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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from to

Commission File Number: 001-34139

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

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

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

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

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

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

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

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

As of April 16, 2019, there were 650,059,033 shares of the registrant's common stock outstanding.

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MD&A TABLE INDEX

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

This Quarterly Report on Form 10-Q includes forward-looking statements that are based on current expectations and are subject to significant risks and uncertainties. These forward-looking statements are made as of the date of this Form 10-Q. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q. Actual results might differ significantly from those described in or implied by such statements due to various factors and uncertainties, including those described in the **Forward-Looking Statements** *sections of this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2018, or 2018 Annual Report, and the* **Business** *and* **Risk Factors** *sections of our 2018 Annual Report.*

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

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

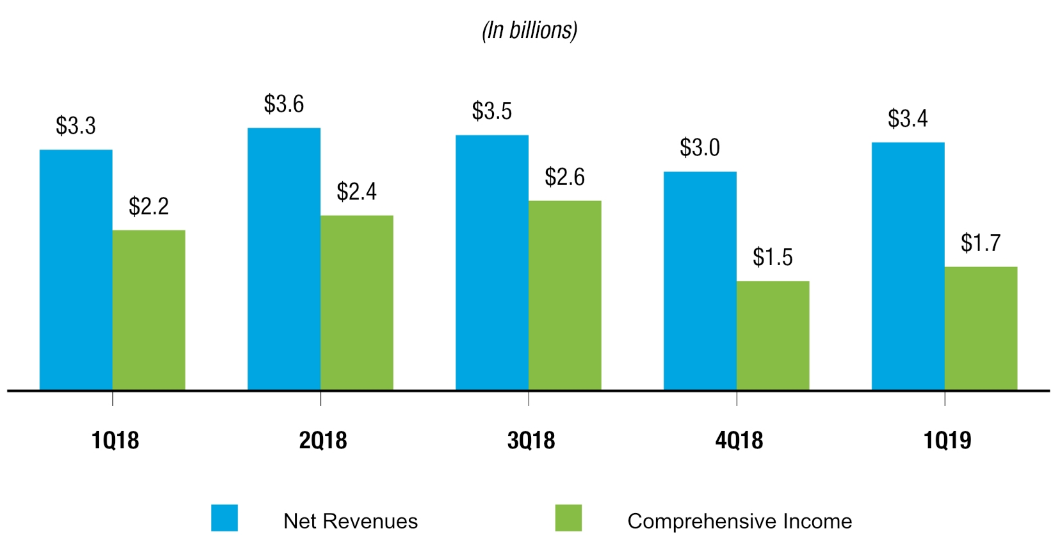
INTRODUCTION

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

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

Business Results

Consolidated Financial Results[1]



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

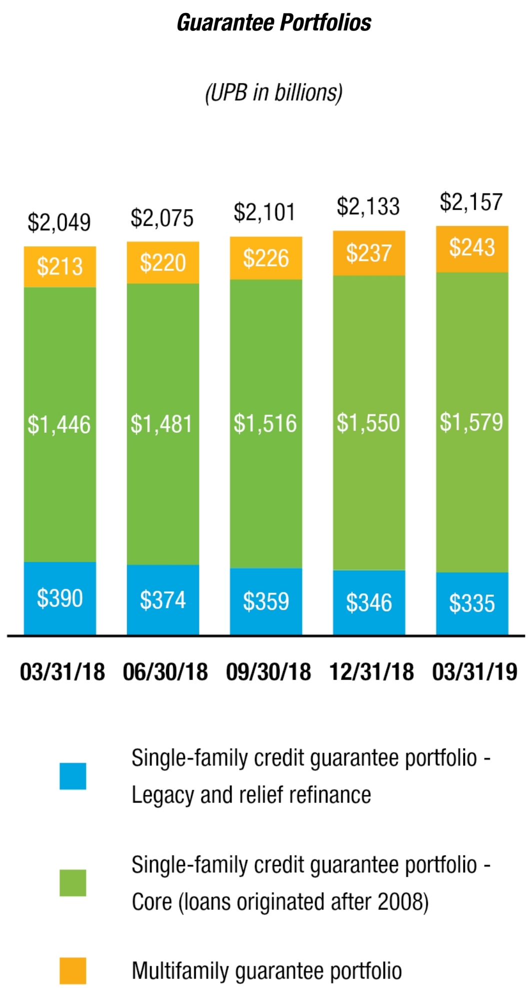
Comprehensive income for 1Q 2019 was $1.7 billion, driven by solid business revenues, strong credit quality, minimal impact from market-related items, and continued guarantee portfolio growth.

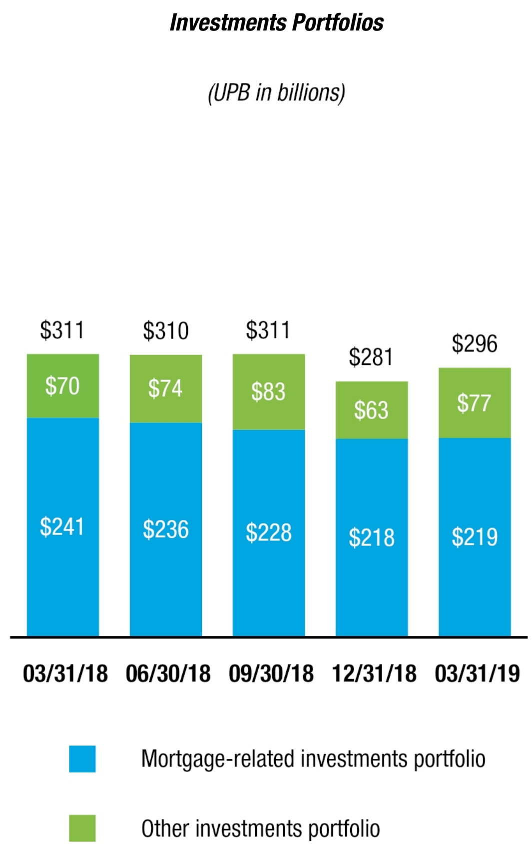
- Comprehensive income decreased 23% from 1Q 2018, primarily attributable to lower net interest income related to our guarantee and investments portfolios, driven by lower amortization due to lower prepayments on single-family loans and a decline in the balance of our mortgage-related investments portfolio.
- Net revenues increased 2% from 1Q 2018, primarily due to an increase in guarantee fee income and a positive impact from hedge accounting in 1Q 2019, partially offset by the decline in net interest income related to our guarantee and investments portfolios.
- Market-related items had minimal impact in 1Q 2019. Other non-interest income decreased, primarily due to interest-rate related fair value losses on derivatives as long-term interest rates declined, largely offset by an increase in other comprehensive income due to interest-rate related fair value gains on available-for-sale securities and the positive hedge accounting impact.
- Benefit (provision) for credit losses remained relatively flat due to the strong credit performance of both our single-family and multifamily portfolios.

Our total equity was $4.7 billion at March 31, 2019. Based on the applicable Capital Reserve Amount of $3.0 billion, we will have a dividend requirement to Treasury in June 2019 of $1.7 billion.

Our cumulative senior preferred stock dividend payments totaled $118.0 billion as of March 31, 2019. Under the Purchase Agreement, the payment of dividends does not reduce the outstanding liquidation preference of the senior preferred stock, which remains at $75.6 billion. In addition, the amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

Portfolio Balances





Total Guarantee Portfolio

- Our total guarantee portfolio grew $108 billion, or 5%, from March 31, 2018 to March 31, 2019, driven by a 4% 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 was primarily driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation and our increased share of the single-family mortgage market. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
  - The growth in our multifamily guarantee portfolio was primarily driven by strong loan purchase and securitization activity. Continued strong demand for multifamily financing and healthy multifamily market fundamentals resulted in continued growth in overall multifamily mortgage debt outstanding.

Total Investments Portfolio

- Our total investments portfolio declined $15 billion, or 5%, from March 31, 2018 to March 31, 2019, primarily due to a reduction in the balance of our mortgage-related investments portfolio pursuant to the portfolio limits established by the Purchase Agreement and FHFA. In February 2019, FHFA directed us to maintain the mortgage-related investments portfolio at or below $225 billion at all times.

Conservatorship and Government Support for Our Business

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

Our Purchase Agreement with Treasury and the terms of the senior preferred stock we issued to Treasury also affect our business activities. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe that the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities.

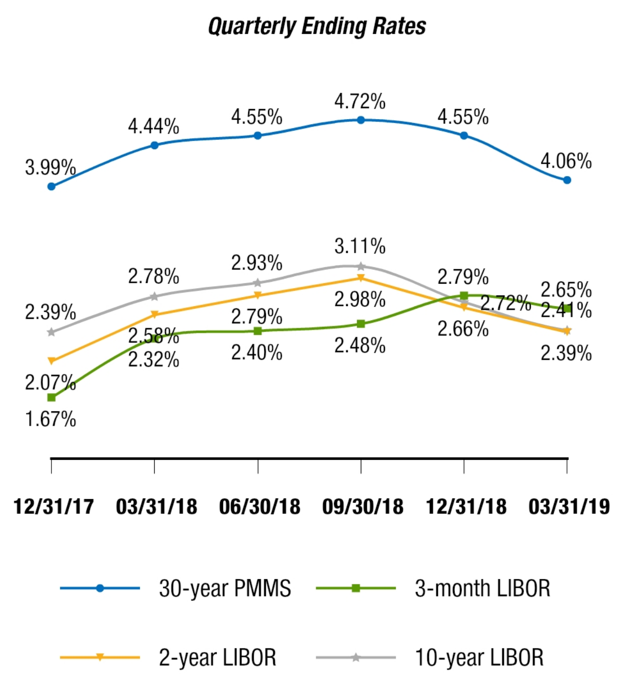
Treasury, as the holder of the senior preferred stock, is entitled to receive cumulative quarterly cash dividends, when, as, and if declared by the Conservator, acting as successor to the rights, titles, powers, and privileges of our Board of Directors. The dividends we have paid to Treasury on the senior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

Under the August 2012 amendment to the Purchase Agreement, our cash dividend requirement each quarter is the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. Pursuant to the December 2017 Letter Agreement, the Capital Reserve Amount is $3.0 billion. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period, the unpaid amount would be added to the liquidation preference and our applicable Capital Reserve Amount would thereafter be zero, but this would not affect our ability to draw funds from Treasury under the Purchase Agreement.

MARKET CONDITIONS AND ECONOMIC INDICATORS

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

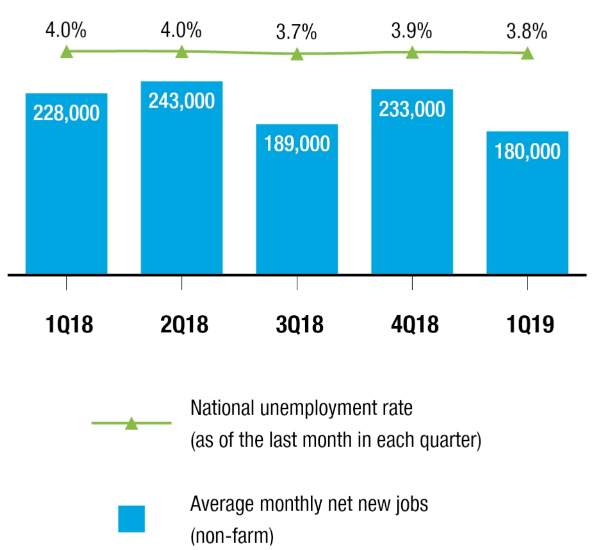
Interest Rates[1]



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

- The 30-year Primary Mortgage Market Survey (PMMS) interest rate is indicative of what a consumer could expect to be offered on a first-lien prime conventional conforming home purchase or refinance mortgage with an LTV of 80%. Increases (decreases) in the PMMS rate typically result in decreases (increases) in refinancing activity and originations.
- Changes in the 10-year and 2-year LIBOR interest rates can significantly affect the fair value of our debt, derivatives, and mortgage and non-mortgage-related securities. In addition, the GAAP accounting treatment for our financial assets and liabilities, including derivatives (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our GAAP earnings when interest rates change. We have elected hedge accounting for certain assets and liabilities in an effort to reduce GAAP earnings variability and better align GAAP results with the economics of our business.
- Changes in the 3-month LIBOR rate affect the interest earned on our short-term investments and interest expense on our short-term funding.
- Long-term rates continued to decline during 1Q 2019, while short-term rates remained relatively flat, resulting in inversion of the yield curve.

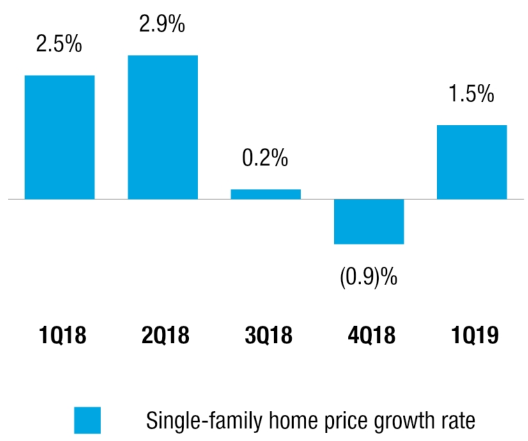
Unemployment Rate



Source: U.S. Bureau of Labor Statistics

- Changes in the national unemployment rate can affect several market factors, including the demand for both single-family and multifamily housing and the level of loan delinquencies.
- Continued job growth, a declining unemployment rate, and generally favorable economic conditions resulted in strong credit performance.

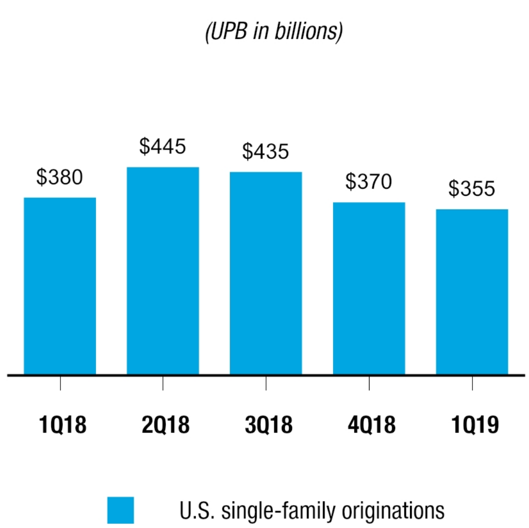
U.S. Single-Family Home Prices



Source: Freddie Mac House Price Index.

- Changes in home prices affect the amount of equity that borrowers have in their homes. Borrowers with less equity typically have higher delinquency rates. As home prices decline, the severity of losses we incur on defaulted loans that we hold or guarantee increases because the amount we can recover from the property securing the loan decreases.
- Single-family home prices increased 1.5% during 1Q 2019, compared to an increase of 2.5% during 1Q 2018. We expect home price growth will continue in 2019, although at a slower pace than in full-year 2018, due to increased supply.

U.S. Single-Family Originations



Source: Inside Mortgage Finance dated April 26, 2019 (latest available IMF purchase/refinance information).

- U.S. single-family loan origination volume decreased to $355 billion in 1Q 2019 from $380 billion in 1Q 2018, driven by lower refinance volume as a result of higher average mortgage interest rates in 1Q 2019.
- We expect U.S. single-family home purchase volume to increase slightly in 2019, driven by an expected increase in home sales and modest home price growth. Freddie Mac's single-family loan purchase volumes typically follow a similar trend.

CONSOLIDATED RESULTS OF OPERATIONS

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

The table below compares our summarized consolidated results of operations.

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

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Net interest income	$3,153	$3,018	$135	4 %
Guarantee fee income	217	194	23	12
Other income (loss)	34	131	(97)	(74)
Net revenues	**3,404**	**3,343**	**61**	**2**
Other non-interest income (loss):				
Mortgage loans gains (losses)	931	(215)	1,146	533
Investment securities gains (losses)	174	(232)	406	175
Debt gains (losses)	15	121	(106)	(88)
Derivative gains (losses)	(1,606)	1,830	(3,436)	(188)
Total other non-interest income (loss)	**(486)**	**1,504**	**(1,990)**	**(132)**
Benefit (provision) for credit losses	135	(63)	198	314
Non-interest expense	(1,288)	(1,110)	(178)	(16)
Income (loss) before income tax (expense) benefit	**1,765**	**3,674**	**(1,909)**	**(52)**
Income tax (expense) benefit	(358)	(748)	390	52
Net income (loss)	**1,407**	**2,926**	**(1,519)**	**(52)**
Total other comprehensive income (loss), net of taxes and reclassification adjustments	258	(776)	1,034	133
Comprehensive income (loss)	**$1,665**	**$2,150**	**($485)**	**(23)%**

Net Interest Income

The table below presents the components of net interest income.

Table 2 - Components of Net Interest Income

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Net interest income related to guarantee portfolios:				
Contractual guarantee fee income	$906	$834	$72	9%
Guarantee fee income related to the Temporary Payroll Tax Cut Continuation Act of 2011	377	347	30	9
Amortization related to guarantee portfolios	482	748	(266)	(36)
Total net interest income related to guarantee portfolios	**1,765**	**1,929**	**(164)**	**(9)**
Net interest income related to investments portfolios:				
Contractual net interest income	1,252	1,457	(205)	(14)
Amortization related to investments portfolios	(131)	5	(136)	(2,720)
Total net interest income related to investments portfolios	**1,121**	**1,462**	**(341)**	**(23)**
Hedge accounting impact	267	(373)	640	172
Net interest income	**$3,153**	**$3,018**	**$135**	**4%**

Key Drivers:

- **Contractual guarantee fee income**
  - ***1Q 2019 vs. 1Q 2018 -*** Increased primarily due to the continued growth of the core single-family loan portfolio.
- **Amortization related to guarantee portfolios**
  - ***1Q 2019 vs. 1Q 2018 -*** Decreased primarily due to lower prepayments on single-family loans as a result of higher average mortgage interest rates.
- **Contractual net interest income**
  - ***1Q 2019 vs. 1Q 2018 -*** Decreased primarily due to the reduction in the balance of our mortgage-related investments portfolio pursuant to the portfolio limits established by the Purchase Agreement and FHFA. See **Conservatorship and Related Matters - *Managing Our Mortgage-Related Investments Portfolio*** for a discussion of the key drivers of the decline in our mortgage-related investments portfolio.
- **Amortization related to investments portfolios**
  - ***1Q 2019 vs. 1Q 2018 -*** Decreased primarily due to lower accretion related to previously recognized other-than-temporary impairments as a result of a decline in the population of impaired securities. Amortization related to unsecuritized mortgage loans also decreased, as certain of those loans were reclassified from held-for-investment to held-for-sale and ceased amortizing.
- **Hedge accounting impact**
  - ***1Q 2019 vs. 1Q 2018 -*** Increased primarily due to the mismatch related to fair value hedge accounting. The mismatch is the amount by which the gain or loss on the designated derivative instrument does not exactly offset the gain or loss on the hedged item attributable to the hedged risk.

Net Interest Yield Analysis

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

Table 3 - Analysis of Net Interest Yield

	1Q 2019			1Q 2018		
(Dollars in millions)	Average Balance	Interest Income (Expense)[1]	Average Rate	Average Balance	Interest Income (Expense)[1]	Average Rate
Interest-earning assets:						
Cash and cash equivalents	$7,105	$38	2.14 %	$7,015	$11	0.60 %
Securities purchased under agreements to resell	47,224	297	2.51	51,732	197	1.52
Secured lending	1,567	16	4.08	990	6	2.59
Mortgage-related securities:						
Mortgage-related securities	133,925	1,461	4.36	150,267	1,580	4.21
Extinguishment of PCs held by Freddie Mac	(84,709)	(895)	(4.23)	(90,814)	(843)	(3.71)
Total mortgage-related securities, net	**49,216**	**566**	**4.60**	**59,453**	**737**	**4.96**
Non-mortgage-related securities	19,408	123	2.54	14,775	73	1.97
Loans held by consolidated trusts[1]	1,847,861	16,977	3.68	1,776,708	14,859	3.35
Loans held by Freddie Mac[1]	89,152	969	4.35	103,451	1,092	4.22
Total interest-earning assets	**2,061,533**	**18,986**	**3.68**	**2,014,124**	**16,975**	**3.37**
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	1,871,847	(14,876)	(3.18)	1,803,122	(13,356)	(2.96)
Extinguishment of PCs held by Freddie Mac	(84,709)	895	4.23	(90,814)	842	3.71
Total debt securities of consolidated trusts held by third parties	**1,787,138**	**(13,981)**	**(3.13)**	**1,712,308**	**(12,514)**	**(2.92)**
Other debt:						
Short-term debt	70,192	(436)	(2.48)	67,970	(229)	(1.35)
Long-term debt	199,937	(1,416)	(2.83)	228,981	(1,214)	(2.12)
Total other debt	**270,129**	**(1,852)**	**(2.74)**	**296,951**	**(1,443)**	**(1.94)**
Total interest-bearing liabilities	**2,057,267**	**(15,833)**	**(3.08)**	**2,009,259**	**(13,957)**	**(2.78)**
Impact of net non-interest-bearing funding	4,266	—	0.01	4,865	—	0.01
Total funding of interest-earning assets	**$2,061,533**	**($15,833)**	**(3.07)%**	**$2,014,124**	**($13,957)**	**(2.77)%**
Net interest income/yield		**$3,153**	**0.61 %**		**$3,018**	**0.60 %**

(1) Loan fees, primarily consisting of amortization of upfront fees, included in interest income were $574 million during both 1Q 2019 and 1Q 2018 for loans held by consolidated trusts and $16 million and $22 million for loans held by Freddie Mac during 1Q 2019 and 1Q 2018, respectively.

Guarantee Fee Income

- **1Q 2019 vs. 1Q 2018 -** Increased due to the continued growth in the multifamily guarantee portfolio.

Other Non-Interest Income (Loss)

Mortgage Loans Gains (Losses)

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

Table 4 - Components of Mortgage Loans Gains (Losses)

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Gains (losses) on certain loan purchase commitments	$391	$105	$286	272%
Gains (losses) on mortgage loans	540	(320)	860	269
Mortgage loans gains (losses)	**$931**	**($215)**	**$1,146**	**533%**

- **1Q 2019 vs. 1Q 2018 -** Increased due to fair value gains on multifamily held-for-sale mortgage loans and commitments as a result of the decline in interest rates and spread tightening, coupled with lower fair value losses on single-family seasoned loans.

