4.16% per annum or (b) 7.875% per annum. Optional redemption on December 31, 2012 and on December 31 every five years thereafter.

The outstanding shares of our Preferred Stock are fully paid and non-assessable. Any additional shares of Preferred Stock that we issue will be fully paid and non-assessable. Our Board of Directors may increase the authorized number of shares of any class of our Preferred Stock at any time, without the consent of the holders of any class of our Preferred Stock.

The Preferred Stock shall rank prior to the Common Stock to the extent provided in the Certificate of Designation; shall rank, as to both dividends and distributions upon liquidation, on a parity with the other classes of Preferred Stock as well as the four classes of perpetual, non-cumulative preferred stock that we issued through private placements; and shall rank junior to the Senior Preferred Stock.

Dividends and Dividend Restrictions

Dividends on shares of our Preferred Stock are not mandatory and are non-cumulative. Holders of our Preferred Stock are entitled to receive dividends when, as, and if declared by our Board of Directors out of assets legally available therefor on the payment dates as prescribed in the applicable Certificate of Designation. The Preferred Stock has the dividend rates as described in the table above. We will pay each dividend on shares of Preferred Stock to the holders of record of outstanding shares as they appear in our books and records on the record date fixed by our Board of Directors. The record date must not be earlier than 45 days or later than 10 days before a dividend payment date.

Our payment of dividends is subject to the following restrictions:

- **Restrictions Relating to the Conservatorship** - During conservatorship, any dividends will be declared by, and paid at the direction of, the Conservator, acting as successor to the rights, titles, powers, and privileges of the Board of Directors. The Conservator has prohibited us from paying any dividends on our Preferred Stock. FHFA has instructed our Board of Directors that it should consult with and obtain the approval of FHFA before taking actions involving dividends. In addition, FHFA has adopted a regulation prohibiting us from making capital distributions during conservatorship, except as authorized by the Director of FHFA.
- **Restrictions Under the Purchase Agreement** - The Purchase Agreement prohibits us and any of our subsidiaries from declaring or paying any dividends on our Preferred Stock without the prior written consent of Treasury.
- **Restrictions Under the GSE Act** - Under the GSE Act, FHFA has authority to prohibit capital distributions, including payment of dividends, if we fail to meet applicable capital requirements. However, our capital requirements have been suspended during conservatorship.
- **Restrictions Under our Charter** - Without regard to our capital classification, we must obtain prior written approval of FHFA to make any capital distribution that would decrease total capital to an amount less than the risk-based capital level or that would decrease core capital to an amount less than the minimum capital level. As noted above, our capital requirements have been suspended during conservatorship.
- **Restrictions Relating to Senior Preferred Stock** - Payment of dividends on our Preferred Stock is subject to the prior payment of dividends on our Senior Preferred Stock.

Optional Redemption

Freddie Mac has the option to redeem the Preferred Stock, in whole or in part, out of funds legally available therefor, at the redemption price prescribed in the applicable Certificate of Designation plus the amount of any dividend that would otherwise be payable for the dividend period that ends on the date of redemption, whether or not declared. The Preferred Stock has the redemption prices and timing limitations as described in the table above. The dividend that would otherwise be payable will be included in the redemption price of the shares and will not be separately payable.

If less than all of the outstanding shares are to be redeemed, Freddie Mac will select shares to be redeemed from the outstanding shares by lot or pro rata or by any other method which Freddie Mac in its sole discretion decides equitable.

During conservatorship and pursuant to the Purchase Agreement, we cannot redeem the Preferred Stock without FHFA and Treasury consent.

No Voting Rights

The shares of Preferred Stock shall not have any voting rights, general or special, other than with respect to amendment, alteration, supplementation, or repeal of the provisions of the applicable Certificate of Designation (described below).

During conservatorship, the holders of Preferred Stock have no voting rights. Upon its appointment as Conservator, FHFA immediately succeeded to the voting rights of holders of our Preferred Stock.

No Preemptive Rights and No Conversion

No holder of our Preferred Stock has any preemptive right to purchase or subscribe for any other shares, rights, options, or other securities. The holders of shares of our Preferred Stock do not have any right to convert their shares into or exchange their shares for any of our other classes or series of stock or other securities or other obligations of Freddie Mac.

Liquidation Rights and Preference

Upon our dissolution, liquidation, or winding up, after payment of or provision for our liabilities and the expenses of our dissolution, liquidation, or winding up, and after any payment or distribution has been made on any of our other classes or series of stock ranking prior to our Preferred Stock upon liquidation, the holders of the outstanding shares of our Preferred Stock will be entitled to receive out of our assets available for distribution to stockholders, before any payment or distribution is made on the Common Stock or any of our other classes or series of stock ranking junior to the Preferred Stock upon liquidation, the amount of the liquidation preference in the applicable Certificate of Designation (which amount equals the redemption price per share summarized in the table above), plus a sum equal to any dividend that would otherwise be payable for the dividend period through and including the date of final distribution. The holders of the outstanding shares of any class or series of our stock ranking on parity with the Preferred Stock upon liquidation shall be entitled to receive out of our assets

available for distribution to shareholders, before any such payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Preferred Stock and to such parity stock upon liquidation, any corresponding preferential amount to which the holders of that stock may, by the terms thereof, be entitled. The remaining balance of any of our assets available for distribution to stockholders upon a dissolution, liquidation, or winding up will be distributed to the holders of our outstanding Common Stock in the aggregate. If our assets available for distribution to stockholders shall be insufficient for the payment of the amount which the holders of the outstanding Preferred Stock shall be entitled to receive upon such dissolution, liquidation, or winding up, all of our assets available for distribution to stockholders shall be distributed to the holders of outstanding shares of Preferred Stock pro rata, so that the amounts so distributed shall bear to each other the same ratio that the respective distributive amounts to which they are so entitled bear to each other, and the holders of outstanding shares of Preferred Stock shall not be entitled to any further participation in any distribution of our assets. As of December 31, 2020, the Senior Preferred Stock had an aggregate liquidation preference of \$86.5 billion, which would have priority over our Preferred Stock upon liquidation, and the 24 outstanding classes of our preferred stock, other than the Senior Preferred Stock, had an aggregate liquidation preference of \$14.1 billion plus any then-current dividends. We are authorized to issue an unlimited amount of preferred stock.

Neither the sale of all or substantially all of our property or business, nor our merger, consolidation, or combination into or with any other corporation or entity, will be deemed to be a dissolution, liquidation, or winding up for the purpose of these provisions on liquidation rights.

Additional Classes or Series of Stock

We have the right to authorize, create, and issue additional classes or series of stock ranking prior to, on a parity with, or junior to our Preferred Stock, as to dividends, liquidation, or otherwise, without the consent of holders of our Preferred Stock.

Amendments

Without the consent of the holders of the Preferred Stock, we have the right to amend, alter, supplement, or repeal the terms of any series of our Preferred Stock to cure any ambiguity, to correct or supplement any provision that may be defective or inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the applicable Certificate of Designation so long as such action does not materially and adversely affect the interests of the holders of the applicable series of Preferred Stock. Otherwise, the terms of any series of our Preferred Stock may be amended, altered, supplemented, or repealed only with the consent of the holders of at least two-thirds of the outstanding shares of the applicable series of our Preferred Stock. The creation and issuance of additional classes and series of stock, or the issuance of additional shares of any existing class or series of our stock, whether ranking prior to, on a parity with, or junior to our Preferred Stock does not require any consent. As a consequence, the rights of holders of our Preferred Stock could be adversely affected by the creation of additional classes or series of stock. The Conservator currently holds voting rights on any such matters requiring consent of the holders of our Preferred Stock.