Investment Securities Gains (Losses)

- **1Q 2019 vs. 1Q 2018 -** Increased primarily due to gains on trading securities driven by decreasing interest rates, partially offset by a decrease in realized gains reclassified from AOCI due to a lower volume of sales of available-for-sale non-agency mortgage-related securities.

Debt Gains (Losses)

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

Table 5 - Components of Debt Gains (Losses)

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Fair value changes	($4)	$11	($15)	(136)%
Gains (losses) on extinguishment of debt	19	110	(91)	(83)
Debt gains (losses)	**$15**	**$121**	**($106)**	**(88)%**

- **1Q 2019 vs. 1Q 2018 -** Decreased primarily due to lower gains from the extinguishment of fixed-rate PCs, as market interest rates declined between the time of issuance and repurchase.

Derivative Gains (Losses)

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

Table 6 - Components of Derivative Gains (Losses)

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Fair value change in interest-rate swaps	($1,047)	$1,514	($2,561)	(169)%
Fair value change in option-based derivatives	(187)	(455)	268	59
Fair value change in other derivatives	(318)	916	(1,234)	(135)
Accrual of periodic cash settlements	(54)	(145)	91	63
Derivative gains (losses)	**($1,606)**	**$1,830**	**($3,436)**	**(188)%**

- **1Q 2019 vs. 1Q 2018 -** Decreased as long-term interest rates declined during 1Q 2019. The 10-year par swap rate decreased 31 basis points during 1Q 2019, compared to a 39 basis point increase during 1Q 2018. The interest rate decreases during 1Q 2019 resulted in fair value losses on pay-fixed interest rate swaps, forward commitments to issue PCs, and futures, which were partially offset by fair value gains on receive-fixed swaps and certain option-based derivatives.

Benefit (Provision) for Credit Losses

- **1Q 2019 vs. 1Q 2018 -** Remained relatively flat due to the strong credit performance of both our single-family and multifamily portfolios.

Other Comprehensive Income (Loss)

- **1Q 2019 vs. 1Q 2018 -** Increased primarily due to fair value gains as long-term interest rates declined, coupled with a decrease in realized gains reclassified from AOCI due to a lower volume of sales of non-agency mortgage-related securities.

CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized consolidated balance sheets.

Table 7 - Summarized Consolidated Balance Sheets

			Change	
(Dollars in millions)	3/31/2019	12/31/2018	$	%
Assets:				
Cash and cash equivalents	$6,239	$7,273	($1,034)	(14)%
Securities purchased under agreements to resell	50,134	34,771	15,363	44
Subtotal	**56,373**	**42,044**	**14,329**	**34**
Investments in securities, at fair value	65,496	69,111	(3,615)	(5)
Mortgage loans, net	1,942,088	1,926,978	15,110	1
Accrued interest receivable	6,684	6,728	(44)	(1)
Derivative assets, net	1,146	335	811	242
Deferred tax assets, net	6,819	6,888	(69)	(1)
Other assets	14,301	10,976	3,325	30
Total assets	**$2,092,907**	**$2,063,060**	**$29,847**	**1 %**
Liabilities and Equity:				
Liabilities:				
Accrued interest payable	$6,558	$6,652	($94)	(1)%
Debt, net	2,073,614	2,044,950	28,664	1
Derivative liabilities, net	432	583	(151)	(26)
Other liabilities	7,638	6,398	1,240	19
Total liabilities	**2,088,242**	**2,058,583**	**29,659**	**1**
Total equity	**4,665**	**4,477**	**188**	**4**
Total liabilities and equity	**$2,092,907**	**$2,063,060**	**$29,847**	**1 %**

Key Drivers:

As of March 31, 2019 compared to December 31, 2018:

- **Cash and cash equivalents** and **securities purchased under agreements to resell** increased on a combined basis primarily due to higher near-term cash needs for upcoming maturities and higher anticipated calls of other debt.
- **Other assets** increased primarily due to the recognition of receivables on sales of securities which had traded but not settled as of March 31, 2019.
- **Other liabilities** increased primarily due to the recognition of liabilities related to purchases of securities which had traded but not settled as of March 31, 2019.

OUR BUSINESS SEGMENTS

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

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

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

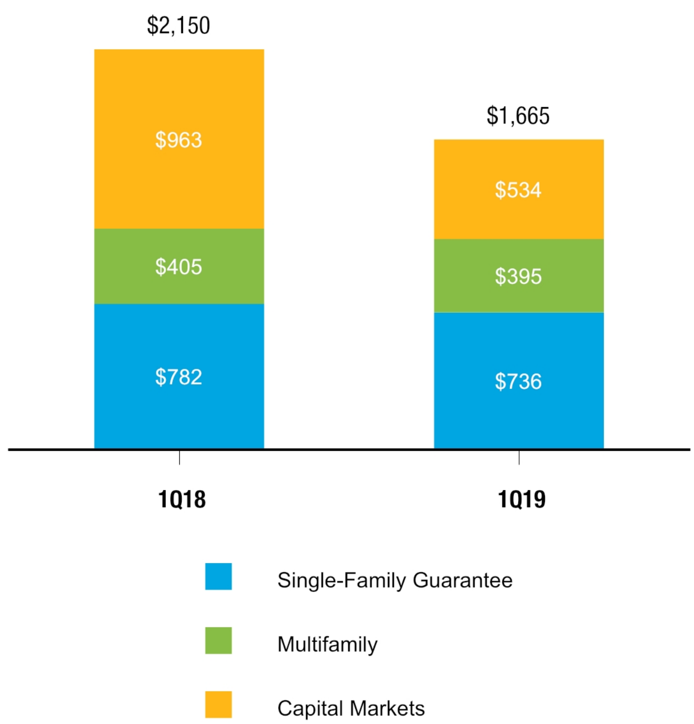
Segment Earnings

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

Segment Comprehensive Income

The graph below shows our comprehensive income by segment.

(In millions)



Single-Family Guarantee

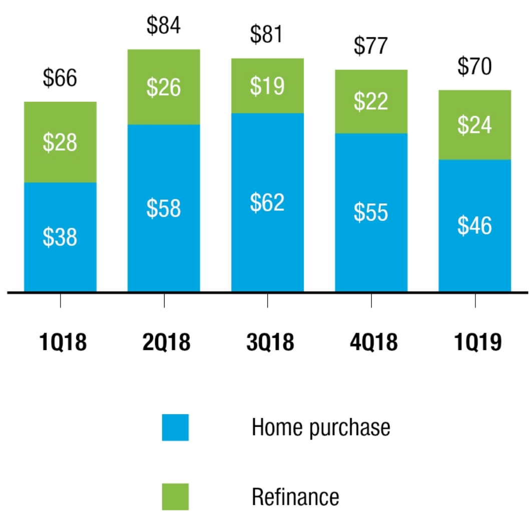
Business Results

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

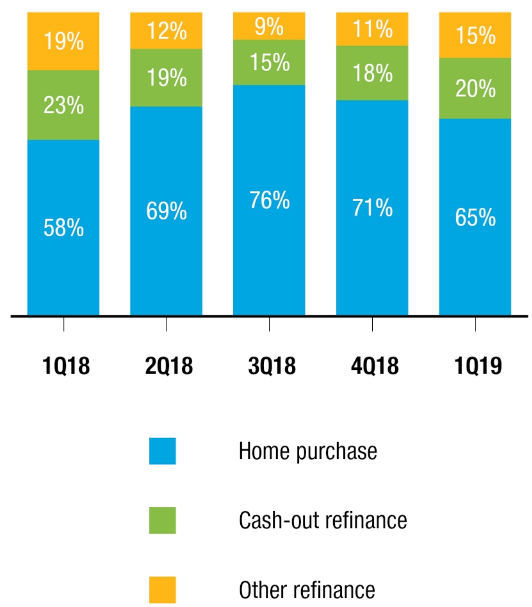
New Business Activity

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

(In billions)



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

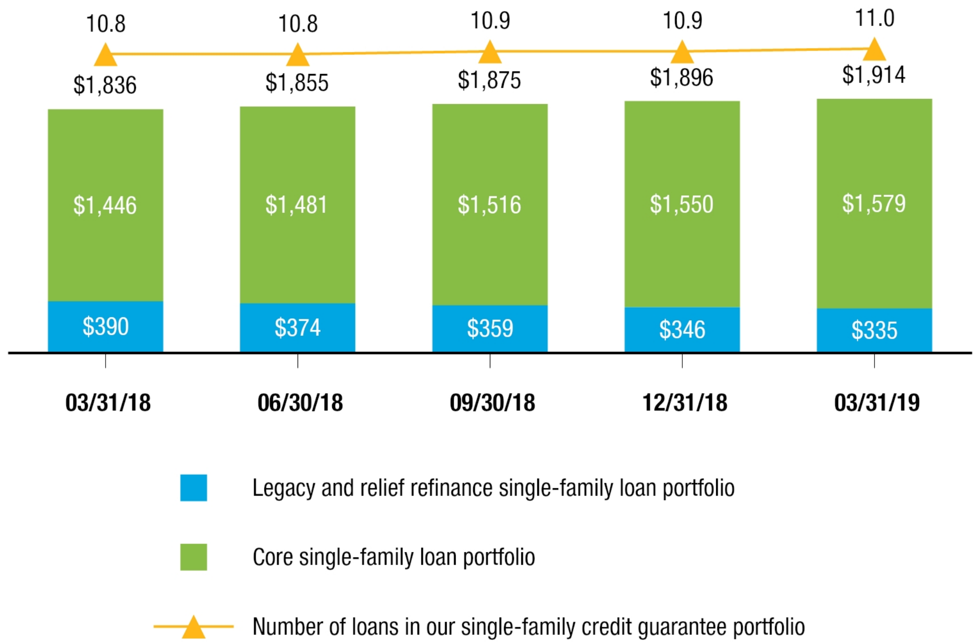


- Our loan purchase and guarantee activity increased in 1Q 2019 compared to 1Q 2018, primarily due to higher home purchase volume, partially offset by a decline in refinance activity as a result of higher average mortgage interest rates in recent quarters.

Single-Family Credit Guarantee Portfolio

Single-Family Credit Guarantee Portfolio

(UPB in billions, number of loans in millions)



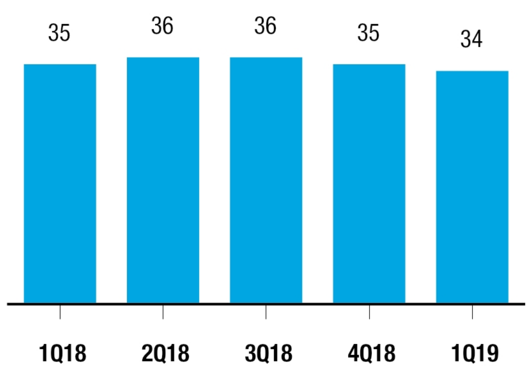
- The single-family credit guarantee portfolio increased at an annualized rate of approximately 4% between December 31, 2018 and March 31, 2019, driven by an increase in U.S. single-family mortgage debt outstanding as a result of continued home price appreciation and our increased share of the single-family mortgage market. New business acquisitions had a higher average loan size compared to older vintages that continued to run off.
- The core single-family loan portfolio grew to 83% of the single-family credit guarantee portfolio at March 31, 2019, compared to 82% at December 31, 2018.
- The legacy and relief refinance single-family loan portfolio declined to 17% of the single-family credit guarantee portfolio at March 31, 2019, compared to 18% at December 31, 2018.

Guarantee Fees

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

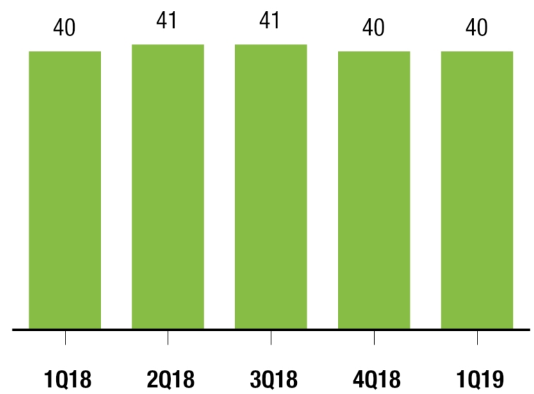
Average Portfolio Segment Earnings Guarantee Fee Rate[1][2]

(In bps)



Average Guarantee Fee Rate[1] Charged on New Acquisitions

(In bps)



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

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

- The average portfolio Segment Earnings guarantee fee rate declined in 1Q 2019 compared to 1Q 2018 due to a decrease in the recognition of upfront fees driven by a lower prepayment rate. This decrease was partially offset by an increase in contractual guarantee fees as older vintages were replaced by acquisitions of new loans with higher contractual guarantee fees.
- The average guarantee fee rate charged on new acquisitions remained unchanged in 1Q 2019 compared to 1Q 2018.

CRT Activities

We transfer credit risk on a portion of our single-family credit guarantee portfolio to the private market, which reduces the risk of future losses to us and taxpayers when borrowers go into default. See **MD&A - Our Business Segments - Single-Family Guarantee - *Business Overview - Products and Activities - Credit Risk Transfer (CRT) Transactions*** in our 2018 Annual Report for more information on our CRT transactions.

The following table presents the issuance amounts during 1Q 2019 on the protected UPB and maximum coverage by loss position associated with CRT transactions for loans in our single-family credit guarantee portfolio.

Table 8 - Single-Family Credit Guarantee Portfolio CRT Issuance

	Issuance for the Three Months Ended March 31, 2019			
	Protected UPB(1)	Maximum Coverage(2)		
(In millions)	Total	First Loss(3)	Mezzanine	Total
CRT Activities:				
STACR debt notes	$9,000	$60	$220	$280
STACR Trust transactions	65,849	522	1,440	1,962
ACIS® transactions	65,103	243	611	854
Senior subordinate securitization structures	1,903	115	79	194
Other	4,187	32	128	160
Less: UPB with more than one type of CRT activity	(45,368)	—	—	—
Total CRT Activities	**$100,674**	**$972**	**$2,478**	**$3,450**

(1) For STACR and ACIS transactions, represents the UPB of the assets included in the reference pool. For senior subordinate securitization structure transactions, represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities.

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

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

- We retained exposure to $97.2 billion of the protected UPB for the CRT issuances during 1Q 2019, including first loss and mezzanine positions.

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

Credit Enhancements

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

The tables below provide information on the total protected UPB and maximum coverage associated with credit enhanced loans in our single-family credit guarantee portfolio, measured by UPB, that were covered by one or more forms of credit enhancements as of March 31, 2019 and December 31, 2018, respectively. See **MD&A - Risk Management - Single-Family Mortgage Credit Risk - *Transferring Credit Risk of the Single-Family Credit Guarantee Portfolio to Investors in New and Innovative Ways*** in our 2018 Annual Report and **Note 6** in this report and our 2018 Annual Report for additional information about our single-family credit enhancements.

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

	Outstanding as of March 31, 2019				
	Protected UPB[1]	Percentage of Single-Family Credit Guarantee Portfolio	Maximum Coverage[2]		
(In millions)	Total	Total	First Loss[3]	Mezzanine	Total
CRT Activities:					
STACR debt notes	$600,857	31%	$2,213	$15,251	$17,464
STACR Trust transactions	222,837	12	2,144	4,822	6,966
ACIS transactions	853,942	45	1,792	8,011	9,803
Senior subordinate securitization structures	41,015	2	1,919	2,107	4,026
Other	17,216	1	5,256	203	5,459
Less: UPB with more than one type of CRT Activity	(764,956)	(40)	—	—	—
Total CRT Activities	**$970,911**	**51%**	**$13,324**	**$30,394**	**$43,718**
Other Credit Enhancements:					
Primary Mortgage Insurance	$385,483	20%	$98,846	—	$98,846
Other	2,435	—	1,312	—	1,312
Less: UPB with both CRT and other credit enhancements	(283,923)	(15)	—	—	—
Single-family credit guarantee portfolio with credit enhancement	1,074,906	56	113,482	30,394	143,876
Single-family credit guarantee portfolio without credit enhancement	838,619	44	—	—	—
Total	**$1,913,525**	**100%**	**$113,482**	**$30,394**	**$143,876**

Referenced footnotes are included after the next table.

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

(1) For STACR and ACIS transactions, represents the UPB of the assets included in the reference pool. For senior subordinate securitization structure transactions, represents the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities.

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

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

- We had coverage remaining of $143.9 billion and $139.3 billion on our single-family credit guarantee portfolio as of March 31, 2019 and December 31, 2018, respectively. CRT transactions provided 30.4% and 29.4% of the coverage remaining at those dates.
- As of March 31, 2019, we had cumulatively transferred a portion of credit risk on nearly $1.3 trillion of our single-family mortgages, based upon the UPB at issuance of the CRT transactions.
  - FHFA's conservatorship capital needed for credit risk was reduced by approximately 65% through CRT transactions on new business activity in the twelve months ended March 31, 2018.
  - The reduction in the amount of conservatorship capital needed for credit risk on new business activity is calculated as conservatorship credit capital released from the CRT transactions (primarily through STACR and ACIS) divided by total conservatorship credit capital on new business activity at the time of purchase. For more information on the CCF and the calculation of conservatorship capital, see **Liquidity and Capital Resources - *Capital Resources - Conservatorship Capital Framework - Return on Conservatorship Capital*.**
- During 1Q 2019, we paid $159 million in interest expense, net of reinvestment income, on our outstanding STACR debt notes and $152 million in premium expense for ACIS and STACR Trust contracts, compared to $165 million in interest expense, net of reinvestment income, on our outstanding STACR debt notes and $67 million in premium expense for ACIS and STACR Trust contracts in 1Q 2018.
- As of March 31, 2019, we had experienced minimal write-downs on our STACR transactions and have filed minimal claims for reimbursement of losses under our ACIS transactions.

Mortgage Loan Credit Risk

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

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

	March 31, 2019								
	CLTV ≤ 80		CLTV > 80 to 100		CLTV > 100		All Loans		
(Credit score)	% Portfolio	SDQ Rate	% Portfolio	SDQ Rate[1]	% Portfolio	SDQ Rate[1]	% Portfolio	SDQ Rate	% Modified
Core single-family loan portfolio:									
< 620	0.3%	2.19%	0.1%	3.39%	—%	NM	0.4%	2.36%	3.6%
620 to 659	2.1	1.10	0.3	1.18	—	NM	2.4	1.11	2.0
≥ 660	69.4	0.17	10.3	0.25	—	NM	79.7	0.18	0.3
Not available	0.1	1.25	—	NM	—	NM	0.1	2.32	3.7
Total	**71.9%**	**0.21%**	**10.7%**	**0.30%**	**—%**	**NM**	**82.6%**	**0.22%**	**0.4%**
Legacy and relief refinance single-family loan portfolio:									
< 620	1.1%	4.12%	0.2%	8.52%	0.1%	14.42%	1.4%	4.85%	22.1%
620 to 659	1.7	3.08	0.2	7.11	0.1	11.82	2.0	3.64	19.4
≥ 660	12.5	1.11	1.1	3.65	0.3	6.02	13.9	1.31	7.0
Not available	0.1	4.58	—	NM	—	NM	0.1	4.90	19.8
Total	**15.4%**	**1.60%**	**1.5%**	**4.85%**	**0.5%**	**8.38%**	**17.4%**	**1.91%**	**9.8%**

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

Alt-A and Subprime Loans

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

Participants in the mortgage market have characterized single-family loans based upon their overall credit quality at the time of origination, including as prime or subprime. While we have not historically characterized the loans in our single-family credit guarantee portfolio as either prime or subprime, we monitor the amount of loans we have guaranteed with characteristics that indicate a higher degree of credit risk. In addition, we estimate that approximately $0.8 billion and $0.9 billion of security collateral underlying our other securitization products at March 31, 2019 and December 31, 2018, respectively, were identified as subprime based on information provided to us when we entered into these transactions.

Mortgage market participants have classified single-family loans as Alt-A if these loans have credit characteristics that range between the prime and subprime categories, if they are underwritten with lower or alternative income or asset documentation requirements compared to a full documentation loan, or both. Although we have discontinued new purchases of loans with lower documentation standards, we continue to purchase certain amounts of such loans in cases where the loan was either purchased pursuant to a previously issued guarantee, as part of our relief refinance initiative, or as part of another refinance loan initiative and the pre-existing loan was originated under less than full documentation standards. In the event we purchase a refinance loan and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as an Alt-A loan in this Form 10-Q and our other financial reports because the new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred. From the time the relief refinance initiative began in 2009 to March 31, 2019, we have purchased approximately $36.4 billion of relief refinance loans that were previously categorized as Alt-A loans in our portfolio, including $0.1 billion in 1Q 2019.

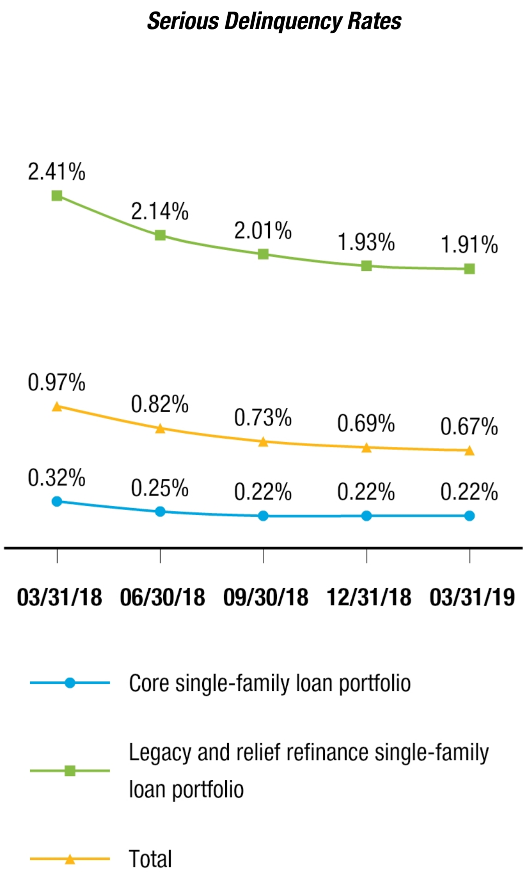
The table below contains information on Alt-A loans in our single-family credit guarantee portfolio.