Tel: (703) 918-5000
www.FreddieMac.com

Corporate Headquarters
8250 Jones Branch Drive
McLean, VA 22102

RESTRICTIVE COVENANT AND CONFIDENTIALITY AGREEMENT

In exchange for the mutual promises and consideration set forth below, this Restrictive Covenant and Confidentiality Agreement (“Agreement”) is entered into by and between the Federal Home Loan Mortgage Corporation (“Freddie Mac” or “Company”) and the undersigned employee (“you”), effective on the date you assign a personal signature at the conclusion of this Agreement. This Agreement supersedes any previous Restrictive Covenant and Confidentiality Agreement between the above parties.

I. Definitions

The following terms shall have the meanings indicated when used in this Agreement.

A. *Competitor*: The following entities, and their respective parents, successors, subsidiaries, and affiliates are competitors: (i) Fannie Mae (ii) all Federal Home Loan Banks (including the Office of Finance); and (iii) such other entities to which you and the Company may agree in writing from time-to-time.

B. *Confidential Information*: Information or materials in written, oral, magnetic, digital, computer, photographic, optical, electronic, or other form, whether now existing or developed or created during the period of your employment with Freddie Mac, that constitutes trade secrets and/or proprietary or confidential information. This information includes, but is not limited to: (i) all information marked Proprietary or Confidential; (ii) information concerning the components, capabilities, and attributes of Freddie Mac’s business plans, methods, and strategies; (iii) information relating to tactics, plans, or strategies concerning shareholders, investors, pricing, investment, marketing, sales, trading, funding, hedging, modeling, sales and risk management; (iv) financial or tax information and analyses, including but not limited to, information concerning Freddie Mac’s capital structure and tax or financial planning; (v) confidential information about Freddie Mac’s customers, borrowers, employees, or others; (vi) pricing and quoting information, policies, procedures, and practices; (vii) confidential customer lists; (viii) proprietary algorithms; (ix) confidential contract terms; (x) confidential information concerning Freddie Mac’s policies, procedures, and practices or the way in which Freddie Mac does business; (xi) proprietary or confidential data bases, including their structure and content; (xii) proprietary Freddie Mac business software, including its design, specifications and documentation; (xiii) information about Freddie Mac products, programs, and services which has not yet been made public; (xiv) confidential information about Freddie Mac’s dealings with third parties, including dealers, customers, vendors, and regulators; and/or (xv) confidential information belonging to third parties to which you received access in connection with your employment with Freddie Mac. Confidential Information does not include general skills, experience, or knowledge acquired in connection with your employment with Freddie Mac that otherwise are generally known to the public or within the industry or trade in which Freddie Mac operates.

II. Compliance with the Code of Conduct and Corporate Policies & Procedures, Including the Personal Investments Policy, Following Commencement of Employment With Freddie Mac

As a Freddie Mac employee, you will be subject to Freddie Mac’s Code of Conduct (“Code”) and to Corporate Policy 3-206, Personal Investments Policy (“Policy”) that, among other things, limit the investment activities of Freddie Mac employees. You agree to fully comply with the Code and the Policy, copies of which are enclosed for your review.

You agree to consult with Freddie Mac’s Chief Compliance Officer as soon as practical prior to beginning employment with Freddie Mac about any investments that you or a “covered household member,” as that term is defined in the Policy, may have that may be prohibited by the Policy. You also agree to disclose prior to beginning employment with Freddie Mac any other matter or situation that may create a conflict of interest as such term is defined in the Code.

In addition, prior to beginning employment with Freddie Mac, you agree to disclose to Freddie Mac’s Human Resources Division the terms of any employment, confidentiality or stock grant agreements to which you may currently be subject that may affect your future employment or recruiting activities so that Freddie Mac may ensure that your employment by Freddie Mac and conduct as a Freddie Mac employee are not inconsistent with any of their terms.