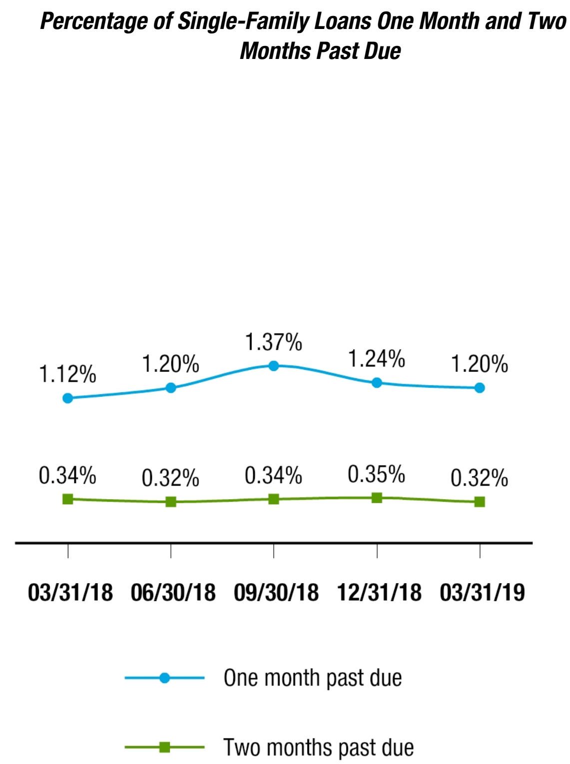
Table 11 - Alt-A Loans in Our Single-Family Credit Guarantee Portfolio

	March 31, 2019				December 31, 2018			
(Dollars in billions)	UPB	CLTV	% Modified	SDQ Rate	UPB	CLTV	% Modified	SDQ Rate
Alt-A	$23.1	63%	22.7%	4.17%	$23.9	63%	23.2%	4.13%

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

Single-Family Loan Performance





- The total serious delinquency rate on our single-family credit guarantee portfolio was 0.67% as of March 31, 2019. However, 33% of the seriously delinquent loans at March 31, 2019 were covered by credit enhancements designed to reduce our credit risk exposure. See **Note 4** for additional information on our single-family delinquency rates.
- Our total single-family serious delinquency rate was lower as of March 31, 2019 compared to March 31, 2018 due to our continued loss mitigation efforts, sales of certain seriously delinquent loans, home price appreciation, a low unemployment rate, and the reduced impacts from the hurricanes in the third quarter of 2017. This improvement was also driven by the continued shift in the single-family credit guarantee portfolio mix, as the legacy and relief refinance single-family loan portfolio runs off and we add higher credit quality loans to our core single-family loan portfolio. The percentage of our single-family loans two months past due was affected in a similar manner. However, the percentage of our single-family loans one month past due slightly increased as of March 31, 2019, compared to March 31, 2018.

Credit Performance

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

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

(Dollars in millions)	1Q 2019	1Q 2018
Charge-offs, gross	$605	$372
Recoveries	(106)	(96)
Charge-offs, net	499	276
REO operations expense	33	34
Total credit losses	**$532**	**$310**
Total credit losses (in bps)	11.5	6.7

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

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

	March 31, 2019		March 31, 2018	
(Dollars in millions)	Loan Count	Amount	Loan Count	Amount
TDRs, at January 1	290,255	$42,254	364,704	$54,415
New additions	8,734	1,347	23,699	3,800
Repayments and reclassifications to held-for-sale	(21,347)	(3,809)	(8,908)	(1,522)
Foreclosure sales and foreclosure alternatives	(1,373)	(185)	(2,083)	(282)
TDRs, at March 31	276,269	39,607	377,412	56,411
Loans impaired upon purchase	2,403	158	4,364	290
Total impaired loans with an allowance recorded	**278,672**	**39,765**	**381,776**	**56,701**
Allowance for loan losses		(3,820)		(6,968)
Net investment, at March 31		**$35,945**		**$49,733**

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

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

(In millions)	March 31, 2019	December 31, 2018
TDRs on accrual status	$39,409	$41,839
Non-accrual loans	10,983	11,197
Total TDRs and non-accrual loans	**$50,392**	**$53,036**
Allowance for loan losses associated with:		
TDRs on accrual status	$3,141	$3,612
Non-accrual loans	902	1,003
Total	**$4,043**	**$4,615**

(In millions)	1Q 2019	1Q 2018
Foregone interest income on TDRs and non-accrual loans[1]	$312	$446

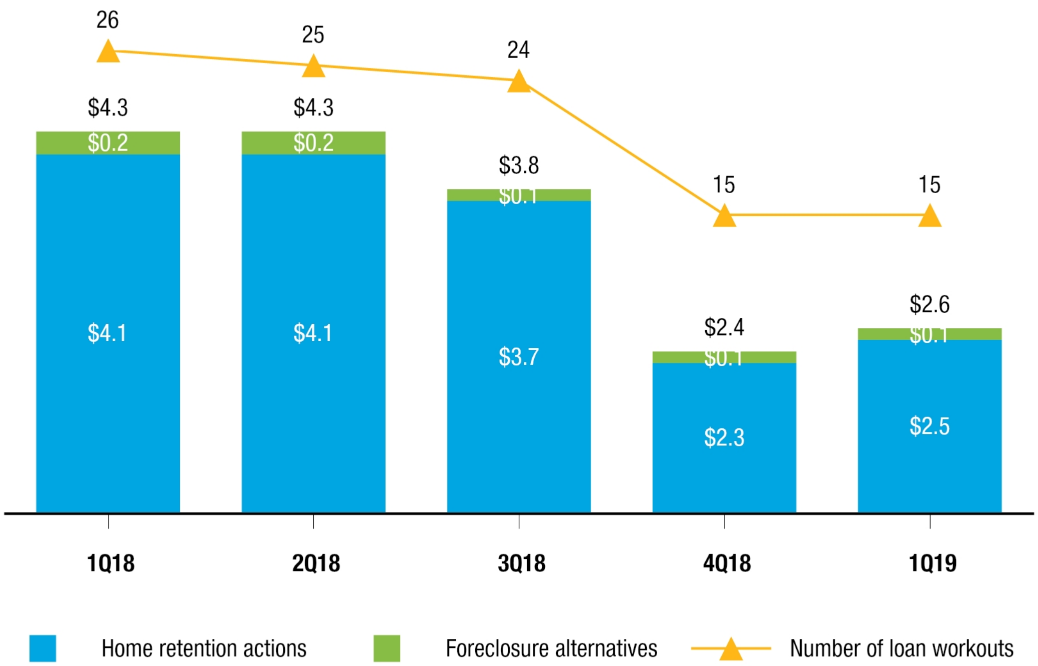
(1) Represents the amount of interest income that we did not recognize but would have recognized during the period for loans outstanding at the end of each period, had the loans performed according to their original contractual terms.

- As of March 31, 2019, 44% of the allowance for loan losses for single-family mortgage loans related to interest rate concessions provided to borrowers as part of loan modifications.
- Most of our modified single-family loans, including TDRs, were current and performing at March 31, 2019.
- We expect our allowance for loan losses associated with existing single-family TDRs to decline over time as we continue to sell reperforming loans. In addition, the allowance for loan losses will decline as borrowers continue to make monthly payments under the modified terms and interest rate concessions are amortized into earnings.
- See **Note 4** for information on our single-family allowance for loan losses.

Loss Mitigation Activities

Loan Workout Activity[1]

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



(1) Foreclosure alternatives consist of short sales and deeds in lieu of foreclosure. Home retention actions consist of forbearance agreements, repayment plans, and loan modifications.

- Our loan workout activity decreased in 1Q 2019 compared to 1Q 2018 driven by the reduced impact from the hurricanes in the third quarter of 2017.
- We continue our loss mitigation efforts through our relief refinance, modification, and other initiatives.

REO Activity

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

Table 15 - Single-Family REO Activity

	1Q 2019		1Q 2018	
(Dollars in millions)	Number of Properties	Amount	Number of Properties	Amount
Beginning balance — REO	7,100	$780	8,299	$900
Additions	2,156	208	2,620	246
Dispositions	(2,542)	(234)	(3,201)	(306)
Ending balance — REO	**6,714**	**754**	**7,718**	**840**
Beginning balance, valuation allowance		(11)		(14)
Change in valuation allowance		1		5
Ending balance, valuation allowance		**(10)**		**(9)**
Ending balance — REO, net		**$744**		**$831**

- Our REO ending inventory declined in 1Q 2019, primarily due to a decrease in REO acquisitions driven by fewer loans in foreclosure and a large proportion of property sales to third parties at foreclosure.

Financial Results

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

Table 16 - Single-Family Guarantee Segment Financial Results

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Guarantee fee income	$1,633	$1,590	$43	3 %
Benefit (provision) for credit losses	8	41	(33)	(80)
Financial instrument gains (losses)[1]	(62)	28	(90)	(321)
Other non-interest income (loss)	249	81	168	207
Administrative expense	(374)	(336)	(38)	(11)
REO operations income (expense)	(38)	(39)	1	3
Other non-interest expense	(488)	(379)	(109)	(29)
Segment Earnings before income tax expense	**928**	**986**	**(58)**	**(6)**
Income tax (expense) benefit	(188)	(200)	12	6
Segment Earnings, net of taxes	**740**	**786**	**(46)**	**(6)**
Total other comprehensive income (loss), net of tax	(4)	(4)	—	—
Total comprehensive income (loss)	**$736**	**$782**	**($46)**	**(6)%**

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

Key Business Drivers:

- **1Q 2019 vs. 1Q 2018**
  - Higher guarantee fee income due to continued growth in our single-family credit guarantee portfolio.
  - Fair value losses due to higher losses on STACR transactions driven by changes in market spreads.
  - Higher other non-interest income primarily due to higher gains on single-family seasoned loan reclassifications between held-for-investment and held-for-sale.
  - Higher other non-interest expense primarily due to higher outstanding cumulative volumes of CRT transactions that resulted in increased CRT expense (interest expense on STACR debt notes and premium expense for ACIS and STACR Trust contracts).

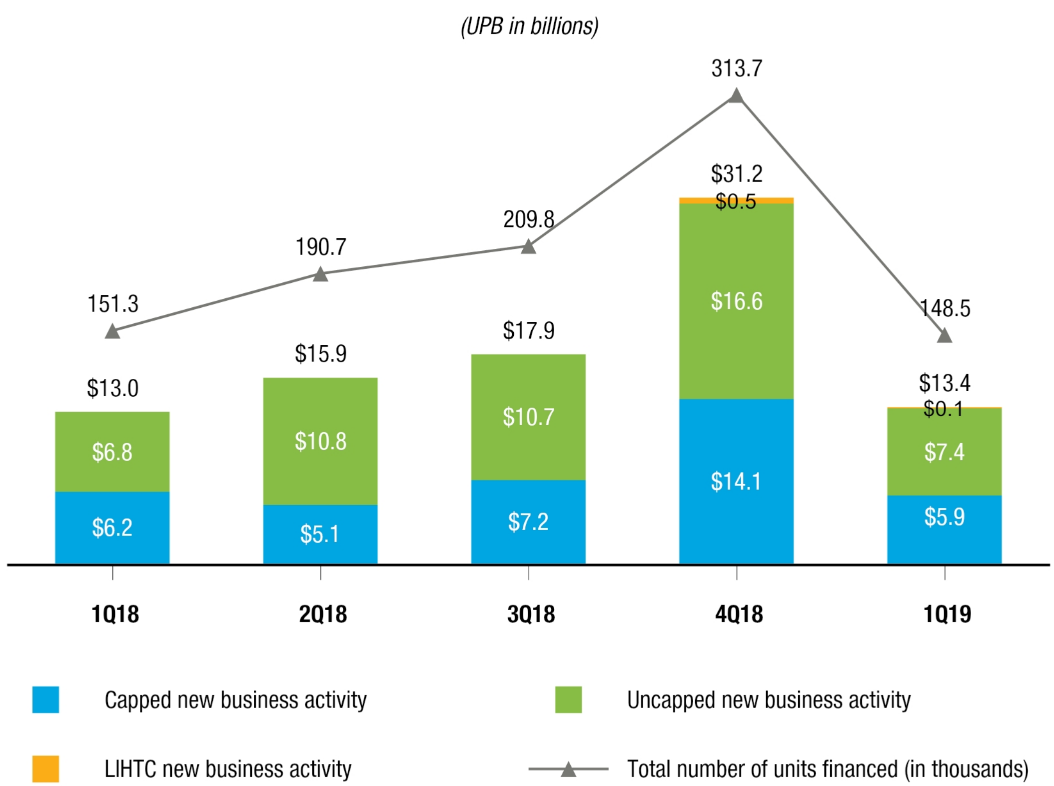
Multifamily

Business Results

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

New Business Activity

Multifamily New Business Activity



- The 2019 Conservatorship Scorecard annual production cap is $35.0 billion, unchanged from 2018. 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. Reclassifications between new business activity subject to the production cap and new business activity not subject to the production cap may occur during 2019.
- Outstanding commitments, including index lock commitments and commitments to purchase or guarantee multifamily assets, were $20.8 billion and $17.5 billion as of March 31, 2019 and March 31, 2018, respectively. Both period-end balances include loan purchase commitments for which we have elected the fair value option.
- The combination of our new business activity and outstanding commitments was higher during 1Q 2019 compared to 1Q 2018 due to continued strong demand for multifamily financing and healthy multifamily market fundamentals resulting in continued growth in the overall multifamily mortgage debt outstanding.
- Excluding our LIHTC new business activity, approximately 44% of our multifamily new business activity in 1Q 2019 counted towards the 2019 Conservatorship Scorecard production cap, while the remaining 56% was considered uncapped.
- Our uncapped new business activity increased slightly during 1Q 2019 compared to 1Q 2018 as we continued our efforts to support affordable housing and borrowers in underserved markets.
- Approximately 92% of our 1Q 2019 and 1Q 2018 new loan purchase activity was intended for our securitization pipeline. Combined with market demand for our securities, our 1Q 2019 new securitization pipeline purchase activity will be a driver for securitizations in the next two quarters of 2019.

Multifamily Portfolio and Market Support

Multifamily Market Support

The following table summarizes our support of the multifamily market.

Table 17 - Multifamily Market Support

(In millions)	March 31, 2019	December 31, 2018
Guarantee portfolio	$243,179	$237,323
Mortgage-related investments portfolio:		
Unsecuritized mortgage loans held-for-sale	$21,220	23,959
Unsecuritized mortgage loans held-for-investment	10,654	10,828
Mortgage-related securities[1]	7,140	7,385
Total mortgage-related investments portfolio	**39,014**	**42,172**
Other investments[2]	1,185	708
Total multifamily portfolio	**283,378**	**280,203**
Add: Unguaranteed securities[3]	36,570	35,835
Less: Acquired mortgage-related securities[4]	(6,925)	(7,160)
Total multifamily market support	**$313,023**	**$308,878**

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

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

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

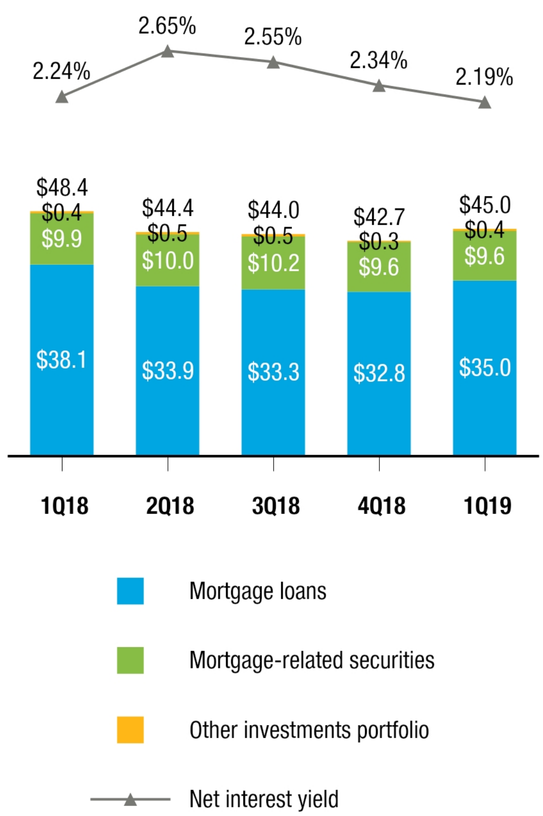
(4) Reflects the UPB of mortgage-related securities that were both issued as part of our securitizations and acquired by us. This UPB must be removed to avoid double-counting the exposure, as it is already reflected within the guarantee portfolio or unguaranteed securities.

- Our total multifamily portfolio increased during 1Q 2019, primarily due to our strong loan purchase and securitization activity. We expect continued growth in our total portfolio in 2019 as purchase and securitization activities should outpace run off.
- At March 31, 2019, approximately 81% of our held-for-sale loans and held-for-sale loan commitments, both of which are measured at fair value, were fixed-rate, while the remaining 19% were floating-rate.
- We expect our guarantee portfolio to continue to grow as a result of ongoing securitizations, which we expect to be driven by continued strong new business activity.

Net Interest Yield and K Certificate Benchmark Spreads

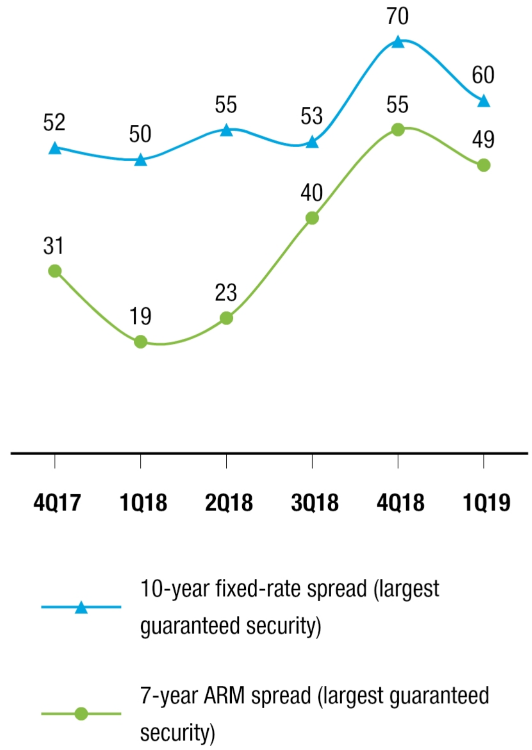
Net Interest Yield Earned & Average Investment Portfolio Balance

(Weighted average balance in billions)



K Certificate Benchmark Spreads

(In bps)

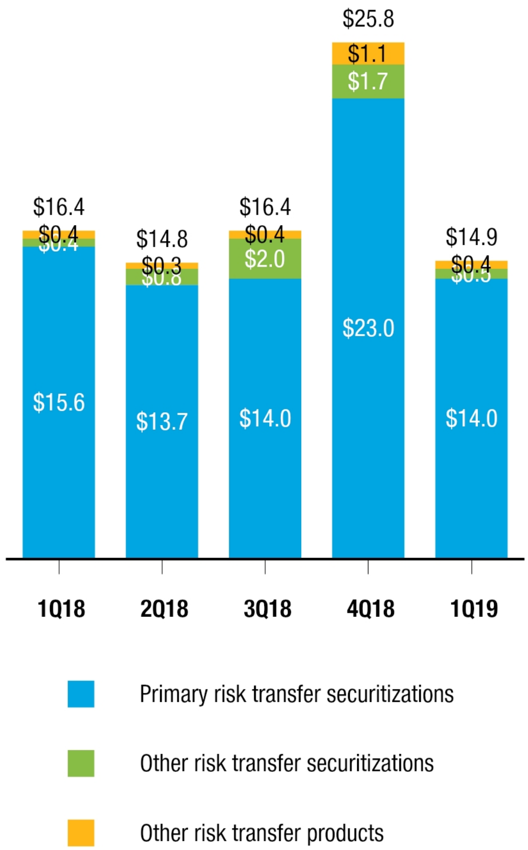


- Net interest yield remained relatively flat in 1Q 2019 compared to 1Q 2018.
- The weighted average portfolio balance of interest-earning assets decreased during 1Q 2019 compared to 1Q 2018 due to the run-off of our legacy held-for-investment loans.
- The valuation of our securitization pipeline and the profitability of our primary risk transfer securitization product, the K Certificate, are affected by both changes in K Certificate benchmark spreads and deal-specific attributes, such as tranche size, risk distribution, and collateral characteristics (loan term, coupon type, prepayment restrictions, and underlying property type). These market spread movements and deal-specific attributes contribute to our earnings volatility, which we manage by controlling the size of our securitization pipeline and by entering into certain spread-related derivatives. Spread tightening generally results in fair value gains, while spread widening generally results in fair value losses.
- K Certificate benchmark spreads tightened during 1Q 2019, primarily resulting in fair value gains on our mortgage loans and commitments.

Risk Transfer Activity

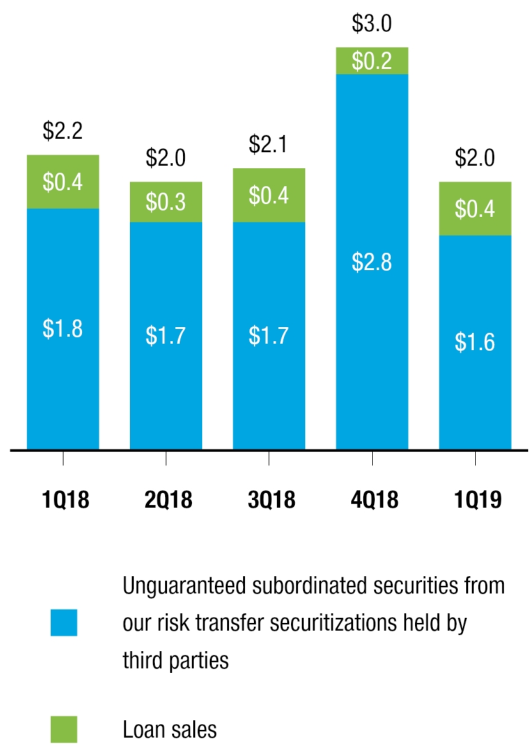
UPB of Assets Subject to Risk Transfer Activity

(UPB in billions)



Credit Risk Transfer Activity[(1)]

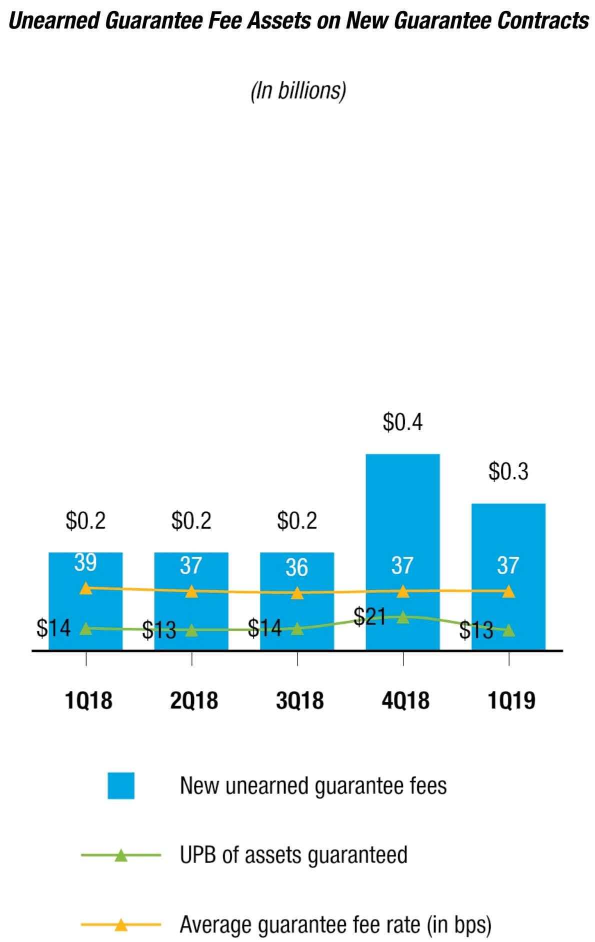
(UPB in billions)

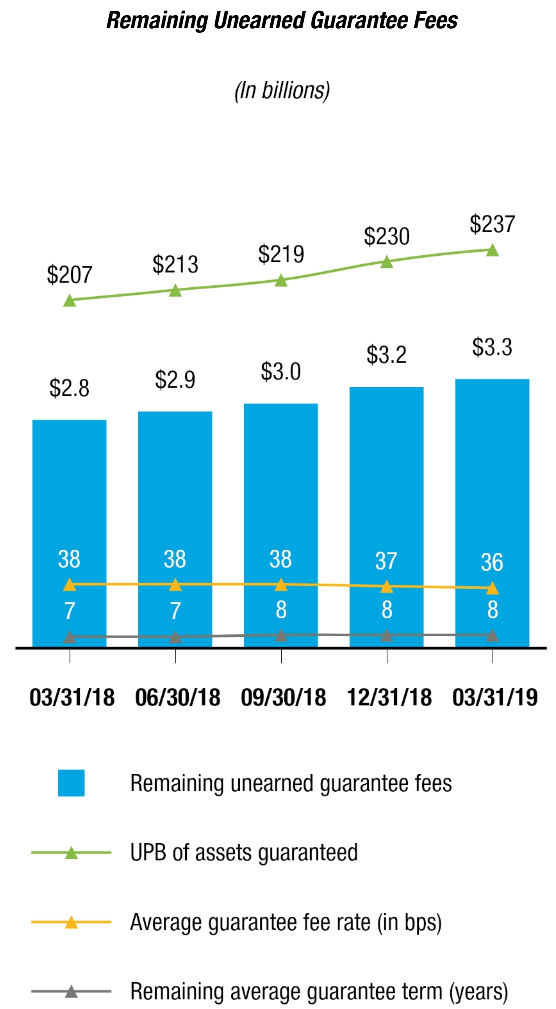


(1) The amounts disclosed in the graph above represent the net credit risk transferred to third parties.

- The UPB of our primary risk transfer securitization transactions was lower in 1Q 2019 compared to 1Q 2018, primarily due to a higher share of certain products in our securitization pipeline that require longer aggregation periods.
- As of March 31, 2019, we had cumulatively transferred a large majority of credit risk on the multifamily guarantee portfolio.
  - Conservatorship capital needed for credit risk was reduced by approximately 90% through CRT transactions on new business activity in the twelve months ended March 31, 2018; we plan similar risk reduction transactions for this year's new business activity.
  - The reduction in the amount of conservatorship capital needed for credit risk on new business activity is calculated as conservatorship credit capital released from CRT transactions (primarily through K Certificates and SB Certificates) divided by total conservatorship credit capital on new business activity. For more information on the CCF and the calculation of conservatorship capital, see **Liquidity and Capital Resources - *Capital Resources - Conservatorship Capital Framework - Return on Conservatorship Capital***.
- In addition to transferring a large majority of credit risk, nearly all of our risk transfer securitization activities also shifted substantially all the interest-rate and liquidity risk associated with the underlying collateral away from Freddie Mac to third-party investors.

Guarantee Activities





- We earn guarantee fees in exchange for providing our guarantee of some or all of the securities we issue as part of our risk transfer securitization activities. Each time we enter into a financial guarantee contract, we initially recognize unearned guarantee fee assets on our balance sheet, which represent the present value of future guarantee fees we expect to receive in cash. We recognize these fees in Segment Earnings over the remaining average guarantee term, which was eight years as of March 31, 2019. While we expect to collect these future fees based on historical performance, the actual amount collected will depend on the credit and prepayment performance of the underlying collateral subject to our financial guarantee.
- New unearned guarantee fees increased during 1Q 2019 compared to 1Q 2018, primarily due to a decline in interest rates and a longer average guarantee term, partially offset by a lower average guarantee fee rate.
- The balance of unearned guarantee fees increased during 1Q 2019 due to the continued growth of our multifamily guarantee business, as our risk transfer securitization volume continued to be strong, outpacing run off.

Financial Results

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

Table 18 - Multifamily Segment Financial Results

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Net interest income	$247	$271	($24)	(9)%
Guarantee fee income	216	195	21	11
Benefit (provision) for credit losses	(1)	16	(17)	(106)
Financial instrument gains (losses)(1)	(29)	161	(190)	(118)
Administrative expense	(112)	(100)	(12)	(12)
Other non-interest income (expense)	93	51	42	82
Segment Earnings before income tax expense	**414**	**594**	**(180)**	**(30)**
Income tax (expense) benefit	(84)	(121)	37	31
Segment Earnings, net of taxes	**330**	**473**	**(143)**	**(30)**
Total other comprehensive income (loss), net of tax	65	(68)	133	196
Total comprehensive income (loss)	**$395**	**$405**	**($10)**	**(2)%**

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

Key Business Drivers:

- **1Q 2019 vs. 1Q 2018**
  - Decrease in net interest income due to a decline in our weighted average portfolio balance of interest-earning assets, partially offset by higher net interest yields on an increased balance of interest-only securities.
  - Higher guarantee fee income due to continued growth in our multifamily guarantee portfolio.
  - Decrease in fair value gains primarily due to higher fair value losses on swaptions on credit indices and lower gains on available-for-sale securities, partially offset by spread-related fair value gains on held-for-sale loans and commitments in 1Q 2019.

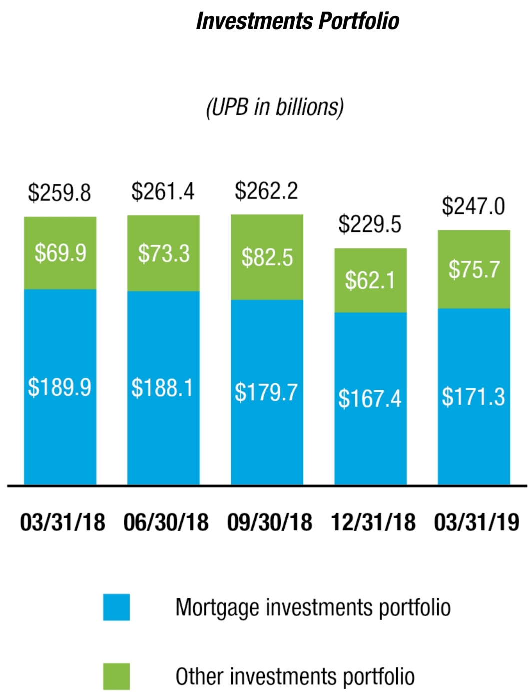
Capital Markets

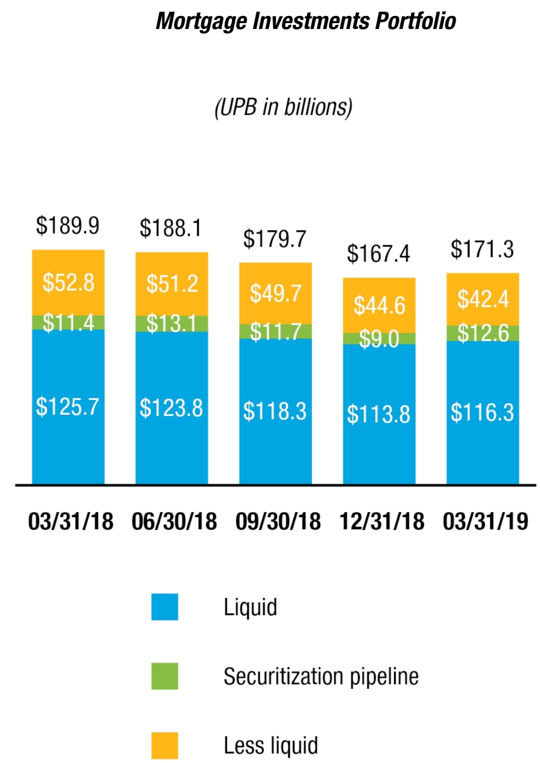
Business Results

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

Investing Activity

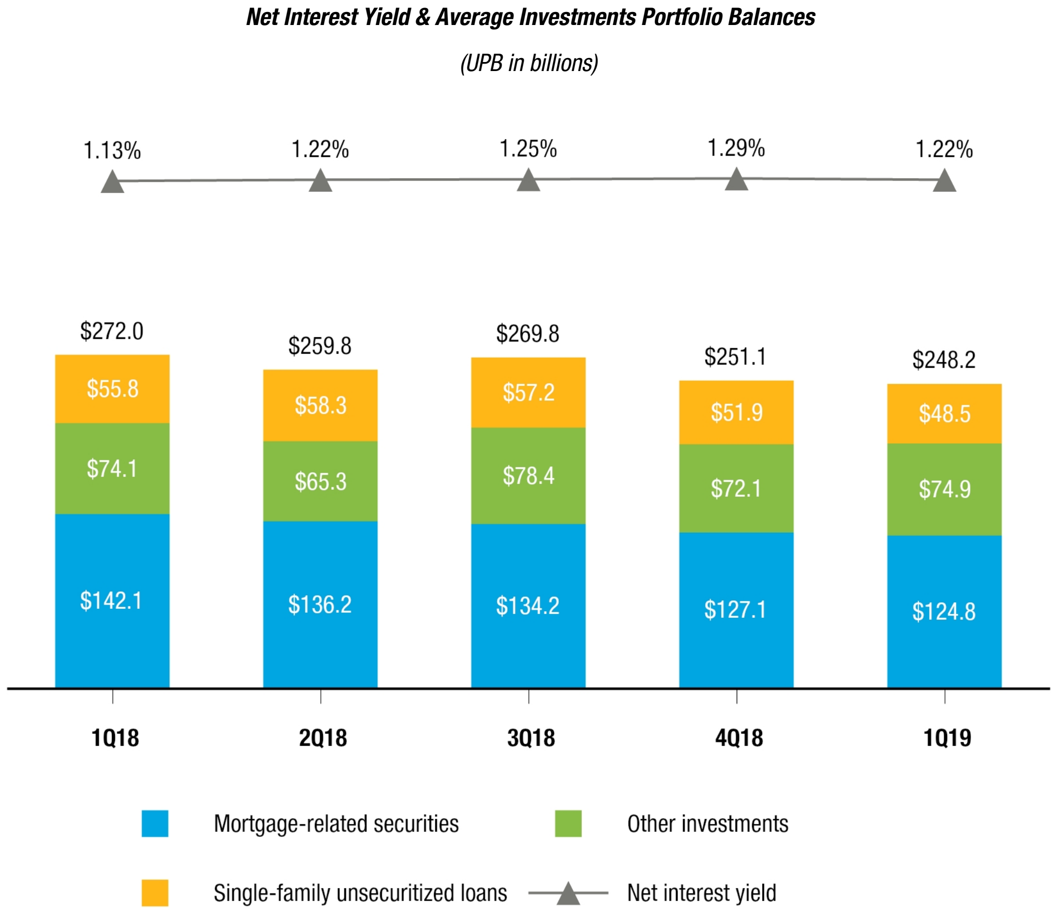
The following graphs present the Capital Markets segment's total investments portfolio and the composition of its mortgage investments portfolio by liquidity category.





- The balance of our mortgage investments portfolio remained relatively flat from December 31, 2018 to March 31, 2019. See **Conservatorship and Related Matters - *Managing Our Mortgage-Related Investments Portfolio*** for additional details.
- The balance of our other investments portfolio increased by 21.9%, primarily due to higher near-term cash needs as of March 31, 2019 compared to December 31, 2018 for upcoming maturities and anticipated calls of other debt.
- The percentage of less liquid assets relative to our total mortgage investments portfolio declined from 26.6% at December 31, 2018 to 24.8% at March 31, 2019, primarily due to repayments, sales, and securitizations of our less liquid assets. We continued to actively reduce our holdings of less liquid assets during 1Q 2019 by selling $2.1 billion of reperforming loans. Our sales of reperforming loans involved securitization of the loans using senior subordinate securitization structures.
- The overall liquidity of our mortgage investments portfolio continued to improve as our less liquid assets decreased while our liquid assets increased during 1Q 2019.
- We continue to participate in transactions that support the development of the Secured Overnight Financing Rate (SOFR) as an alternative rate to LIBOR. These transactions include investment in and issuance of SOFR indexed floating-rate debt securities and execution of SOFR indexed derivatives.

Net Interest Yield and Average Balances



- Net interest yield increased 9 basis points during 1Q 2019 compared to 1Q 2018, primarily due to:
  - Higher yields on newly acquired mortgage-related assets and other investments as a result of increases in interest rates;
  - Changes in our investment mix due to a reduction in our less liquid assets, offset by an increase in the percentage of our other investments portfolio relative to our total investments portfolio; and
  - Larger benefit from funding provided by non-interest bearing liabilities due to an increase in short-term interest 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 13** in our 2018 Annual Report for more information.

Financial Results

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

Table 19 - Capital Markets Segment Financial Results

			Change	
(Dollars in millions)	1Q 2019	1Q 2018	$	%
Net interest income	$758	$771	($13)	(2)%
Investment securities gains (losses)	195	37	158	427
Debt gains (losses)	(7)	105	(112)	(107)
Derivative gains (losses)	(667)	1,302	(1,969)	(151)
Other non-interest income (expense)	236	(37)	273	738
Administrative expense	(92)	(84)	(8)	(10)
Segment Earnings before income tax expense	**423**	**2,094**	**(1,671)**	**(80)**
Income tax (expense) benefit	(86)	(427)	341	80
Segment Earnings, net of taxes	**337**	**1,667**	**(1,330)**	**(80)**
Total other comprehensive income (loss), net of tax	197	(704)	901	128
Total comprehensive income (loss)	**$534**	**$963**	**($429)**	**(45)%**

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

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

			Change	
(Dollars in billions)	1Q 2019	1Q 2018	$	%
Interest rate-related	$0.1	$—	$0.1	N/A
Market spread-related	—	0.2	(0.2)	(100)

Key Business Drivers:

- **1Q 2019 vs. 1Q 2018**
  - Net interest income was relatively unchanged.
  - Relatively flat interest rate-related fair value gains. Long-term interest rates decreased during 1Q 2019, resulting in fair value gains on many of our investments in securities (some of which are recorded in other comprehensive income) and fair value losses on derivatives. The net amount of these changes in fair value was mostly offset by the change in the fair value of the hedged items attributable to interest-rate risk in our hedge accounting programs.
  - Lower spread related gains primarily due to spread widening on our agency securities combined with less spread tightening on a lower balance of our non-agency securities.
  - Decrease in debt gains (losses) primarily due to lower gains from the extinguishment of fixed-rate PCs, as market interest rates declined between the time of issuance and repurchase.
  - Increase in non-interest income primarily due to the mismatch related to fair value hedge accounting, partially offset by lower amortization of debt securities of consolidated trusts driven by lower prepayments.

RISK MANAGEMENT

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

For more discussion of these and other risks facing our business and our enterprise risk framework, see **MD&A - Risk Management** and **Risk Factors** in our 2018 Annual Report and **Liquidity and Capital Resources** in this report and in our 2018 Annual Report. See below for updates since our 2018 Annual Report.

Market Risk

Overview

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

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

Interest-Rate Risk

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

In 1Q 2019, we changed the name of the Portfolio Market Value Sensitivity (PMVS) metrics to Portfolio Value Sensitivity (PVS). We removed "market" from these metrics as we economically hedge the present value of cash flows, which may not necessarily be the fair value of an instrument.

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

	March 31, 2019			December 31, 2018		
	PVS-YC	PVS-L		PVS-YC	PVS-L	
(In millions)	25 bps	50 bps	100 bps	25 bps	50 bps	100 bps
Assuming shifts of the LIBOR yield curve, (gains) losses on:[1]						
Assets:						
Investments	($447)	$5,377	$11,076	($536)	$5,792	$11,761
Guarantees[2]	103	(576)	(1,072)	89	(425)	(773)
Total Assets	**(344)**	**4,801**	**10,004**	**(447)**	**5,367**	**10,988**
Liabilities	(101)	(1,613)	(3,411)	(109)	(1,889)	(3,948)
Derivatives	467	(3,146)	(6,474)	560	(3,446)	(6,917)
Total	**$22**	**$42**	**$119**	**$4**	**$32**	**$123**
PVS	**$22**	**$42**	**$119**	**$4**	**$32**	**$123**

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

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

Table 22 - Duration Gap and PVS Results

	1Q 2019			1Q 2018		
(Duration gap in months, **dollars in millions**)	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps	Duration Gap	PVS-YC 25 bps	PVS-L 50 bps
Average	0.1	$10	$15	—	$9	$8
Minimum	(0.2)	—	—	(0.3)	—	—
Maximum	0.4	30	46	0.2	24	30
Standard deviation	0.1	8	15	0.1	5	8

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

Table 23 - PVS-L Results Before Derivatives and After Derivatives

	PVS-L (50 bps)		
(In millions)	Before Derivatives	After Derivatives	Effect of Derivatives
March 31, 2019	$3,188	$42	($3,146)
December 31, 2018	3,478	32	(3,446)

We plan to update our interest-rate risk measures in the second quarter of 2019 to include upfront fees (including buy-downs) related to single-family credit guarantee activity as we have changed our strategy to incorporate upfront fees into our asset and liability interest-rate risk management strategy and definition. Upon incorporation, this update will reflect that the present value of upfront fees related to single-family credit guarantee activity decreases (increases) when interest rates increase (decrease). The update will materially increase our duration gap and PVS results in the short-term until we have fully economically hedged upfront fees.

We are also considering modifying our interest-rate risk measures to include net worth, which is not currently incorporated in our asset and liability interest-rate risk management strategy and definition. If this update was included, it would reflect that we view net worth as having long-term duration rather than short-term duration, and that the present value of net worth therefore increases (decreases) when interest rates increase (decrease).

GAAP Earnings Variability

The GAAP accounting treatment for our financial assets and liabilities (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our GAAP earnings when interest rates and spreads change. This variability of GAAP earnings, which may not reflect the economics of our business, increases the risk of our having a negative net worth and thus being required to draw from Treasury. Although we manage our business on an economic basis, we may execute certain transactions on a non-economic basis in an effort to manage our spread and interest-rate risks.

Interest-Rate Volatility

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, our GAAP financial results are still subject to significant earnings variability from period to period. Based upon the composition of our financial assets and liabilities, including derivatives, at March 31, 2019, we generally recognize fair value losses in GAAP earnings when interest rates decline.

In an effort to reduce our GAAP earnings variability and better align our GAAP results with the economics of our business, we elect hedge accounting for certain single-family mortgage loans and certain debt instruments. See **Note 9** for additional information on hedge accounting.

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

Table 24 - Estimated Net Interest Rate Effect on Comprehensive Income (Loss)

(In billions)	1Q 2019	1Q 2018
Interest-rate effect on derivative fair values	($2.2)	$3.1
Estimate of offsetting interest-rate effect related to financial instruments measured at fair value[(1)]	1.2	(1.9)
Gains (losses) on mortgage loans and debt in fair value hedge relationships	1.1	(1.3)
Amortization of deferred hedge accounting gains and losses	—	—
Income tax (expense) benefit	—	—
Estimated net interest rate effect on comprehensive income (loss)	**$0.1**	**($0.1)**

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

The effect from the change in interest rates on derivative fair values is mostly offset by the effect from the change in interest rates related to financial instruments measured at fair value and gains and losses on mortgage loans and debt in fair value hedging relationships. The remaining net interest-rate effect on comprehensive income is largely attributable to the reversal of previously recognized derivative gains and losses and the implied net cost on instruments such as swaptions, futures, and forward purchase and sale commitments from our hedging and interest-rate risk management activities. These remaining effects are recognized in GAAP earnings over time as a component of derivative gains and losses as the instruments approach maturity and are partially offset by the amortization of previously deferred hedge accounting gains and losses.

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

- At March 31, 2019, the GAAP adverse scenario before fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points, while the adverse scenario after fair value hedge accounting was a non-parallel shift in which long-term rates increase by 100 basis points.
- At March 31, 2018, the GAAP adverse scenario before and after fair value hedge accounting was a non-parallel shift in which long-term rates decrease by 100 basis points.

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

Table 25 - GAAP Adverse Scenario Before and After Hedge Accounting

	GAAP Adverse Scenario (Before-Tax)		
(Dollars in billions)	Before Hedge Accounting	After Hedge Accounting	% Change
March 31, 2019	($2.1)	($0.2)	89%
March 31, 2018	(3.3)	(0.6)	83

Hedge accounting is designed to reduce the impact to GAAP earnings in the adverse scenario described above. However, the after hedge accounting impact may not always result in an improvement over the before hedge accounting impact. For example, there are certain interest-rate scenarios in which the after hedge accounting impact would result in a lower gain or a larger loss than the before hedge accounting impact. We expect that our GAAP adverse scenario after hedge accounting reduction will decrease due to the additional hedging of upfront fees.

Spread Volatility

We have limited ability to manage our spread risk exposure in a cost beneficial manner, and therefore the volatility of market spreads may contribute to significant GAAP earnings variability. For financial assets measured at fair value, we generally recognize fair value losses when market spreads widen. Conversely, for financial liabilities measured at fair value, we generally recognize fair value gains when market spreads widen. The table below shows the estimated effect of spreads on our comprehensive income (loss), after tax, by segment.