III. Non-Competition

You recognize that as a result of your employment with Freddie Mac, you have access to and knowledge of Confidential Information, the improper disclosure or use of which would result in grave competitive harm to Freddie Mac. Therefore, you agree that neither during your employment with Freddie Mac, nor for the twelve (12) months immediately following termination of your employment for any reason, will you consider offers of employment from, seek or accept employment with, or otherwise

directly or indirectly provide professional services to any Competitor, if you will be rendering duties, responsibilities or services for the Competitor that are of the type and nature rendered or performed by you during the past two years of your employment with Freddie Mac. You acknowledge and agree that this covenant has unique, substantial and immeasurable value to Freddie Mac, that you have sufficient skills to provide a livelihood for yourself while this covenant remains in force, and that this covenant will not interfere with your ability to work consistent with your experience, training and education. This non-competition covenant applies regardless of whether your employment is terminated by you, by Freddie Mac, or by a joint decision.

If you are a licensed lawyer, this non-competition covenant shall be interpreted in a manner consistent with any rule applicable to a licensed legal professional in the jurisdiction(s) of your licensure or registration that concerns your employment as counsel with, or provision of legal services to, a Competitor.

IV. Non-Solicitation and Non-Recruitment

During Your employment with Freddie Mac and for a period of twelve (12) months after your termination date, you will not solicit or recruit, attempt to solicit or recruit or assist another in soliciting or recruiting any Freddie Mac managerial employee (including manager-level, Executive-level, or officer-level employee) with whom you worked, or any employee whom you directly or indirectly supervised at Freddie Mac, to leave the employee's employment with Freddie Mac for purposes of employment or for the rendering of professional services. This prohibition against solicitation does not apply if Freddie Mac has notified the employee being solicited or recruited that his/her employment with the Company will be terminated pursuant to a corporate reorganization, reduction-in-force, involuntary termination or voluntary early retirement program.

If you are a licensed lawyer, this non-solicitation covenant shall be interpreted in a manner consistent with any rule applicable to a licensed legal professional in the jurisdiction(s) of your licensure or registration.

V. Treatment of Confidential Information During and Following Employment With Freddie Mac

- A. *Non-Disclosure.* You recognize that Freddie Mac is engaged in an extremely competitive business and that, in the course of performing your job duties, you will have access to and gain knowledge about Confidential Information. You further recognize the importance of carefully protecting this Confidential Information in order for Freddie Mac to compete successfully. Therefore, you agree that both during and following your employment with Freddie Mac, you will neither divulge Confidential Information to any persons, including to other Freddie Mac employees who do not have a Freddie Mac business-related need to know, nor make use of the Confidential Information for your own benefit or for the benefit of anyone else other than Freddie Mac. You further agree to take all reasonable precautions to prevent the disclosure of Confidential Information to unauthorized persons or entities, and to comply with all Company policies, procedures, and instructions regarding the treatment of such information.
- B. *Disclosure of Trade Secrets to Government.* As required by federal law, and notwithstanding anything to the contrary in this Agreement:
- i. You shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law.
 - ii. You shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if the filing is made under seal.
 - iii. If you file a lawsuit for retaliation by Freddie Mac for reporting a suspected violation of law, you may (a) disclose trade secrets to your attorney, and (b) use the trade secret information in the court proceeding if you file any document containing the trade secret under seal and do not disclose the trade secret except pursuant to court order.
- C. *Ability to Enforce Agreement and Assist Government Investigations.* Nothing in this Agreement prohibits or otherwise restricts you from: (1) making any disclosure of information required by law; (2) assisting any regulatory or law enforcement agency or legislative body to the extent you maintain a legal right to do so notwithstanding this Agreement; (3) filing, testifying, participating in or otherwise assisting in a proceeding relating to the alleged violation of any federal, state, or local law, regulation, or rule, to the extent you maintain a legal right to do so notwithstanding this Agreement; or (4) filing, testifying, participating in or otherwise assisting the Securities and Exchange Commission or any other proper authority in a proceeding relating to allegations of fraud.