Table 26 - Estimated Spread Effect on Comprehensive Income (Loss)

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

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

LIQUIDITY AND CAPITAL RESOURCES

Our business activities require that we maintain adequate liquidity to meet our financial obligations as they come due and meet the needs of customers in a timely and cost-efficient manner. We also must maintain adequate capital resources to avoid being placed into receivership by FHFA. For further discussion of our liquidity framework and profile, see **MD&A - Liquidity and Capital Resources** in our 2018 Annual Report.

Liquidity

Primary Sources of Liquidity

The following table lists the sources of our liquidity, the balances as of March 31, 2019, and a brief description of their importance to Freddie Mac.

Table 27 - Sources of Liquidity

Source	Balance[(1)] (In billions)	Description
Liquidity		
• Other Investments Portfolio - Liquidity and Contingency Operating Portfolio	$54.6	• The liquidity and contingency operating portfolio, included within our other investments portfolio, is primarily used for short-term liquidity management.
• Liquid Portion of the Mortgage-Related Investments Portfolio	$122.7	• The liquid portion of our mortgage-related investments portfolio can be pledged or sold for liquidity purposes. The amount of cash we may be able to successfully raise may be substantially less than the balance.

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

Other Investments Portfolio

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

Table 28 - Other Investments Portfolio

	March 31, 2019				December 31, 2018			
(In billions)	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio	Liquidity and Contingency Operating Portfolio	Custodial Account	Other	Total Other Investments Portfolio
Cash and cash equivalents	$5.5	$0.7	$—	$6.2	$6.7	$0.6	$—	$7.3
Securities purchased under agreements to resell	34.7	13.5	1.9	50.1	20.2	12.1	2.5	34.8
Non-mortgage related securities	14.4	—	3.1	17.5	16.8	—	2.4	19.2
Secured lending and other	—	—	3.2	3.2	—	—	1.8	1.8
Total	**$54.6**	**$14.2**	**$8.2**	**$77.0**	**$43.7**	**$12.7**	**$6.7**	**$63.1**

Our non-mortgage-related investments in the liquidity and contingency operating portfolio consist of U.S. Treasury securities and other investments that we could sell to provide us with an additional source of liquidity to fund our business operations. We also maintain non-interest-bearing deposits at the Federal Reserve Bank of New York and interest-bearing deposits at commercial banks. Our interest-bearing deposits at commercial banks totaled $3.0 billion and $1.5 billion as of March 31, 2019 and December 31, 2018, respectively.

The liquidity and contingency operating portfolio also included collateral posted to us in the form of cash primarily by derivatives counterparties of $2.3 billion and $3.0 billion as of March 31, 2019 and December 31, 2018, respectively. We have invested this collateral in securities purchased under agreements to resell and non-mortgage-related securities as part of our liquidity and contingency operating portfolio, although the collateral may be subject to return to our counterparties based on the terms of our master netting and collateral agreements.

Mortgage Loans and Mortgage-Related Securities

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

Primary Sources of Funding

The following table lists the sources and balances of our funding as of March 31, 2019 and a brief description of their importance to Freddie Mac.

Table 29 - Sources of Funding

Source	Balance[1] (In billions)	Description
Funding		
• Other Debt	$272.1	• Other debt is used to fund our business activities, including single-family guarantee activities not funded by debt securities of consolidated trusts.
• Debt Securities of Consolidated Trusts	$1,803.7	• Debt securities of consolidated trusts are used primarily to fund our single-family guarantee activities. This type of debt is principally repaid by the cash flows of the associated mortgage loans. As a result, our repayment obligation is limited to amounts paid pursuant to our guarantee of principal and interest and purchasing modified or seriously delinquent loans from the trusts.

(1) Represents UPB of debt balances.

Other Debt Activities

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

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

Table 30 - Other Debt Activity

	1Q 2019				1Q 2018			
(Dollars in millions)	Short-term	Average Rate(1)	Long-term	Average Rate(1)	Short-term	Average Rate(1)	Long-term	Average Rate(1)
Discount notes and Reference Bills®								
Beginning balance	$28,787	2.36%	$—	—%	$45,717	1.19%	$—	—%
Issuances	94,886	2.34	—	—	74,116	1.29	—	—
Repurchases	—	—	—	—	—	—	—	—
Maturities	(77,819)	2.28	—	—	(92,875)	1.21	—	—
Ending Balance	**45,854**	**2.46**	**—**	**—**	**26,958**	**1.40**	**—**	**—**
Securities sold under agreements to repurchase								
Beginning balance	6,019	2.40	—	—	9,681	1.06	—	—
Additions	50,157	2.45	—	—	41,794	1.32	—	—
Repayments	(41,214)	2.43	—	—	(41,730)	1.24	—	—
Ending Balance	**14,962**	**2.50**	**—**	**—**	**9,745**	**1.38**	**—**	**—**
Callable debt								
Beginning balance	2,000	2.53	105,206	2.09	—	—	113,822	1.58
Issuances	—	—	14,120	2.99	—	—	5,551	2.82
Repurchases	—	—	—	—	—	—	(554)	2.13
Calls	(2,000)	2.78	(14,171)	3.10	—	—	(892)	1.97
Maturities	—	—	(3,681)	1.23	—	—	(4,375)	1.05
Ending Balance	**—**	**—**	**101,474**	**2.10**	**—**	**—**	**113,552**	**1.66**
Non-callable debt								
Beginning balance	14,440	2.04	80,789	2.56	17,792	1.03	111,169	2.11
Issuances	8,119	2.43	—	—	1,825	1.44	6,490	1.84
Repurchases	—	—	(221)	1.50	—	—	—	—
Maturities	(6,050)	1.87	(4,872)	2.89	(2,005)	0.77	(23,914)	0.77
Ending Balance	**16,509**	**2.29**	**75,696**	**2.62**	**17,612**	**1.12**	**93,745**	**2.42**
STACR and SCR Debt(2)								
Beginning balance	—	—	17,729	6.02	—	—	17,925	5.04
Issuances	—	—	280	2.48	—	—	1,885	3.67
Repurchases	—	—	—	—	—	—	—	—
Maturities	—	—	(412)	4.65	—	—	(491)	3.67
Ending Balance	**—**	**—**	**17,597**	**6.17**	—	—	**19,319**	**5.22**
Total other debt	**$77,325**	**2.43%**	**$194,767**	**2.67%**	**$54,315**	**1.31%**	**$226,616**	**2.28%**

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

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

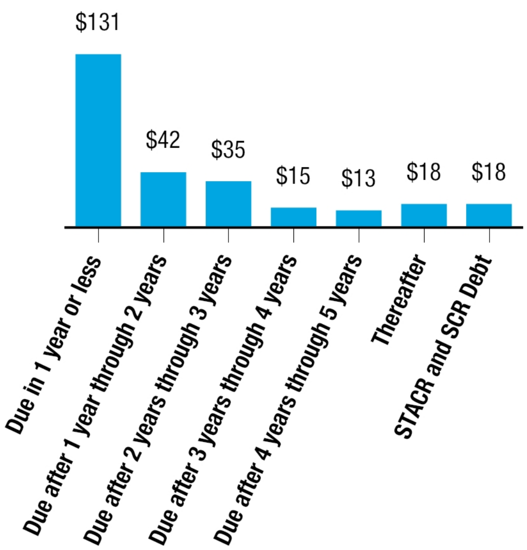
Our outstanding other debt balance decreased during 1Q 2019 compared to 1Q 2018, primarily driven by the decline of our long-term debt as we have reduced our indebtedness along with the decline in our mortgage-related investments portfolio. The decrease was offset by issuances of short-term debt for upcoming maturities and anticipated calls. In addition, STACR debt should continue to decline as run off will primarily be replaced with STACR Trust transactions.

Maturity and Redemption Dates

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

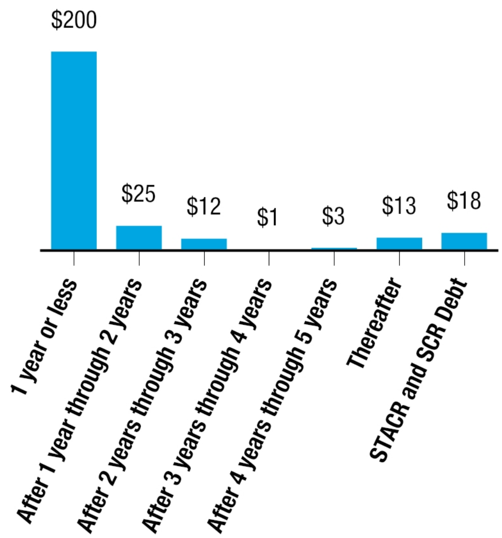
Contractual Maturity Date as of March 31, 2019[1]

(Par value in billions)



Earliest Redemption Date as of March 31, 2019[1]

(Par value in billions)



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

Debt Securities of Consolidated Trusts

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

- The assets held by the securitization trusts, the majority of which are mortgage loans. We recognized $1,858.1 billion and $1,842.9 billion of mortgage loans, which represented 88.8% and 89.3% of our total assets, as of March 31, 2019 and December 31, 2018, respectively.
- The debt securities issued by the securitization trusts, the majority of which are PCs. PCs 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 PCs. We recognized $1,803.7 billion and $1,792.7 billion of debt securities of consolidated trusts, which represented 87.0% and 87.7% of our total debt, as of March 31, 2019 and December 31, 2018, respectively.

Debt securities of consolidated trusts are principally repaid from the cash flows of the mortgage loans held by the securitization trusts that issued the debt securities. In circumstances when the cash flows of the mortgage loans are not sufficient to repay the debt, we make up the shortfall because we have guaranteed the payment of principal and interest on the debt. In certain circumstances, we have the right and/or obligation to purchase the loan from the trust prior to its contractual maturity.

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

Table 31 - Activity for Debt Securities of Consolidated Trusts Held by Third Parties

(In millions)	1Q 2019	1Q 2018
Beginning balance	$1,748,738	$1,672,605
Issuances:		
New issuances to third parties	43,604	37,316
Additional issuances of securities	27,832	40,200
Total issuances	**71,436**	**77,516**
Extinguishments:		
Purchases of debt securities from third parties	(6,015)	(8,828)
Debt securities received in settlement of secured lending	(5,947)	(4,725)
Repayments of debt securities	(48,185)	(56,600)
Total extinguishments	**(60,147)**	**(70,153)**
Ending balance	**1,760,027**	**1,679,968**
Unamortized premiums and discounts	43,680	47,001
Debt securities of consolidated trusts held by third parties	**$1,803,707**	**$1,726,969**

Cash Flows

Cash and cash equivalents (including restricted cash and cash equivalents) decreased by $2.4 billion from $8.6 billion as of 1Q 2018 to $6.2 billion as of 1Q 2019, primarily driven by an increase in securities purchased under agreements to resell during 1Q 2019 due to higher near-term cash needs for upcoming maturities and higher anticipated calls of other debt. The decrease in cash and cash equivalents (including restricted cash and cash equivalents) was partially offset by an increase in proceeds from the issuance of short-term debt for upcoming maturities and anticipated calls.

Capital Resources

Primary Sources of Capital

The following table lists the sources and balances of our capital as of March 31, 2019 and a brief description of their importance to Freddie Mac.

Table 32 - Sources of Capital

Source	Balance[1] (In billions)	Description
Capital		
• Net Worth	$4.7	• GAAP net worth represents capital available prior to our dividend requirement to Treasury under the Purchase Agreement.
• Available Funding under Purchase Agreement	$140.2	• FHFA may request draws on our behalf from Treasury up to the amount of available funding under the Purchase Agreement.

(1) Represents carrying value of net worth.

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. At March 31, 2019, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. Based on our Net Worth Amount of $4.7 billion and the applicable Capital Reserve Amount of $3.0 billion, our dividend requirement to Treasury in June 2019 will be $1.7 billion. See **Note 2** for details of the support we receive from Treasury.

The table below presents activity related to our net worth during 1Q 2019 and 1Q 2018.

Table 33 - Net Worth Activity

(In millions)	1Q 2019	1Q 2018
Beginning balance	$4,477	($312)
Comprehensive income (loss)	1,665	2,150
Capital draw from Treasury	—	312
Senior preferred stock dividends declared	(1,477)	—
Total equity / net worth	**$4,665**	**$2,150**
Aggregate draws under Purchase Agreement	$71,648	$71,648
Aggregate cash dividends paid to Treasury	118,015	112,393

Conservatorship Capital Framework

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

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

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

Under the Purchase Agreement, we are not able to retain total equity, as calculated under GAAP, in excess of the $3.0 billion Capital Reserve Amount. As a result, we do not have capital sufficient to support our aggregate risk-taking activities. Instead, we rely upon the Purchase Agreement to maintain market confidence.

Return on Conservatorship Capital

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

All conservatorship capital figures presented below are based on the CCF in effect as of March 31, 2019. The CCF has been and may be further revised by FHFA from time to time, and may be revised specifically in connection with FHFA's consideration and adoption of a final Enterprise Capital Rule, which could possibly result in material changes in our conservatorship capital.

The ROCC shown in the table below is not based on our total equity and does not reflect actual returns on total equity. We do not believe that returns on total equity are meaningful because of the current $3.0 billion limit on the amount of total equity that we are able to retain under the Purchase Agreement.

Table 34 - Return on Conservatorship Capital

(Dollars in billions)	1Q 2019	1Q 2018
Comprehensive income	$1.7	$2.2
Conservatorship capital (average during the period)[(1)]	52.4	58.5
ROCC, based on comprehensive income	12.7%	14.7%

(1) Prior period conservatorship capital results have been revised to include capital for deferred tax assets.

Our 1Q 2019 ROCC decreased compared to the 1Q 2018 ROCC, driven by the decrease in comprehensive income in 1Q 2019, partially offset by the lower level of conservatorship capital needed in 1Q 2019, resulting from the increasing CRT activity in both our Single-family Guarantee and Multifamily segments, home price appreciation, and the efficient disposition of legacy assets.

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

OFF-BALANCE SHEET ARRANGEMENTS

We enter into certain off-balance sheet arrangements related to our securitization activities involving guaranteed loans and mortgage-related securities, though most of our securitization activities are on-balance sheet. For a description of our off-balance sheet arrangements, see **MD&A - Off-Balance Sheet Arrangements** in our 2018 Annual Report. See **Note 3** and **Note 5** for more information on our off-balance sheet securitization and guarantee activities.

Our maximum potential off-balance sheet exposure to credit losses relating to these securitization activities and guarantees is primarily represented by the UPB of the underlying loans and securities, which was $262.9 billion and $254.9 billion at March 31, 2019 and December 31, 2018, respectively.

CONSERVATORSHIP AND RELATED MATTERS

Managing Our Mortgage-Related Investments Portfolio

The table below presents the UPB of our mortgage-related investments portfolio. In February 2019, FHFA directed us to maintain this portfolio at or below $225 billion at all times.

Table 35 - Mortgage-Related Investments Portfolio Details

	March 31, 2019				December 31, 2018			
(Dollars in millions)	Liquid	Securitiz-ation Pipeline	Less Liquid	Total	Liquid	Securitiz-ation Pipeline	Less Liquid	Total
Capital Markets segment - Mortgage investments portfolio:								
Single-family unsecuritized loans								
Performing loans	$—	$12,591	$—	$12,591	$—	$8,955	$—	$8,955
Reperforming loans	—	—	37,400	37,400	—	—	39,402	39,402
Total single-family unsecuritized loans	**—**	**12,591**	**37,400**	**49,991**	**—**	**8,955**	**39,402**	**48,357**
Freddie Mac mortgage-related securities	112,477	—	2,962	115,439	109,880	—	3,108	112,988
Non-agency mortgage-related securities	—	—	2,069	2,069	—	—	2,122	2,122
Other Non-Freddie Mac agency mortgage-related securities	3,830	—	—	3,830	3,968	—	—	3,968
Total Capital Markets segment - Mortgage investments portfolio	**116,307**	**12,591**	**42,431**	**171,329**	**113,848**	**8,955**	**44,632**	**167,435**
Single-family Guarantee segment - Single-family unsecuritized seriously delinquent loans	—	—	8,597	8,597	—	—	8,473	8,473
Multifamily segment:								
Unsecuritized loans	—	20,455	11,419	31,874	—	23,203	11,584	34,787
Mortgage-related securities	6,357	—	783	7,140	6,570	—	815	7,385
Total Multifamily segment	**6,357**	**20,455**	**12,202**	**39,014**	**6,570**	**23,203**	**12,399**	**42,172**
Total mortgage-related investments portfolio	**$122,664**	**$33,046**	**$63,230**	**$218,940**	**$120,418**	**$32,158**	**$65,504**	**$218,080**
Percentage of total mortgage-related investments portfolio	56%	15%	29%	100%	55%	15%	30%	100%

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

- Sales of $2.1 billion in UPB of single-family reperforming loans;
- Securitizations of $0.2 billion in UPB of less liquid multifamily loans; and
- Transfers of $0.5 billion in UPB of less liquid multifamily loans to the securitization pipeline.

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. On April 15, 2019, Mark Calabria was sworn in as the next Director of FHFA.

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.

Affordable Housing Goals

In March 2019, we filed our Annual Housing Activities Report with FHFA. For 2018, we have determined that we achieved all five of our single-family affordable housing goal benchmarks and all three of our multifamily affordable housing goals.

FHFA will make the final determination as to whether we achieved compliance with our housing goals for 2018.

Duty to Serve

The GSE Act and FHFA regulation establish a duty for us to facilitate a secondary mortgage market for mortgages on housing for very low-, low-, and moderate-income families in three underserved markets: manufactured housing, affordable housing preservation, and rural areas. We are providing leadership in developing products, purchasing loans, supporting outreach to communities, and making investments in support of our duty to serve. In March 2019, we submitted our first annual report containing information on activities and objectives undertaken during 2018. FHFA will use this report to evaluate our 2018 performance under our underserved markets plan for 2018-2020.

Affordable Housing Fund Allocations

The GSE Act requires us to set aside in each fiscal year an amount equal to 4.2 basis points of each dollar of total new business purchases, and pay this amount to certain housing funds. In April 2019, at the direction of FHFA, we paid the funds allocated for 2018 through the following payments: $105.1 million to the Housing Trust Fund administered by HUD and $56.5 million to the Capital Magnet Fund administered by Treasury.

During 1Q 2019, we completed $83 billion of new business purchases subject to this requirement and accrued $35 million of related expense. We are prohibited from passing through these costs to the originators of the loans that we purchase.

Legislative and Regulatory Developments

Presidential Memorandum on Federal Housing Finance Reform

On March 27, 2019, President Trump issued a memorandum on federal housing finance reform. The President directed the Secretary of the Treasury to develop a plan for administrative and legislative reforms as soon as practicable to achieve housing reform goals that include the following: ending the conservatorships of the GSEs; facilitating competition in the housing finance market; establishing regulation of the GSEs that safeguards their safety and soundness and minimizes the risks they pose to the financial stability of the United States; and providing that the federal government is properly compensated for any explicit or implicit support it provides to the GSEs.

The President further directed that Treasury's plan include reform proposals to: preserve access for qualified homebuyers to 30 year fixed-rate mortgages and other mortgage options that best serve the financial needs of potential homebuyers; maintain equal access to the federal housing finance system for all lenders; establish appropriate capital and liquidity requirements for the GSEs; increase competition and participation of the private sector in the mortgage market; mitigate the risks undertaken by the GSEs; recommend appropriate size and risk profiles for the GSEs' retained mortgage and investment portfolios; define the role of the GSEs in multifamily mortgage finance; evaluate the GSEs' exemption from certain requirements of the "qualified mortgage" determination; define the GSEs' role in promoting affordable housing; and set the conditions necessary for the termination of the conservatorships, including that the federal government is fully compensated for the explicit and implicit guarantees provided to the GSEs or any successor entities, the GSEs' activities are restricted to their core statutory mission and the size of their investment and retained portfolios is appropriately limited, and the GSEs are subjected to heightened prudential requirements and safety and soundness standards, including increased capital requirements.

UMBS Update

On March 5, 2019, FHFA published in the Federal Register a final rule on the UMBS that requires Freddie Mac and Fannie Mae to align programs, policies, and practices that affect the cash flows of TBA-eligible mortgage-backed securities. This rule will be effective on May 6, 2019.

On March 7, 2019, SIFMA announced that its TBA Guidelines Advisory Council approved changes to the good delivery guidelines to enable TBA-trading of UMBS with trade dates on or after March 12, 2019 and settlement dates on or after June 3, 2019. UMBS issued by either Freddie Mac or Fannie Mae will be deliverable into TBA contracts for settlement starting June 3, 2019. In conjunction with these announcements, forward trading has begun for June 2019 settlement into UMBS.

Beginning on May 7, 2019, we plan to offer holders of certain existing 45-day payment delay fixed-rate Gold PCs and Giant PCs the option to exchange their eligible 45-day securities for 55-day payment delay Freddie Mac securities. Freddie Mac will no longer issue Gold PCs with a 45-day payment delay after May 31, 2019.

FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, the news media, securities analysts, and others as part of our normal operations. Some of these communications, including this Form 10-Q, contain "forward-looking statements." Examples of forward-looking statements include, but are not limited to, statements pertaining to the conservatorship, our current expectations and objectives for the Single-family Guarantee, Multifamily, and Capital Markets segments of our business, our efforts to assist the housing market, our liquidity and capital management, economic and market conditions and trends, our market share, the effect of legislative and regulatory developments and new accounting guidance, the credit quality of loans we own or guarantee, the costs and benefits of our CRT transactions, and our results of operations and financial condition on a GAAP, Segment Earnings, and fair value basis. Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond our control. Forward-looking statements are often accompanied by, and identified with, terms such as "could," "may," "will," "believe," "expect," "anticipate," "forecast," and similar phrases. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates, and projections. Actual results may differ significantly from those described in or implied by such forward-looking statements due to various factors and uncertainties, including those described in the **Risk Factors** section of our 2018 Annual Report, and:

- The actions the U.S. government (including FHFA, Treasury, and Congress) may take, or require us to take, including to support the housing markets or to implement FHFA's Conservatorship Scorecards and other objectives for us;
- The effect of the restrictions on our business due to the conservatorship and the Purchase Agreement, including our dividend requirement on the senior preferred stock;
- Changes in our Charter or in applicable legislative or regulatory requirements (including any legislation affecting the future status of our company);
- Changes in the fiscal and monetary policies of the Federal Reserve, including the balance sheet normalization program to reduce the Federal Reserve's holdings of mortgage-related securities;
- Changes in tax laws;
- Changes in accounting policies, practices, or guidance (e.g., FASB's accounting standards update related to the measurement of credit losses of financial instruments);
- Changes in economic and market conditions, including changes in employment rates, interest rates, spreads, and home prices;
- Changes in the U.S. residential mortgage market, including changes in the supply and type of loan products (e.g., refinance vs. purchase and fixed-rate vs. ARM);
- The success of our efforts to mitigate our losses on our legacy and relief refinance single-family loan portfolio;
- The success of our strategy to transfer mortgage credit risk through STACR debt note, STACR Trust, ACIS, K Certificate, SB Certificate, and other CRT transactions;
- Our ability to maintain adequate liquidity to fund our operations;
- Our ability to maintain the security and resiliency of our operational systems and infrastructure, including against cyberattacks;
- Our ability to effectively execute our business strategies, implement new initiatives, and improve efficiency;
- The adequacy of our risk management framework, including the adequacy of the CCF for measuring risk;
- Our ability to manage mortgage credit risk, including the effect of changes in underwriting and servicing practices;
- Our ability to limit or manage our economic exposure and GAAP earnings exposure to interest-rate volatility and spread volatility, including the availability of derivative financial instruments needed for interest-rate risk management purposes;
- Our operational ability to issue new securities, make timely and correct payments on securities, and provide initial and ongoing disclosures;
- Our reliance on CSS and the CSP for the operation of the majority of our single-family securitization activities;
- Changes or errors in the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks;
- Changes in investor demand for our debt or mortgage-related securities, as well as market acceptance of the UMBS;
- Changes in the practices of loan originators, servicers, investors, and other participants in the secondary mortgage market;
- The occurrence of a major natural or other disaster in areas in which our offices or significant portions of our total mortgage portfolio are located; and
- Other factors and assumptions described in this Form 10-Q and our 2018 Annual Report, including in the **MD&A** section.

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

Financial Statements

FREDDIE MAC

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

(In millions, except share-related amounts)	1Q 2019	1Q 2018
Interest income		
Mortgage loans	$17,946	$15,951
Investments in securities	689	810
Other	351	214
Total interest income	**18,986**	**16,975**
Interest expense	(15,833)	(13,957)
Net interest income	3,153	3,018
Benefit (provision) for credit losses	135	(63)
Net interest income after benefit (provision) for credit losses	3,288	2,955
Non-interest income (loss)		
Guarantee fee income	217	194
Mortgage loans gains (losses)	931	(215)
Investment securities gains (losses)	174	(232)
Debt gains (losses)	15	121
Derivative gains (losses)	(1,606)	1,830
Other income (loss)	34	131
Non-interest income (loss)	(235)	1,829
Non-interest expense		
Salaries and employee benefits	(322)	(286)
Professional services	(105)	(102)
Other administrative expense	(151)	(132)
Total administrative expense	**(578)**	**(520)**
Real estate owned operations expense	(33)	(34)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(390)	(359)
Other expense	(287)	(197)
Non-interest expense	(1,288)	(1,110)
Income (loss) before income tax (expense) benefit	1,765	3,674
Income tax (expense) benefit	(358)	(748)
Net income (loss)	1,407	2,926
Other comprehensive income (loss), net of taxes and reclassification adjustments:		
Changes in unrealized gains (losses) related to available-for-sale securities	246	(800)
Changes in unrealized gains (losses) related to cash flow hedge relationships	18	30
Changes in defined benefit plans	(6)	(6)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	**258**	**(776)**
Comprehensive income (loss)	**$1,665**	**$2,150**
Net income (loss)	$1,407	$2,926
Undistributed net worth sweep and senior preferred stock dividends	(1,665)	—
Net income (loss) attributable to common stockholders	**($258)**	**$2,926**
Net income (loss) per common share — basic and diluted	($0.08)	$0.90
Weighted average common shares outstanding (in millions) — basic and diluted	3,234	3,234

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

FREDDIE MAC

Condensed Consolidated Balance Sheets (Unaudited)

(In millions, except share-related amounts)	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents (Notes 1, 3, 14) (includes $735 and $596 of restricted cash and cash equivalents)	$6,239	$7,273
Securities purchased under agreements to resell (Notes 3, 10)	50,134	34,771
Investments in securities, at fair value (Note 7)	65,496	69,111
Mortgage loans held-for-sale (Notes 3, 4) (includes $20,576 and $23,106 at fair value)	39,818	41,622
Mortgage loans held-for-investment (Notes 3, 4) (net of allowance for loan losses of $5,546 and $6,139)	1,902,270	1,885,356
Accrued interest receivable (Note 3)	6,684	6,728
Derivative assets, net (Notes 9, 10)	1,146	335
Deferred tax assets, net (Note 12)	6,819	6,888
Other assets (Notes 3, 18) (includes $4,182 and $3,929 at fair value)	14,301	10,976
Total assets	**$2,092,907**	**$2,063,060**
Liabilities and equity		
Liabilities		
Accrued interest payable (Note 3)	$6,558	$6,652
Debt, net (Notes 3, 8) (includes $5,067 and $5,112 at fair value)	2,073,614	2,044,950
Derivative liabilities, net (Notes 9, 10)	432	583
Other liabilities (Notes 3, 18)	7,638	6,398
Total liabilities	**2,088,242**	**2,058,583**
Commitments and contingencies (Notes 5, 9, 16)		
Equity (Note 11)		
Senior preferred stock (redemption value of $75,648 and $75,648)	72,648	72,648
Preferred stock, at redemption value	14,109	14,109
Common stock, $0.00 par value, 4,000,000,000 shares authorized, 725,863,886 shares issued and 650,059,033 shares and 650,058,775 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(78,330)	(78,260)
AOCI, net of taxes, related to:		
Available-for-sale securities (includes $261 and $221, related to net unrealized gains on securities for which other-than-temporary impairment has been recognized in earnings)	329	83
Cash flow hedge relationships	(297)	(315)
Defined benefit plans	91	97
Total AOCI, net of taxes	123	(135)
Treasury stock, at cost, 75,804,853 shares and 75,805,111 shares	(3,885)	(3,885)
Total equity *(See Note 11 for information on our dividend requirement to Treasury)*	**4,665**	**4,477**
Total liabilities and equity	**$2,092,907**	**$2,063,060**

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

(In millions)	March 31, 2019	December 31, 2018
Consolidated Balance Sheet Line Item		
Assets: (Note 3)		
Mortgage loans held-for-investment	$1,858,079	$1,842,850
All other assets	22,508	20,237
Total assets of consolidated VIEs	**$1,880,587**	**$1,863,087**
Liabilities: (Note 3)		
Debt, net	$1,803,707	$1,792,677
All other liabilities	5,386	5,335
Total liabilities of consolidated VIEs	**$1,809,093**	**$1,798,012**

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

FREDDIE MAC

Condensed Consolidated Statements of Equity (Unaudited)

(In millions)	Shares Outstanding: Senior Preferred Stock	Shares Outstanding: Preferred Stock	Shares Outstanding: Common Stock	Senior Preferred Stock	Preferred Stock, at Redemption Value	Common Stock, at Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	AOCI, Net of Tax	Treasury Stock, at Cost	Total Equity
Balance at December 31, 2017	1	464	650	$72,336	$14,109	$—	$—	($83,261)	$389	($3,885)	($312)
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	2,926	—	—	2,926
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	(776)	—	(776)
Comprehensive income (loss)	—	—	—	—	—	—	—	2,926	(776)	—	2,150
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	(89)	89	—	—
Increase in liquidation preference	—	—	—	312	—	—	—	—	—	—	312
Ending balance at March 31, 2018	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($80,424)**	**($298)**	**($3,885)**	**$2,150**
Balance at December 31, 2018	1	464	650	$72,648	$14,109	$—	$—	($78,260)	($135)	($3,885)	$4,477
Comprehensive income (loss):											
Net income (loss)	—	—	—	—	—	—	—	1,407	—	—	1,407
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	—	—	258	—	258
Comprehensive income (loss)	—	—	—	—	—	—	—	1,407	258	—	1,665
Senior preferred stock dividends declared	—	—	—	—	—	—	—	(1,477)	—	—	(1,477)
Ending balance at March 31, 2019	**1**	**464**	**650**	**$72,648**	**$14,109**	**$—**	**$—**	**($78,330)**	**$123**	**($3,885)**	**$4,665**

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

FREDDIE MAC

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)	1Q 2019	1Q 2018
Net cash provided by (used in) operating activities	**$4,274**	**$4,643**
Cash flows from investing activities		
Purchases of trading securities	(22,738)	(29,949)
Proceeds from sales of trading securities	23,099	32,487
Proceeds from maturities and repayments of trading securities	1,754	1,471
Purchases of available-for-sale securities	(2,298)	(4,266)
Proceeds from sales of available-for-sale securities	3,032	6,351
Proceeds from maturities and repayments of available-for-sale securities	932	1,541
Purchases of held-for-investment mortgage loans	(34,756)	(30,737)
Proceeds from sales of mortgage loans held-for-investment	2,308	2,282
Repayments of mortgage loans held-for-investment	52,425	60,542
Advances under secured lending arrangements	(7,997)	(4,944)
Repayments of secured lending arrangements	290	—
Net proceeds from dispositions of real estate owned and other recoveries	268	352
Net (increase) decrease in securities purchased under agreements to resell	(15,363)	14,075
Derivative premiums and terminations, swap collateral, and exchange settlement payments, net	(3,142)	2,958
Changes in other assets	(187)	(143)
Net cash provided by (used in) investing activities	**(2,373)**	**52,020**
Cash flows from financing activities		
Proceeds from issuance of debt securities of consolidated trusts held by third parties	36,092	42,558
Repayments and redemptions of debt securities of consolidated trusts held by third parties	(54,327)	(65,614)
Proceeds from issuance of other debt	167,026	131,574
Repayments of other debt	(150,248)	(166,686)
Increase in liquidation preference of senior preferred stock	—	312
Payment of cash dividends on senior preferred stock	(1,477)	—
Changes in other liabilities	(1)	(1)
Net cash provided by (used in) financing activities	**(2,935)**	**(57,857)**
Net increase (decrease) in cash and cash equivalents (includes restricted cash and cash equivalents)	(1,034)	(1,194)
Cash and cash equivalents (includes restricted cash and cash equivalents) at beginning of year	7,273	9,811
Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period	**$6,239**	**$8,617**
Supplemental cash flow information		
Cash paid for:		
Debt interest	$17,366	$16,306
Income taxes	—	—
Non-cash investing and financing activities (Notes 4 and 7)		

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

Notes to Condensed Consolidated Financial Statements

NOTE 1

Summary of Significant Accounting Policies

Freddie Mac is a GSE chartered by Congress in 1970. Our public mission is to provide liquidity, stability, and affordability to the U.S. housing market. We are regulated by FHFA, the SEC, HUD, and Treasury, and are currently operating under the conservatorship of FHFA. For more information on the roles of FHFA and Treasury, see **Note 2** in this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2018, or 2018 Annual Report. Throughout our unaudited condensed consolidated financial statements and related notes, we use certain acronyms and terms which are defined in the **Glossary** of our 2018 Annual Report. Throughout this Form 10-Q, we refer to the three months ended March 31, 2019, the three months ended December 31, 2018, the three months ended September 30, 2018, the three months ended June 30, 2018, and the three months ended March 31, 2018 as "1Q 2019," "4Q 2018," "3Q 2018," "2Q 2018," and "1Q 2018," respectively.

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

Basis of Presentation

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

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

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

Use of Estimates

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

Recently Issued Accounting Guidance

Recently Adopted Accounting Guidance

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

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

Standard	Description	Date of Planned Adoption	Effect on Consolidated Financial Statements
ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	January 1, 2020	We have developed our models to estimate lifetime expected credit losses on our financial instruments measured at amortized cost primarily using a discounted cash flow methodology. These models are currently undergoing testing and validation, which includes executing our process for estimating the allowance for credit losses under the new standard in parallel with our existing process for estimating the allowance for credit losses under current GAAP and developing an appropriate governance process for our estimate of expected credit losses under the new standard. The amendments will be applied through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. While we are not able to reasonably estimate the effect that the adoption of these amendments will have on our consolidated financial statements, it may increase (perhaps substantially) our allowance for credit losses in the period of adoption.
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurements, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. Certain disclosure requirements were either removed, modified, or added.	January 1, 2020	On October 1, 2018, we early adopted the amendments to remove or modify certain disclosures, which did not have a material effect on our consolidated financial statements. We are delaying adoption of the amendments to add certain disclosures until their effective date. We do not expect that the adoption of the additional disclosures will have a material effect on our consolidated financial statements.
ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The amendments in this Update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).	January 1, 2020	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.
ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	The amendments in this Update require that indirect interests held through related parties under common control be considered on a proportional basis when determining whether fees paid to decision makers or service providers are variable interests. These amendments align with the determination of whether a reporting entity within a related party group is the primary beneficiary of a VIE.	January 1, 2020	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.
ASU 2019-01, Leases (Topic 842): Narrow-Scope Improvements for Lessors	The amendments in this Update provide guidance for the: (1) lessor's fair value determination of the lease's underlying asset; (2) lessor's statement of cash flows presentation of cash received from sales-type and direct financing leases; and (3) removal of interim transition disclosure requirements related to changes in accounting principles.	January 1, 2020	We do not expect that the adoption of these amendments will have a material effect on our consolidated financial statements.

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.

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

In February 2019, FHFA directed us to maintain the UPB of our mortgage-related investments portfolio at or below $225 billion at all times, and the UPB of this portfolio was $218.9 billion at March 31, 2019. Our ability to acquire and sell mortgage assets continues to be significantly constrained by limitations imposed by the Purchase Agreement and FHFA.

Government Support for Our Business

We receive substantial support from Treasury and are dependent upon its continued support 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 December 31, 2018, our assets exceeded our liabilities under GAAP; therefore, FHFA, as Conservator, did not request a draw on our behalf and, as a result, we did not receive any funding from Treasury under the Purchase Agreement during 1Q 2019. The amount of available funding remaining under the Purchase Agreement is $140.2 billion and will be reduced by any future draws.

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

Related Parties As a Result of Conservatorship

We are deemed related parties with Fannie Mae as both we and Fannie Mae have the same relationships with FHFA and Treasury. CSS was formed in 2013 as a limited liability company equally-owned by Freddie Mac and Fannie Mae. Therefore, CSS is also deemed a related party. During 1Q 2019, we contributed $36 million of capital to CSS, and we have contributed $500 million since the fourth quarter of 2014.

NOTE 3

Securitization Activities and Consolidation

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

Consolidated VIEs

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

Table 3.1 - Consolidated VIEs

(In millions)	As of March 31, 2019	As of December 31, 2018
Consolidated Balance Sheet Line Item		
Assets:		
Cash and cash equivalents (includes $695 and $566 of restricted cash and cash equivalents)	$696	$567
Securities purchased under agreements to resell	13,500	12,125
Mortgage loans held-for-investment	1,858,079	1,842,850
Accrued interest receivable	5,991	5,914
Other assets	2,321	1,631
Total assets of consolidated VIEs	**$1,880,587**	**$1,863,087**
Liabilities:		
Accrued interest payable	$5,386	$5,335
Debt, net	1,803,707	1,792,677
Total liabilities of consolidated VIEs	**$1,809,093**	**$1,798,012**

Non-Consolidated VIEs

Our involvement with VIEs for which we are not the primary beneficiary takes one or both of two forms - purchasing an investment in these entities or providing a guarantee to these entities. The following table presents the carrying amounts and classification of the assets and liabilities recorded on our condensed consolidated balance sheets related to non-consolidated VIEs with which we were involved in the design and creation and have a significant continuing involvement, as well as our maximum exposure to loss. We do not believe the maximum exposure to loss disclosed in the table below is representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancement arrangements. See **Note 6** for additional information on credit enhancement arrangements.

Table 3.2 - Non-Consolidated VIEs

(In millions)	As of March 31, 2019	As of December 31, 2018
Assets and Liabilities Recorded on our Condensed Consolidated Balance Sheets[1]		
Assets:		
Investments in securities, at fair value	$42,219	$44,020
Accrued interest receivable	213	235
Derivative assets, net	9	1
Other assets	3,272	3,119
Liabilities:		
Derivative liabilities, net	82	88
Other liabilities	3,111	3,049
Maximum Exposure to Loss[2][3]	**$248,263**	**$241,055**
Total Assets of Non-Consolidated VIEs[3]	**$294,746**	**$284,724**

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

(2) Our maximum exposure to loss includes the guaranteed UPB of assets held by the non-consolidated VIEs, the UPB of unguaranteed securities that we acquired from these securitization transactions, and the UPB of guarantor advances made to the holders of the guaranteed securities.

(3) Our maximum exposure to loss and total assets of non-consolidated VIEs exclude our investments in and obligations to REMICs and Stripped Giant PCs, because we already consolidate the underlying collateral of these trusts on our condensed consolidated balance sheets. In addition, our maximum exposure to loss excludes certain securitization activity and other mortgage-related guarantees measured at fair value where our exposure may be unlimited. We generally reduce our exposure to these guarantees with unlimited exposure through separate contracts with third parties.

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

NOTE 4

Mortgage Loans and Allowance for Credit Losses

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

Table 4.1 - Mortgage Loans

	March 31, 2019			December 31, 2018		
(In millions)	Held by Freddie Mac	Held by Consolidated Trusts	Total	Held by Freddie Mac	Held by Consolidated Trusts	Total
Held-for-sale:						
Single-family	$21,696	$—	$21,696	$20,946	$—	$20,946
Multifamily	21,220	—	21,220	23,959	—	23,959
Total UPB	**42,916**	**—**	**42,916**	**44,905**	**—**	**44,905**
Cost basis and fair value adjustments, net	(3,098)	—	(3,098)	(3,283)	—	(3,283)
Total held-for-sale loans, net	**39,818**	**—**	**39,818**	**41,622**	**—**	**41,622**
Held-for-investment:						
Single-family	36,892	1,827,546	1,864,438	35,885	1,814,008	1,849,893
Multifamily	10,654	3,968	14,622	10,828	4,220	15,048
Total UPB	**47,546**	**1,831,514**	**1,879,060**	**46,713**	**1,818,228**	**1,864,941**
Cost basis adjustments	(882)	29,638	28,756	(1,198)	27,752	26,554
Allowance for loan losses	(2,473)	(3,073)	(5,546)	(3,009)	(3,130)	(6,139)
Total held-for-investment loans, net	**44,191**	**1,858,079**	**1,902,270**	**42,506**	**1,842,850**	**1,885,356**
Total mortgage loans, net	**$84,009**	**$1,858,079**	**$1,942,088**	**$84,128**	**$1,842,850**	**$1,926,978**

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

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

(In billions)	1Q 2019	1Q 2018
Single-family:		
Purchases		
Held-for-investment loans	$69.7	$65.5
Reclassified from held-for-investment to held-for-sale[1]	4.1	1.7
Sale of held-for-sale loans[2]	2.1	1.8
Multifamily:		
Purchases		
Held-for-investment loans	1.0	1.0
Held-for-sale loans	11.6	11.8
Reclassified from held-for-investment to held-for-sale[1]	0.5	0.3
Sale of held-for-sale loans[3]	14.7	16.2

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

(2) Our sales of single-family loans reflect the sale of seasoned single-family mortgage loans. The sale of seasoned single-family mortgage loans is part of our strategy to mitigate and reduce our holdings of less liquid assets.

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

Credit Quality

Single-Family

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

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

The table below presents the recorded investment of single-family held-for-investment loans by current LTV ratios. Our current LTV ratios are estimates based on available data through the end of each respective period presented.

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

	March 31, 2019				December 31, 2018			
	Current LTV Ratio			Total	Current LTV Ratio			Total
(In millions)	≤ 80	> 80 to 100	> 100(1)		≤ 80	> 80 to 100	> 100(1)	
20- and 30-year or more, amortizing fixed-rate	$1,354,643	$221,796	$5,721	$1,582,160	$1,336,310	$214,703	$6,654	$1,557,667
15-year amortizing fixed-rate	245,503	4,366	130	249,999	251,152	4,522	157	255,831
Adjustable-rate	41,593	1,930	8	43,531	42,117	1,883	7	44,007
Alt-A, interest-only, and option ARM	15,490	1,610	422	17,522	16,498	1,903	559	18,960
Total single-family loans	**$1,657,229**	**$229,702**	**$6,281**	**$1,893,212**	**$1,646,077**	**$223,011**	**$7,377**	**$1,876,465**

(1) The serious delinquency rate for the total of single-family held-for-investment mortgage loans with current LTV ratios in excess of 100% was 6.89% and 7.24% as of March 31, 2019 and December 31, 2018, respectively.

For reporting purposes:

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

Multifamily

The table below presents the recorded investment in our multifamily held-for-investment loans, by credit quality indicator based on available data through the end of each period presented. These indicators involve significant management judgment.

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

(In millions)	March 31, 2019	December 31, 2018
Credit risk profile by internally assigned grade:(1)		
Pass	$14,275	$14,648
Special mention	117	201
Substandard	212	181
Doubtful	—	—
Total	**$14,604**	**$15,030**

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

Mortgage Loan Performance

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

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

	March 31, 2019					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Non-accrual
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$1,558,264	$14,059	$3,359	$6,478	$1,582,160	$6,476
15-year amortizing fixed-rate	248,583	991	166	259	249,999	259
Adjustable-rate	43,092	272	58	109	43,531	109
Alt-A, interest-only, and option ARM	15,715	782	280	745	17,522	745
Total single-family	**1,865,654**	**16,104**	**3,863**	**7,591**	**1,893,212**	**7,589**
Total multifamily	**14,604**	**—**	**—**	**—**	**14,604**	**14**
Total single-family and multifamily	**$1,880,258**	**$16,104**	**$3,863**	**$7,591**	**$1,907,816**	**$7,603**

	December 31, 2018					
(In millions)	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure(1)	Total	Non-accrual
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$1,532,499	$14,683	$3,602	$6,883	$1,557,667	$6,881
15-year amortizing fixed-rate	254,376	1,021	171	263	255,831	263
Adjustable-rate	43,549	287	58	113	44,007	113
Alt-A, interest-only, and option ARM	16,975	793	327	865	18,960	864
Total single-family	**1,847,399**	**16,784**	**4,158**	**8,124**	**1,876,465**	**8,121**
Total multifamily	**15,030**	**—**	**—**	**—**	**15,030**	**17**
Total single-family and multifamily	**$1,862,429**	**$16,784**	**$4,158**	**$8,124**	**$1,891,495**	**$8,138**

(1) Includes $2.6 billion and $2.9 billion of single-family loans that were in the process of foreclosure as of March 31, 2019 and December 31, 2018, respectively.