VI. Additional Post-Employment Obligations

A. *Return of Materials.* You agree that upon termination of your employment with Freddie Mac for any reason whatsoever, you will deliver to your immediate supervisor all tangible materials embodying Confidential Information, including, but not limited to, any documentation, records, listings, notes, files, data, sketches, memoranda, models, accounts, reference materials, samples, machine-readable media, computer disks, tapes, and equipment which in any way relate to Confidential Information, whether developed by you or not. You further agree not to retain any copies of any materials embodying Confidential Information.

B. *Disclosure of Future Employment.* To enable Freddie Mac to monitor compliance with the obligations imposed by this Agreement, you further agree to notify Freddie Mac by email to Term_notification@freddiemac.com the identity of your subsequent employer(s) and your prospective job title and responsibilities prior to beginning employment, if you did not disclose this information to the Human Resources Division at the conclusion of your employment with Freddie Mac. You agree that this notice requirement shall remain in effect for twelve (12) months following the termination of your Freddie Mac employment.

C. *Contact With Future Employers.* You agree that, in order to assure the continued confidentiality of the Confidential Information, Freddie Mac may correspond with your future employers to advise them generally of your exposure to and knowledge of Confidential Information, and your obligations and responsibilities regarding the Confidential Information. You understand and agree that any such contact may include a request for assurance and confirmation from such employer(s) that you will not disclose Confidential Information to such employer(s), nor will such employer(s) permit any use whatsoever of the Confidential Information.

D. *Participation in Business Transactions Involving Freddie Mac.* In order to protect Freddie Mac's Confidential Information as defined herein, after your separation of employment from Freddie Mac, you are prohibited from participating directly or indirectly in any Business Transaction involving Freddie Mac, on behalf of yourself or a third party, for a period of ninety (90) calendar days following your date of termination of employment. For purposes of this paragraph, "Business Transaction" shall mean business engagements between Freddie Mac and third parties involving the purchase or sale of securities, properties or mortgages. Questions regarding the scope of this prohibition should be directed to the Compliance Helpline.

VII. Consideration Given to You

In exchange for agreeing to be bound by the terms, conditions, and restrictions stated in this Agreement, Freddie Mac will provide you with:

- A. Employment (offer of employment or continued employment), and
- B. Participation in either Freddie Mac's Incentive Program for Vice Presidents and Non-Officers (if you are a Vice President), or Freddie Mac's Executive Management Compensation Program (if you are a Senior Vice President or above).

which you agree is adequate consideration for your agreement to be bound by the provisions of this Agreement.

VIII. Reservation of Rights

You agree that nothing in this Agreement constitutes a contract or commitment by Freddie Mac to continue your employment in any job position for any period of time, nor does anything in this Agreement limit in any way Freddie Mac's right to terminate your employment at any time for any reason.

IX. Absence of Any Conflict of Interest

You represent that you do not have any confidential information, trade secrets or other proprietary information that you obtained as the result of your employment with another employer that you will be using in your position at Freddie Mac. You also represent that you are not subject to any employment, confidentiality or stock grant agreements, or any other restrictions or limitations imposed by a prior employer, which would affect your ability to perform the duties and responsibilities for Freddie Mac in the job position offered, and further represent that you have provided Freddie Mac with copies of any non-competition, non-solicitation or similar agreements or limitations that have not expired, so that Freddie Mac can make an independent judgment that your employment with Freddie Mac is not inconsistent with any of its terms.

X. Enforcement

A. You acknowledge that during your employment with Freddie Mac, you may be subject to corrective action, up to and including termination of employment, for your breach or threat of breach of any provision of this Agreement. You further agree that, following the conclusion of your employment with Freddie Mac, Freddie Mac may contact your future employers or take other legal steps necessary to protect Freddie Mac Confidential Information from improper use or disclosure.