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

Table 4.6 - Delinquency Rates

(Dollars in millions)	March 31, 2019	December 31, 2018
Single-family:		
Non-credit-enhanced portfolio		
Serious delinquency rate	0.82%	0.83%
Total number of seriously delinquent loans	49,009	51,197
Credit-enhanced portfolio:[1]		
Primary mortgage insurance:		
Serious delinquency rate	0.82%	0.86%
Total number of seriously delinquent loans	14,841	15,287
Other credit protection:[2]		
Serious delinquency rate	0.31%	0.31%
Total number of seriously delinquent loans	13,817	12,920
Total single-family:		
Serious delinquency rate	**0.67%**	**0.69%**
Total number of seriously delinquent loans	**73,574**	**75,649**
Multifamily:[3]		
Non-credit-enhanced portfolio:		
Delinquency rate	—%	—%
UPB of delinquent loans	$2	$2
Credit-enhanced portfolio:		
Delinquency rate	0.03%	0.01%
UPB of delinquent loans	$70	$28
Total multifamily:		
Delinquency rate	**0.03%**	**0.01%**
UPB of delinquent loans	**$72**	**$30**

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

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

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

Allowance for Credit Losses

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

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

Table 4.7 - Details of Allowance for Credit Losses

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

(In millions)	1Q 2019 Allowance for Loan Losses: Held by Freddie Mac	1Q 2019 Allowance for Loan Losses: Held By Consolidated Trusts	1Q 2019 Reserve for Guarantee Losses	1Q 2019 Total	1Q 2018 Allowance for Loan Losses: Held by Freddie Mac	1Q 2018 Allowance for Loan Losses: Held By Consolidated Trusts	1Q 2018 Reserve for Guarantee Losses	1Q 2018 Total
Single-family:								
Beginning balance	$3,003	$3,127	$46	$6,176	$5,251	$3,680	$48	$8,979
Provision (benefit) for credit losses	(201)	64	1	(136)	98	(21)	2	79
Charge-offs	(585)	(19)	(1)	(605)	(355)	(15)	(2)	(372)
Recoveries	103	3	—	106	95	1	—	96
Transfers, net(1)	107	(107)	—	—	126	(126)	—	—
Other(2)	38	3	—	41	90	5	—	95
Single-family ending balance	**2,465**	**3,071**	**46**	**5,582**	**5,305**	**3,524**	**48**	**8,877**
Multifamily ending balance	**8**	**2**	**5**	**15**	**17**	**2**	**7**	**26**
Total ending balance	**$2,473**	**$3,073**	**$51**	**$5,597**	**$5,322**	**$3,526**	**$55**	**$8,903**

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

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

A significant number of unsecuritized single-family loans on our condensed consolidated balance sheets are individually evaluated for impairment while substantially all single-family loans held by our consolidated trusts are collectively evaluated for impairment. The allowance for loan losses associated with our held-for-investment unsecuritized loans represented approximately 5.3% and 6.6% of the recorded investment in such loans at March 31, 2019 and December 31, 2018, respectively, and a substantial portion of the allowance associated with these loans represented interest rate concessions provided to borrowers as part of loan modifications. The allowance for loan losses associated with loans held by our consolidated trusts represented approximately 0.2% of the recorded investment in such loans as of both March 31, 2019 and December 31, 2018.

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

Table 4.8 - Net Investment in Loans

(In millions)	March 31, 2019 Single-family	March 31, 2019 Multifamily	March 31, 2019 Total	December 31, 2018 Single-family	December 31, 2018 Multifamily	December 31, 2018 Total
Recorded investment:						
Collectively evaluated	$1,849,607	$14,521	$1,864,128	$1,830,044	$14,945	$1,844,989
Individually evaluated	43,605	83	43,688	46,421	85	46,506
Total recorded investment	**1,893,212**	**14,604**	**1,907,816**	**1,876,465**	**15,030**	**1,891,495**
Ending balance of the allowance for loan losses:						
Collectively evaluated	(1,716)	(10)	(1,726)	(1,761)	(9)	(1,770)
Individually evaluated	(3,820)	—	(3,820)	(4,369)	—	(4,369)
Total ending balance of the allowance	**(5,536)**	**(10)**	**(5,546)**	**(6,130)**	**(9)**	**(6,139)**
Net investment in loans	**$1,887,676**	**$14,594**	**$1,902,270**	**$1,870,335**	**$15,021**	**$1,885,356**

Allowance for Loan Losses Determined on an Individual Basis

Impaired Loans

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

Table 4.9 - Individually Impaired Loans

	March 31, 2019			December 31, 2018		
(In millions)	UPB	Recorded Investment	Associated Allowance	UPB	Recorded Investment	Associated Allowance
Single-family:						
With no allowance recorded:[1]						
20- and 30-year or more, amortizing fixed-rate	$3,336	$2,645	N/A	$3,335	$2,666	N/A
15-year amortizing fixed-rate	21	21	N/A	23	22	N/A
Adjustable-rate	222	220	N/A	227	226	N/A
Alt-A, interest-only, and option ARM	1,128	954	N/A	1,286	1,083	N/A
Total with no allowance recorded	**4,707**	**3,840**	**N/A**	**4,871**	**3,997**	**N/A**
With an allowance recorded:[2]						
20- and 30-year or more, amortizing fixed-rate	35,264	34,720	($3,201)	37,579	36,959	($3,660)
15-year amortizing fixed-rate	700	711	(18)	703	713	(19)
Adjustable-rate	154	153	(8)	164	162	(8)
Alt-A, interest-only, and option ARM	4,419	4,181	(593)	4,867	4,590	(682)
Total with an allowance recorded	**40,537**	**39,765**	**(3,820)**	**43,313**	**42,424**	**(4,369)**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	38,600	37,365	(3,201)	40,914	39,625	(3,660)
15-year amortizing fixed-rate	721	732	(18)	726	735	(19)
Adjustable-rate	376	373	(8)	391	388	(8)
Alt-A, interest-only, and option ARM	5,547	5,135	(593)	6,153	5,673	(682)
Total single-family	**45,244**	**43,605**	**(3,820)**	**48,184**	**46,421**	**(4,369)**
Multifamily:						
With no allowance recorded[1]	70	66	N/A	89	82	N/A
With an allowance recorded	19	17	—	3	3	—
Total multifamily	**89**	**83**	**—**	**92**	**85**	**—**
Total single-family and multifamily	**$45,333**	**$43,688**	**($3,820)**	**$48,276**	**$46,506**	**($4,369)**

Referenced footnotes are included after the next table.

(In millions)	1Q 2019 Average Recorded Investment	1Q 2019 Interest Income Recognized	1Q 2019 Interest Income Recognized On Cash Basis[3]	1Q 2018 Average Recorded Investment	1Q 2018 Interest Income Recognized	1Q 2018 Interest Income Recognized On Cash Basis[3]
Single-family:						
With no allowance recorded:[1]						
20- and 30-year or more, amortizing fixed-rate	$2,686	$73	$4	$3,311	$94	$7
15-year amortizing fixed-rate	21	—	—	20	1	—
Adjustable rate	224	3	—	263	3	—
Alt-A, interest-only, and option ARM	981	18	1	1,356	23	1
Total with no allowance recorded	**3,912**	**94**	**5**	**4,950**	**121**	**8**
With an allowance recorded:[2]						
20- and 30-year or more, amortizing fixed-rate	35,338	484	57	47,868	592	83
15-year amortizing fixed-rate	686	6	1	869	8	3
Adjustable rate	147	1	1	226	2	1
Alt-A, interest-only, and option ARM	4,325	62	7	6,834	80	9
Total with an allowance recorded	**40,496**	**553**	**66**	**55,797**	**682**	**96**
Combined single-family:						
20- and 30-year or more, amortizing fixed-rate	38,024	557	61	51,179	686	90
15-year amortizing fixed-rate	707	6	1	889	9	3
Adjustable rate	371	4	1	489	5	1
Alt-A, interest-only, and option ARM	5,306	80	8	8,190	103	10
Total single-family	**44,408**	**647**	**71**	**60,747**	**803**	**104**
Multifamily:						
With no allowance recorded[1]	66	1	—	84	2	1
With an allowance recorded	16	—	—	36	—	—
Total multifamily	**82**	**1**	**—**	**120**	**2**	**1**
Total single-family and multifamily	**$44,490**	**$648**	**$71**	**$60,867**	**$805**	**$105**

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

(2) Consists primarily of loans classified as TDRs.

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

Troubled Debt Restructurings (TDRs)

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

Table 4.10 - TDR Activity

	1Q 2019		1Q 2018	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family:[1]				
20- and 30-year or more, amortizing fixed-rate	7,459	$1,200	19,699	$3,305
15-year amortizing fixed-rate	946	92	2,816	292
Adjustable-rate	157	25	319	57
Alt-A, interest-only, and option ARM	329	53	1,239	203
Total single-family	**8,891**	**1,370**	**24,073**	**3,857**
Multifamily	**—**	**$—**	**—**	**$—**

(1) The pre-TDR recorded investment for single-family loans initially classified as TDR during 1Q 2019 and 1Q 2018 was $1.4 billion and $3.9 billion, respectively.

Of the single-family loans that were newly classified as TDRs during 1Q 2019 and 1Q 2018, respectively:

- 8% and 19% involved interest rate reductions and, in certain cases, term extensions;
- 23% and 29% involved principal forbearance in addition to interest rate reductions and, in certain cases, term extensions;
- The average term extension was 164 and 166 months; and
- The average interest rate reduction was 0.1% and 0.4%.

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

Table 4.11 - Payment Defaults of Completed TDR Modifications

	1Q 2019		1Q 2018	
(Dollars in millions)	Number of Loans	Post-TDR Recorded Investment	Number of Loans	Post-TDR Recorded Investment
Single-family:				
20- and 30-year or more, amortizing fixed-rate	3,856	$409	2,956	$443
15-year amortizing fixed-rate	125	7	170	15
Adjustable-rate	34	3	44	7
Alt-A, interest-only, and option ARM	310	44	275	54
Total single-family	**4,325**	**463**	**3,445**	**519**
Multifamily	**—**	**$—**	**—**	**$—**

In addition, loans may be initially classified as TDRs as a result of other loss mitigation activities (i.e., repayment plans, forbearance agreements, or loans in modification trial periods). During 1Q 2019 and 1Q 2018, 1,464 and 1,710, respectively, of such loans (with a post-TDR recorded investment of $0.2 billion for both periods) experienced a payment default within a year after the loss mitigation activity occurred.

Non-Cash Investing and Financing Activities

During 1Q 2019 and 1Q 2018, we acquired $37.0 billion and $36.1 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 $6.5 billion and $4.8 billion of loans from sellers during 1Q 2019 and 1Q 2018, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets. These loans were primarily included in the guarantor swap transactions.

NOTE 5

Guarantee Activities

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

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

Table 5.1 - Financial Guarantees

	March 31, 2019			December 31, 2018		
(**Dollars in millions**, terms in years)	Maximum Exposure(1)	Recognized Liability(2)	Maximum Remaining Term	Maximum Exposure(1)	Recognized Liability(2)	Maximum Remaining Term
Single-family:						
Securitization activity guarantees	$19,347	$242	40	$17,783	$220	40
Other mortgage-related guarantees	6,391	170	30	6,139	167	30
Total single-family	**$25,738**	**$412**		**$23,922**	**$387**	
Multifamily:						
Securitization activity guarantees	$226,875	$2,808	39	$221,245	$2,746	40
Other mortgage-related guarantees	10,261	447	35	9,779	428	35
Total multifamily	**$237,136**	**$3,255**		**$231,024**	**$3,174**	
Other guarantees measured at fair value	$22,568	$295	30	$16,251	$242	30

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

(2) For securitization activity guarantees and other mortgage-related guarantees, this amount represents the guarantee obligation on our condensed consolidated balance sheets. This amount excludes our reserve for guarantee losses, which totaled $51 million and $52 million as of March 31, 2019 and December 31, 2018, respectively, and is included within other liabilities on our condensed consolidated balance sheets. For other guarantees measured at fair value, this amount represents the fair value of the contract.

NOTE 6

Credit Enhancements

In connection with many of our mortgage loans, securitization activity guarantees, other mortgage-related guarantees, and other credit risk transfer transactions, we obtain various forms of credit enhancements that reduce our exposure to credit losses. These credit enhancements may be associated with mortgage loans or guarantees recognized on our condensed consolidated balance sheets or embedded in debt instruments recognized on our condensed consolidated balance sheets.

Mortgage Loan Credit Enhancements

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

Table 6.1 - Mortgage Loan Credit Enhancements

	March 31, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB[1]	Maximum Coverage	Total Current and Protected UPB[1]	Maximum Coverage
Single-family:				
Primary mortgage insurance	$385,483	$98,846	$378,594	$96,996
ACIS transactions[2]	853,942	9,803	807,885	9,123
STACR Trust transactions	222,837	6,966	161,152	5,026
Other	17,216	5,459	18,136	5,389
Total mortgage loan credit enhancements		**$121,074**		**$116,534**

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

(2) As of March 31, 2019 and December 31, 2018, our counterparties posted collateral on our ACIS transactions of $1.8 billion and $1.5 billion, respectively.

Guarantee Credit Enhancements

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

Table 6.2 - Guarantee Credit Enhancements

	March 31, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB[1]	Maximum Coverage[2]	Total Current and Protected UPB[1]	Maximum Coverage[2]
Single-family:				
Subordination (non-consolidated VIEs)	$17,724	$3,120	$16,271	$2,933
Other	1,201	1,201	1,226	1,226
Total single-family		**4,321**		**4,159**
Multifamily:				
Subordination (non-consolidated VIEs)	226,446	36,396	220,733	35,661
Other	2,267	793	2,349	815
Total multifamily		**37,189**		**36,476**
Total guarantee credit enhancements		**$41,510**		**$40,635**

(1) Underlying loans may be covered by more than one form of credit enhancement. For subordination, total current and protected UPB includes the UPB of the guaranteed securities, which represents the UPB of the assets included in the trust net of the protection provided by the subordinated securities, and the UPB of guarantor advances made to the holders of the guaranteed securities.

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

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

Debt with Embedded Credit Enhancements

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

Table 6.3 - Debt with Embedded Credit Enhancements

	March 31, 2019		December 31, 2018	
(In millions)	Total Current and Protected UPB(1)	Maximum Coverage(2)	Total Current and Protected UPB(1)	Maximum Coverage(2)
Single-family:				
STACR debt notes	$600,857	$17,464	$605,263	$17,596
Subordination (consolidated VIEs)	24,525	1,018	25,006	1,036
Total single-family		**18,482**		**18,632**
Multifamily:				
SCR notes	2,655	133	2,667	133
Subordination (consolidated VIEs)	2,700	280	2,700	280
Total multifamily		**413**		**413**
Total debt with embedded credit enhancements		**$18,895**		**$19,045**

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

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

NOTE 7

Investments in Securities

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

Table 7.1 - Investments in Securities

(In millions)	March 31, 2019	December 31, 2018
Trading securities	$33,552	$35,548
Available-for-sale securities	31,944	33,563
Total fair value of investments in securities	**$65,496**	**$69,111**

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

Trading Securities

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

Table 7.2 - Trading Securities

(In millions)	March 31, 2019	December 31, 2018
Mortgage-related securities:		
Freddie Mac	$13,310	$13,821
Other agency	2,788	2,551
Non-agency	1	1
Total mortgage-related securities	**16,099**	**16,373**
Non-mortgage-related securities	17,453	19,175
Total fair value of trading securities	**$33,552**	**$35,548**

For trading securities held at March 31, 2019 and 2018, we recorded net unrealized gains (losses) of $97 million and ($212) million during 1Q 2019 and 1Q 2018, respectively.

Available-for-Sale Securities

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

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

Table 7.3 - Available-for-Sale Securities

	March 31, 2019				
			Gross Unrealized Losses		
(In millions)	Amortized Cost	Gross Unrealized Gains	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Fair Value
Available-for-sale securities:					
Freddie Mac	$28,841	$378	$—	($309)	$28,910
Other agency	1,367	23	—	(8)	1,382
Non-agency and other	1,320	333	—	(1)	1,652
Total available-for-sale securities	**$31,528**	**$734**	**$—**	**($318)**	**$31,944**

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

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

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

The fair value of our available-for-sale securities held at March 31, 2019 scheduled to contractually mature after ten years was $26.9 billion, with an additional $4.5 billion scheduled to contractually mature after five years through ten years.

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

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

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

	March 31, 2019			
	Less than 12 Months		12 Months or Greater	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities:				
Freddie Mac	$2,627	($7)	$12,646	($302)
Other agency	323	(1)	579	(7)
Non-agency and other	13	—	3	(1)
Total available-for-sale securities in a gross unrealized loss position	**$2,963**	**($8)**	**$13,228**	**($310)**

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

At March 31, 2019, the gross unrealized losses relate to 275 separate securities.

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

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

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

(In millions)	1Q 2019	1Q 2018
Gross realized gains	$63	$446
Gross realized losses	(29)	(51)
Net realized gains (losses)	**$34**	**$395**

Non-Cash Investing and Financing Activities

During 1Q 2019, we purchased $1.4 billion and sold $1.6 billion of non-mortgage-related securities that were traded, but not settled. We settled our purchase and sale obligations during the second quarter of 2019.

NOTE 8

Debt Securities and Subordinated Borrowings

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

Table 8.1 - Total Debt, Net

	Balance, Net		Interest Expense	
(In millions)	March 31, 2019	December 31, 2018	1Q 2019	1Q 2018
Debt securities of consolidated trusts held by third parties	$1,803,707	$1,792,677	$13,981	$12,514
Other debt:				
Short-term debt	77,130	51,080	436	229
Long-term debt	192,777	201,193	1,416	1,214
Total other debt	**269,907**	**252,273**	**1,852**	**1,443**
Total debt, net	**$2,073,614**	**$2,044,950**	**$15,833**	**$13,957**

As of March 31, 2019, our aggregate indebtedness was $272.8 billion, which was below the $300.0 billion debt cap limit imposed by the Purchase Agreement for 2019. Our aggregate indebtedness calculation primarily includes the par value of other short- and long-term debt.

Debt Securities of Consolidated Trusts Held by Third Parties

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

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

	March 31, 2019				December 31, 2018			
(Dollars in millions)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)	Contractual Maturity	UPB	Carrying Amount(1)	Weighted Average Coupon(2)
Single-family:								
30-year or more, fixed-rate	2019 - 2057	$1,408,759	$1,445,766	3.73%	2019 - 2057	$1,389,113	$1,426,060	3.72%
20-year fixed-rate	2019 - 2039	69,854	71,618	3.43	2019 - 2039	70,547	72,354	3.43
15-year fixed-rate	2019 - 2034	234,062	238,129	2.89	2019 - 2034	240,310	244,587	2.89
Adjustable-rate	2019 - 2049	37,201	37,951	3.20	2019 - 2049	38,361	39,153	3.12
Interest-only	2026 - 2041	4,940	5,001	4.64	2026 - 2048	5,322	5,386	4.41
FHA/VA	2020 - 2046	696	713	4.76	2019 - 2046	720	736	4.78
Total single-family		**1,755,512**	**1,799,178**			**1,744,373**	**1,788,276**	
Multifamily	2019-2047	4,515	4,529	3.70	2019 - 2047	4,365	4,401	4.02
Total debt securities of consolidated trusts held by third parties		**$1,760,027**	**$1,803,707**			**$1,748,738**	**$1,792,677**	

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

(2) The effective interest rate for debt securities of consolidated trusts held by third parties was 3.10% and 3.07% as of March 31, 2019 and December 31, 2018, respectively.

Other Debt

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

Table 8.3 - Total Other Debt

	March 31, 2019			December 31, 2018		
(Dollars in millions)	Par Value	Carrying Amount(1)	Weighted Average Effective Rate(2)	Par Value	Carrying Amount(1)	Weighted Average Effective Rate(2)
Other short-term debt:						
Discount notes and Reference Bills	$45,854	$45,660	2.46%	$28,787	$28,621	2.36%
Medium-term notes	16,509	16,508	2.29	16,440	16,440	2.10
Securities sold under agreements to repurchase	14,962	14,962	2.50	6,019	6,019	2.40
Total other short-term debt	**77,325**	**77,130**	**2.43**	**51,246**	**51,080**	**2.28**
Other long-term debt:						
Original maturities on or before December 31,						
2019	49,106	49,078	1.43	58,002	57,968	1.54
2020	40,721	40,705	1.82	42,296	42,275	1.78
2021	29,817	29,820	2.06	30,898	30,901	2.06
2022	23,253	23,228	2.50	20,802	20,775	2.46
2023	10,812	10,792	3.00	15,929	15,906	3.09
Thereafter	23,461	21,004	4.71	18,068	15,579	5.91
STACR and SCR debt(3)	17,597	17,876	6.19	17,729	18,004	6.04
Hedging-related basis adjustments	N/A	274		N/A	(215)	
Total other long-term debt	194,767	192,777	2.63	203,724	201,193	2.58
Total other debt(4)	**$272,092**	**$269,907**		**$254,970**	**$252,273**	

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes $4.3 billion and $4.4 billion at March 31, 2019 and December 31, 2018, respectively, of other long-term debt that represents the fair value of debt securities with the fair value option elected.

(2) Based on carrying amount.

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

(4) Carrying amount for other debt includes callable debt of $101.4 billion and $107.2 billion at March 31, 2019 and December 31, 2018, respectively.

NOTE 9

Derivatives

Use of Derivatives

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

We classify derivatives into three categories:

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

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

Types of Derivatives

We principally use the following types of derivatives:

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

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

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

Hedge Accounting

Fair Value Hedges

We apply fair value hedge accounting to certain single-family mortgage loans and certain issuances of debt where we hedge the changes in fair value of these items attributable to the designated benchmark interest rate (i.e., LIBOR), using LIBOR-based interest-rate swaps.

If a hedge relationship qualifies for fair value hedge accounting, all changes in fair value of the derivative hedging instrument, including interest accruals, are recognized in the same condensed consolidated statements of comprehensive income line item used to present the earnings effect of the hedged item. Therefore, changes in the fair value of the hedged item, mortgage loans and debt, attributable to the risk being hedged are recognized in interest income - mortgage loans and interest expense, respectively, along with the changes in the fair value of the respective derivative hedging instruments.