B. You acknowledge that in the event that you breach any provision of this Agreement during or after your employment with Freddie Mac, you may be subject to a recapture or forfeiture of i) any incentive pay under the Incentive Program for Vice Presidents and Non-Officers or ii) any Deferred Salary pay under the Executive Management Compensation Program, notwithstanding the terms of any program, plan, agreement or award to the contrary. Such recapture or forfeiture shall be limited to such pay earned within three years prior to or two years after the date of the breach, or any severance pay paid or payable to you by Freddie Mac. This recapture and forfeiture provision shall not apply to incentive, Deferred Salary or severance pay paid or earned prior to 2021. The Board of Directors, in the case of senior officers, and the CEO, in the case of vice presidents, in the good faith exercise of their sole discretion shall determine the appropriate dollar amount and type of compensation to be recaptured from and/or forfeited by you, if any. The Board of Directors, in the case of senior officers, and the CEO, in the case of vice presidents, will consider certain factors when determining the dollar amount for recapture and forfeiture including: materiality of the violation and proportionality of the violation as compared to the amount of compensation subject to recapture and forfeiture.

C. You agree that irreparable injury will result to Freddie Mac's business interests in the event of breach or threatened breach of this Agreement, the full extent of Freddie Mac's damages will be impossible to ascertain, and monetary damages will not be an adequate remedy for Freddie Mac. Therefore, you agree that in the event of a breach or threat of breach of any provision(s) of this Agreement, Freddie Mac, in addition to any other relief available, shall be entitled to temporary, preliminary, and permanent equitable relief to restrain any such breach or threat of breach by you and all persons acting for and/or in concert with you, without the necessity of posting bond or security, which you expressly waive.

D. You agree that each of your obligations specified in this Agreement is a separate and independent covenant, and that all of your obligations set forth herein shall survive any termination, for any reason, of your Freddie Mac employment. To the extent that any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable because it is overbroad, that provision shall be limited and enforced to the extent permitted by applicable law. Should any provision of this Agreement be declared or determined by any court of competent jurisdiction to be unenforceable or invalid under applicable law, the validity of the remaining obligations will not be affected thereby and only the unenforceable or invalid obligation will be deemed not to be a part of this Agreement.

E. This Agreement is governed by, and will be construed in accordance with, the laws of the Commonwealth of Virginia, without regard to its or any other jurisdiction's conflict-of-law provisions. You agree that any action related to or arising out of this Agreement shall be brought exclusively in the United States District Court for the Eastern District of Virginia, and you hereby irrevocably consent to personal jurisdiction and venue in such court and to service of process by United States Mail or express courier service in any such action.

F. If any dispute(s) arise(s) between Freddie Mac and you with respect to any matter which is the subject of this Agreement, the prevailing party in such dispute(s) shall be entitled to recover from the other party all of its costs and expenses, including its reasonable attorneys' fees.

XI. At-Will Employment Relationship

Nothing in this Agreement is intended or shall be construed to abrogate the "at will" employment relationship between you and Freddie Mac, and both you and Freddie Mac retain the right to terminate the employment relationship at any time for any lawful reason with or without notice.

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

KNOW ALL PERSONS BY THESE PRESENTS, that I, the undersigned, a director of Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation), a federally chartered corporation, hereby constitute and appoint Michael T. Hutchins, Christian M. Lown, Ricardo A. Anzaldúa, Alicia S. Myara, and Prabha Sipi Bhandari, and each of them severally, my true and lawful attorney-in-fact with power of substitution and resubstitution to sign in my name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with the Annual Report on Form 10-K for the year ended December 31, 2020 and any and all amendments thereto, as fully for all intents and purposes as I might or could do in person, and hereby ratify and confirm all said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 8, 2021.

/s/ Mark H. Bloom

Mark H. Bloom

Power of Attorney

Annual Report on Form 10-K Freddie Mac

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IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 9, 2021.

/s/ Kathleen L. Casey

Kathleen L. Casey

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

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IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 8, 2021.

/s/ Launcelot F. Drummond

Launcelot F. Drummond

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

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IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 9, 2021.

/s/ Aleem Gillani

Aleem Gillani

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

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IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 9, 2021.

/s/ Mark B. Grier

Mark B. Grier

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

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IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 8, 2021.

/s/ Christopher E. Herbert

Christopher E. Herbert

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

KNOW ALL PERSONS BY THESE PRESENTS, that I, the undersigned, a director of Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation), a federally chartered corporation, hereby constitute and appoint Michael T. Hutchins, Christian M. Lown, Ricardo A. Anzaldúa, Alicia S. Myara, and Prabha Sipi Bhandari, and each of them severally, my true and lawful attorney-in-fact with power of substitution and resubstitution to sign in my name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with the Annual Report on Form 10-K for the year ended December 31, 2020 and any and all amendments thereto, as fully for all intents and purposes as I might or could do in person, and hereby ratify and confirm all said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 8, 2021.

/s/ Grace A. Huebscher

Grace A. Huebscher

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

KNOW ALL PERSONS BY THESE PRESENTS, that I, the undersigned, a director of Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation), a federally chartered corporation, hereby constitute and appoint Michael T. Hutchins, Christian M. Lown, Ricardo A. Anzaldua, Alicia S. Myara, and Prabha Sipi Bhandari, and each of them severally, my true and lawful attorney-in-fact with power of substitution and resubstitution to sign in my name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with the Annual Report on Form 10-K for the year ended December 31, 2020 and any and all amendments thereto, as fully for all intents and purposes as I might or could do in person, and hereby ratify and confirm all said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 8, 2021.

/s/ S. Sara Mathew

S. Sara Mathew

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

KNOW ALL PERSONS BY THESE PRESENTS, that I, the undersigned, a director of Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation), a federally chartered corporation, hereby constitute and appoint Michael T. Hutchins, Christian M. Lown, Ricardo A. Anzaldua, Alicia S. Myara, and Prabha Sipi Bhandari, and each of them severally, my true and lawful attorney-in-fact with power of substitution and resubstitution to sign in my name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with the Annual Report on Form 10-K for the year ended December 31, 2020 and any and all amendments thereto, as fully for all intents and purposes as I might or could do in person, and hereby ratify and confirm all said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 8, 2021.

/s/ Allan P. Merrill

Allan P. Merrill

Power of Attorney

**Annual Report on Form 10-K
Freddie Mac**

KNOW ALL PERSONS BY THESE PRESENTS, that I, the undersigned, a director of Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation), a federally chartered corporation, hereby constitute and appoint Michael T. Hutchins, Christian M. Lown, Ricardo A. Anzaldua, Alicia S. Myara, and Prabha Sipi Bhandari, and each of them severally, my true and lawful attorney-in-fact with power of substitution and resubstitution to sign in my name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with the Annual Report on Form 10-K for the year ended December 31, 2020 and any and all amendments thereto, as fully for all intents and purposes as I might or could do in person, and hereby ratify and confirm all said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have executed this Power of Attorney as of January 8, 2021.

/s/ Saiyid T. Naqvi

Saiyid T. Naqvi

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

I, Michael T. Hutchins, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 of the Federal Home Loan Mortgage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2021

/s/ Michael T. Hutchins

Michael T. Hutchins

President

CERTIFICATION

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

I, Christian M. Lown, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 of the Federal Home Loan Mortgage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2021

/s/ Christian M. Lown

Christian M. Lown

Executive Vice President and Chief Financial Officer

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 Annual Report on Form 10-K for the year ended December 31, 2020 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael T. Hutchins, President 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: February 11, 2021

/s/ Michael T. Hutchins

Michael T. Hutchins

President

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 Annual Report on Form 10-K for the year ended December 31, 2020 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian M. Lown, Executive Vice President and 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: February 11, 2021

/s/ Christian M. Lown

Christian M. Lown

Executive Vice President and Chief Financial Officer