Cash Flow Hedges

There are amounts recorded in AOCI related to discontinued cash flow hedges which are recognized in earnings when the originally forecasted transactions affect earnings. Amounts reclassified from AOCI are recorded in interest expense. During 1Q 2019 and 1Q 2018, we reclassified from AOCI into earnings, pre-tax losses of $23 million and $38 million, respectively, related to closed cash flow hedges. See **Note 11** for information about future reclassifications of deferred net losses related to closed cash flow hedges to net income.

Derivative Assets and Liabilities at Fair Value

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

Table 9.1 - Derivative Assets and Liabilities at Fair Value

	March 31, 2019			December 31, 2018		
	Notional or Contractual Amount	Derivatives at Fair Value		Notional or Contractual Amount	Derivatives at Fair Value	
(In millions)		Assets	Liabilities		Assets	Liabilities
Not designated as hedges						
Interest-rate swaps:						
Receive-fixed	$162,499	$1,637	($103)	$145,386	$1,380	($181)
Pay-fixed	192,212	126	(3,095)	170,899	476	(2,287)
Basis (floating to floating)	5,924	—	—	5,404	1	—
Total interest-rate swaps	**360,635**	**1,763**	**(3,198)**	**321,689**	**1,857**	**(2,468)**
Option-based:						
Call swaptions						
Purchased	54,250	2,458	—	43,625	2,007	—
Written	6,900	—	(186)	4,400	—	(133)
Put swaptions						
Purchased[(1)]	76,545	1,036	—	88,075	1,565	—
Written	3,750	—	(9)	1,750	—	(4)
Other option-based derivatives[(2)]	10,444	653	—	10,481	628	—
Total option-based	**151,889**	**4,147**	**(195)**	**148,331**	**4,200**	**(137)**
Futures	126,627	—	—	161,185	—	—
Commitments	76,516	188	(245)	36,044	90	(179)
Credit derivatives	1,966	—	(34)	2,030	—	(35)
Other	15,412	10	(98)	12,212	1	(103)
Total derivatives not designated as hedges	**733,045**	**6,108**	**(3,770)**	**681,491**	**6,148**	**(2,922)**
Designated as fair value hedges						
Interest-rate swaps:						
Receive-fixed	111,898	45	(520)	117,038	23	(935)
Pay-fixed	74,060	121	(450)	77,513	247	(571)
Total derivatives designated as fair value hedges	**185,958**	**166**	**(970)**	**194,551**	**270**	**(1,506)**
Derivative interest and other receivable (payable)		1,117	(979)		889	(1,096)
Netting adjustments[(3)]		(6,245)	5,287		(6,972)	4,941
Total derivative portfolio, net	**$919,003**	**$1,146**	**($432)**	**$876,042**	**$335**	**($583)**

(1) Includes swaptions on credit indices with a notional or contractual amount of $30.2 billion and $45.9 billion at March 31, 2019 and December 31, 2018, respectively, and a fair value of $9.0 million and $113.0 million at March 31, 2019 and December 31, 2018, respectively.

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

(3) Represents counterparty netting and cash collateral netting.

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

Gains and Losses on Derivatives

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

Table 9.2 - Gains and Losses on Derivatives

(In millions)	1Q 2019	1Q 2018
Not designated as hedges		
Interest-rate swaps:		
Receive-fixed	$1,837	($3,097)
Pay-fixed	(2,888)	4,641
Basis (floating to floating)	4	(30)
Total interest-rate swaps	**(1,047)**	**1,514**
Option-based:		
Call swaptions		
Purchased	454	(694)
Written	(56)	27
Put swaptions		
Purchased	(626)	327
Written	16	(27)
Other option-based derivatives[1]	25	(88)
Total option-based	**(187)**	**(455)**
Other:		
Futures	(242)	387
Commitments	(96)	518
Credit derivatives	(4)	14
Other	24	(3)
Total other	**(318)**	**916**
Accrual of periodic cash settlements:		
Receive-fixed interest-rate swaps	(51)	222
Pay-fixed interest-rate swaps	(36)	(368)
Other	33	1
Total accrual of periodic cash settlements	**(54)**	**(145)**
Total	**($1,606)**	**$1,830**

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

Fair Value Hedges

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

Table 9.3 - Gains and Losses on Fair Value Hedges

	1Q 2019		1Q 2018	
(In millions)	Interest Income - Mortgage Loans	Interest Expense	Interest Income - Mortgage Loans	Interest Expense
Total amounts of income and expense line items presented in our condensed consolidated statements of comprehensive income in which the effects of fair value hedges are recorded:	$17,946	($15,833)	$15,951	($13,957)
Interest contracts on mortgage loans held-for-investment:				
Gain (loss) on fair value hedging relationships:				
Hedged items	1,542	—	(1,973)	—
Derivatives designated as hedging instruments	(1,243)	—	1,687	—
Interest accruals on hedging instruments	38	—	(167)	—
Discontinued hedge related basis adjustment amortization	28	—	16	—
Interest contracts on debt:				
Gain (loss) on fair value hedging relationships:				
Hedged items	—	(505)	—	678
Derivatives designated as hedging instruments	—	546	—	(591)
Interest accruals on hedging instruments	—	(125)	—	(14)
Discontinued hedge related basis adjustment amortization	—	9	—	—

Cumulative Basis Adjustments Due to Fair Value Hedging

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

Table 9.4 - Cumulative Basis Adjustments Due to Fair Value Hedging

	March 31, 2019		
		Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount	
(In millions)	Carrying Amount Assets / (Liabilities)	Total	Discontinued - Hedge Related
Mortgage loans held-for-investment	$211,939	$333	$333
Debt	(122,078)	(274)	(118)

	December 31, 2018		
		Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount	
(In millions)	Carrying Amount Assets / (Liabilities)	Total	Discontinued - Hedge Related
Mortgage loans held-for-investment	$193,547	($1,237)	($1,237)
Debt	(127,215)	216	(8)

NOTE 10

Collateralized Agreements and Offsetting Arrangements

Derivative Portfolio

Derivative Counterparties

Our use of cleared derivatives, exchange-traded derivatives, and OTC derivatives exposes us to counterparty credit risk.

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

Over-the-Counter Derivatives

We use master netting and collateral agreements to reduce our credit risk exposure to our OTC derivative counterparties.

In the event that all of our counterparties for OTC derivatives were to default simultaneously on March 31, 2019, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately $55 million.

Cleared and Exchange-Traded Derivatives

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

Other Derivatives

We also execute forward purchase and sale commitments of loans and mortgage-related securities, including dollar roll transactions, that are treated as derivatives for accounting purposes. The total net exposure on our forward purchase and sale commitments, which are treated as derivatives, was $188 million and $90 million at March 31, 2019 and December 31, 2018, respectively.

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

Securities Purchased Under Agreements to Resell

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

We consider the types of securities being pledged to us as collateral when determining how much we lend in transactions involving securities purchased under agreements to resell. Additionally, we regularly review the market values of these securities compared to amounts loaned in an effort to manage our exposure to losses.

Securities Sold Under Agreements to Repurchase

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

Offsetting of Financial Assets and Liabilities

At March 31, 2019 and December 31, 2018, all amounts of cash collateral related to derivatives with master netting and collateral agreements were offset against derivative assets, net or derivative liabilities, net, as applicable.

In 1Q 2018, we changed the characterization of variation margin payments from posting of margin collateral to settlements for certain of our cleared swaps transacted with LCH group, as a result of certain rule amendments made by the organization.

The tables below display offsetting and collateral information related to derivatives, securities purchased under agreements to resell, and securities sold under agreements to repurchase which are subject to enforceable master netting agreements or similar arrangements. Securities sold under agreements to repurchase are included in debt, net on our condensed consolidated balance sheets.

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

	March 31, 2019					
		Amount Offset in the Consolidated Balance Sheets				
(In millions)	Gross Amount Recognized	Counterparty Netting	Cash Collateral Netting[1]	Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets[2]	Net Amount
Assets:						
Derivatives:						
OTC derivatives	$6,980	($4,625)	($1,717)	$638	($583)	$55
Cleared and exchange-traded derivatives	213	(1)	98	310	—	310
Other	198	—	—	198	—	198
Total derivatives	**7,391**	**(4,626)**	**(1,619)**	**1,146**	**(583)**	**563**
Securities purchased under agreements to resell[3]	50,134	—	—	50,134	(50,134)	—
Total	**$57,525**	**($4,626)**	**($1,619)**	**$51,280**	**($50,717)**	**$563**
Liabilities:						
Derivatives:						
OTC derivatives	($5,331)	$4,625	$654	($52)	$—	($52)
Cleared and exchange-traded derivatives	(11)	1	7	(3)	—	(3)
Other	(377)	—	—	(377)	—	(377)
Total derivatives	**(5,719)**	**4,626**	**661**	**(432)**	**—**	**(432)**
Securities sold under agreements to repurchase[3]	(14,962)	—	—	(14,962)	14,962	—
Total	**($20,681)**	**$4,626**	**$661**	**($15,394)**	**$14,962**	**($432)**

Referenced footnotes are included after the next table.

	December 31, 2018					
		Amount Offset in the Consolidated Balance Sheets				
(In millions)	Gross Amount Recognized	Counterparty Netting	Cash Collateral Netting[1]	Net Amount Presented in the Consolidated Balance Sheets	Gross Amount Not Offset in the Consolidated Balance Sheets[2]	Net Amount
Assets:						
Derivatives:						
OTC derivatives	$7,213	($4,544)	($2,448)	$221	($173)	$48
Cleared and exchange-traded derivatives	3	—	20	23	—	23
Other	91	—	—	91	—	91
Total derivatives	**7,307**	**(4,544)**	**(2,428)**	**335**	**(173)**	**162**
Securities purchased under agreements to resell[3]	34,771	—	—	34,771	(34,771)	—
Total	**$42,078**	**($4,544)**	**($2,428)**	**$35,106**	**($34,944)**	**$162**
Liabilities:						
Derivatives:						
OTC derivatives	($4,963)	$4,544	$296	($123)	$—	($123)
Cleared and exchange-traded derivatives	(244)	—	101	(143)	—	(143)
Other	(317)	—	—	(317)	—	(317)
Total derivatives	**(5,524)**	**4,544**	**397**	**(583)**	**—**	**(583)**
Securities sold under agreements to repurchase[3]	(6,019)	—	—	(6,019)	6,019	—
Total	**($11,543)**	**$4,544**	**$397**	**($6,602)**	**$6,019**	**($583)**

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

(2) Does not include the fair value amount of non-cash collateral posted or held that exceeds the associated net asset or liability, netted by counterparty, presented on the condensed consolidated balance sheets. For cleared and exchange-traded derivatives, does not include non-cash collateral posted by us as initial margin with an aggregate fair value of $2.4 billion and $2.5 billion as of March 31, 2019 and December 31, 2018, respectively.

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

We primarily execute securities purchased under agreements to resell transactions with central clearing organizations where we have the right to repledge the collateral that has been pledged to us, either with the central clearing organization or with other counterparties. At March 31, 2019, and December 31, 2018, we had $34.8 billion and $20.1 billion, respectively, of securities pledged to us in these transactions. In addition, at March 31, 2019 and December 31, 2018, we had $1.9 billion and $2.5 billion, respectively, of securities pledged to us for transactions involving securities purchased under agreements to resell not executed with central clearing organizations that we had the right to repledge.

Collateral Pledged

Collateral Pledged to Freddie Mac

We have cash pledged to us as collateral primarily related to OTC derivative transactions. At March 31, 2019, we had $2.3 billion pledged to us as collateral that was invested as part of our liquidity and contingency operating portfolio.

Collateral Pledged by Freddie Mac

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

Table 10.2 - Collateral in the Form of Securities Pledged

	March 31, 2019			
(In millions)	Derivatives	Securities sold under agreements to repurchase	Other[3]	Total
Cash equivalents[1]	$—	$686	$—	$686
Debt securities of consolidated trusts[2]	300	—	183	483
Available-for-sale securities	—	2,934	3	2,937
Trading securities	2,130	11,432	23	13,585
Total securities pledged	**$2,430**	**$15,052**	**$209**	**$17,691**

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

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

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

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

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

Table 10.3 - Underlying Collateral Pledged

	March 31, 2019				
(In millions)	Overnight and continuous	30 days or less	After 30 days through 90 days	Greater than 90 days	Total
U.S. Treasury securities and other	$2,940	$12,112	$—	$—	$15,052

NOTE 11

Stockholders' Equity and Earnings Per Share

Accumulated Other Comprehensive Income

The tables below present changes in AOCI after the effects of our federal statutory tax rate of 21% for 1Q 2019 and 1Q 2018, related to available-for-sale securities, closed cash flow hedges, and our defined benefit plans.

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

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

	1Q 2018			
(In millions)	AOCI Related to Available-For-Sale Securities	AOCI Related to Cash Flow Hedge Relationships	AOCI Related to Defined Benefit Plans	Total
Beginning balance	$662	($356)	$83	$389
Other comprehensive income before reclassifications	(488)	—	(2)	(490)
Amounts reclassified from accumulated other comprehensive income	(312)	30	(4)	(286)
Changes in AOCI by component	**(800)**	**30**	**(6)**	**(776)**
Cumulative effect of change in accounting principle[1]	**143**	**(73)**	**19**	**89**
Ending balance	**$5**	**($399)**	**$96**	**($298)**

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

Reclassifications from AOCI to Net Income

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

Table 11.2 - Reclassifications from AOCI to Net Income

(In millions)	1Q 2019	1Q 2018
AOCI related to available-for-sale securities		
Affected line items in the consolidated statements of comprehensive income:		
Investment securities gains (losses)	$34	$395
Total before tax	**34**	**395**
Income tax (expense) or benefit	(7)	(83)
Net of tax	**27**	**312**
AOCI related to cash flow hedge relationships		
Affected line items in the consolidated statements of comprehensive income:		
Interest expense	(23)	(38)
Income tax (expense) or benefit	5	8
Net of tax	**(18)**	**(30)**
AOCI related to defined benefit plans		
Affected line items in the consolidated statements of comprehensive income:		
Salaries and employee benefits	5	5
Income tax (expense) or benefit	(1)	(1)
Net of tax	**4**	**4**
Total reclassifications in the period net of tax	**$13**	**$286**

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

The total AOCI related to derivatives designated as cash flow hedges was a loss of $0.3 billion and $0.4 billion at March 31, 2019 and March 31, 2018, respectively, composed of deferred net losses on closed cash flow hedges. Closed cash flow hedges involve derivatives that have been terminated or are no longer designated as cash flow hedges. Fluctuations in prevailing market interest rates have no effect on the deferred portion of AOCI relating to losses on closed cash flow hedges.

The previously deferred amount related to closed cash flow hedges remains in our AOCI balance and will be recognized into earnings over the expected time period for which the forecasted transactions affect earnings, unless it is deemed probable that the forecasted transactions will not occur. Over the next 12 months, we estimate that approximately $69 million, net of taxes, of the $0.3 billion of cash flow hedge losses in AOCI at March 31, 2019 will be reclassified into earnings. The maximum remaining length of time over which we have hedged the exposure related to the variability in future cash flows on forecasted transactions, primarily forecasted debt issuances, is 15 years.

Senior Preferred Stock

As of March 31, 2019, our assets exceeded our liabilities under GAAP; therefore, no draw is being requested from Treasury under the Purchase Agreement. Based on our Net Worth Amount of $4.7 billion as of March 31, 2019 and the Capital Reserve Amount of $3.0 billion, our dividend requirement to Treasury in June 2019 will be $1.7 billion. See **Note 2** for additional information.

Upon the Conservator, acting as successor to the rights, titles, powers, and privileges of the Board of Directors, declaring a senior preferred stock dividend equal to our dividend requirement and directing us to pay it before June 30, 2019, we would pay a dividend of $1.7 billion by June 30, 2019. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full, 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 $118.0 billion as of March 31, 2019. The aggregate liquidation preference of the senior preferred stock owned by Treasury was $75.6 billion as of both March 31, 2019 and December 31, 2018.

Stock Issuances and Repurchases

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during 1Q 2019, except for issuances of treasury stock relating to stock-based compensation granted prior to Conservatorship. During 1Q 2019, the deferral period lapsed on 351 RSUs. At March 31, 2019, 702 RSUs remained outstanding.

Earnings Per Share

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

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

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

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

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

There were no stock options outstanding at both March 31, 2019 and March 31, 2018.

Dividends and Dividend Restrictions

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

Our payment of dividends on Freddie Mac common stock or any series of Freddie Mac preferred stock (other than senior preferred stock) is subject to certain restrictions as described in **Note 11** in our 2018 Annual Report.

NOTE 12

Income Taxes

Income Tax Expense

For 1Q 2019 and 1Q 2018, we reported income tax expense of $0.4 billion and $0.7 billion, respectively, resulting in effective tax rates of 20.3% and 20.4%, respectively. Our effective tax rate differed from the statutory tax rate of 21% in these periods primarily due to our recognition of low income housing tax credits.

Deferred Tax Assets, Net

We had net deferred tax assets of $6.8 billion and $6.9 billion as of March 31, 2019 and December 31, 2018, respectively. At March 31, 2019, our net deferred tax assets consisted primarily of basis differences related to derivative instruments and deferred fees.

Based on all positive and negative evidence available at March 31, 2019, we determined that it is more likely than not that our net deferred tax assets, except for a portion of the deferred tax asset related to our capital loss carryforward, will be realized. As of March 31, 2019, we have a $46 million valuation allowance recorded against our capital loss carryforward deferred tax asset.

Unrecognized Tax Benefits

We evaluated all income tax positions and determined that there were no uncertain tax positions that required reserves as of March 31, 2019.

NOTE 13

Segment Reporting

We have three reportable segments, which are based on the type of business activities each performs - Single-family Guarantee, Multifamily, and Capital Markets. Material corporate-level activities that are infrequent in nature and based on decisions outside the control of the management of our reportable segments are included in the All Other category. For more information, see our 2018 Annual Report.

Segment Earnings

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

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

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

The table below presents Segment Earnings by segment.

Table 13.1 - Segment Earnings

(In millions)	1Q 2019	1Q 2018
Segment Earnings (loss), net of taxes:		
Single-family Guarantee	$740	$786
Multifamily	330	473
Capital Markets	337	1,667
All Other	—	—
Total Segment Earnings, net of taxes	**1,407**	**2,926**
Net income (loss)	**$1,407**	**$2,926**
Comprehensive income (loss) of segments:		
Single-family Guarantee	$736	$782
Multifamily	395	405
Capital Markets	534	963
All Other	—	—
Comprehensive income (loss) of segments	**1,665**	**2,150**
Comprehensive income (loss)	**$1,665**	**$2,150**

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

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

	1Q 2019						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$247	$758	$—	$1,005	$2,148	$3,153
Guarantee fee income	1,633	216	—	—	1,849	(1,632)	217
Benefit (provision) for credit losses	8	(1)	—	—	7	128	135
Mortgage loans gains (losses)	—	731	—	—	731	200	931
Investment securities gains (losses)	—	(17)	195	—	178	(4)	174
Debt gains (losses)	(21)	29	(7)	—	1	14	15
Derivative gains (losses)	(41)	(772)	(667)	—	(1,480)	(126)	(1,606)
Other income (loss)	249	104	237	—	590	(556)	34
Administrative expense	(374)	(112)	(92)	—	(578)	—	(578)
REO operations (expense) income	(38)	—	—	—	(38)	5	(33)
Other non-interest (expense) income	(488)	(11)	(1)	—	(500)	(177)	(677)
Income tax (expense) benefit	(188)	(84)	(86)	—	(358)	—	(358)
Net income (loss)	**740**	**330**	**337**	**—**	**1,407**	**—**	**1,407**
Changes in unrealized gains (losses) related to available-for-sale securities	—	66	180	—	246	—	246
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	18	—	18	—	18
Changes in defined benefit plans	(4)	(1)	(1)	—	(6)	—	(6)
Total other comprehensive income (loss), net of taxes	**(4)**	**65**	**197**	**—**	**258**	**—**	**258**
Comprehensive income (loss)	**$736**	**$395**	**$534**	**$—**	**$1,665**	**$—**	**$1,665**

	1Q 2018						
(In millions)	Single-family Guarantee	Multifamily	Capital Markets	All Other	Total Segment Earnings (Loss)	Reclassifications	Total per Consolidated Statements of Comprehensive Income
Net interest income	$—	$271	$771	$—	$1,042	$1,976	$3,018
Guarantee fee income	1,590	195	—	—	1,785	(1,591)	194
Benefit (provision) for credit losses	41	16	—	—	57	(120)	(63)
Mortgage loans gains (losses)	—	(346)	—	—	(346)	131	(215)
Investment securities gains (losses)	—	(158)	37	—	(121)	(111)	(232)
Debt gains (losses)	34	10	105	—	149	(28)	121
Derivative gains (losses)	(6)	655	1,302	—	1,951	(121)	1,830
Other income (loss)	81	64	(31)	—	114	17	131
Administrative expense	(336)	(100)	(84)	—	(520)	—	(520)
REO operations (expense) income	(39)	—	—	—	(39)	5	(34)
Other non-interest (expense) income	(379)	(13)	(6)	—	(398)	(158)	(556)
Income tax (expense) benefit	(200)	(121)	(427)	—	(748)	—	(748)
Net income (loss)	**786**	**473**	**1,667**	**—**	**2,926**	**—**	**2,926**
Changes in unrealized gains (losses) related to available-for-sale securities	—	(67)	(733)	—	(800)	—	(800)
Changes in unrealized gains (losses) related to cash flow hedge relationships	—	—	30	—	30	—	30
Changes in defined benefit plans	(4)	(1)	(1)	—	(6)	—	(6)
Total other comprehensive income (loss), net of taxes	**(4)**	**(68)**	**(704)**	**—**	**(776)**	**—**	**(776)**
Comprehensive income (loss)	**$782**	**$405**	**$963**	**$—**	**$2,150**	**$—**	**$2,150**

NOTE 14

Concentration of Credit and Other Risks

Single-Family Credit Guarantee Portfolio

The table below summarizes the concentration by loan portfolio and geographic area of the approximately $1.9 trillion UPB of our single-family credit guarantee portfolio as of both March 31, 2019 and December 31, 2018. See **Note 4** and **Note 7** for more information about credit risk associated with loans and mortgage-related securities that we hold or guarantee.

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

	March 31, 2019		December 31, 2018		Percent of Credit Losses	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate	1Q 2019	1Q 2018
Core single-family loan portfolio	83%	0.22%	82%	0.22%	12%	6%
Legacy and relief refinance single-family loan portfolio	17	1.91	18	1.93	88	94
Total	**100%**	**0.67**	**100%**	**0.69**	**100%**	**100%**
Region(1)						
West	30%	0.38	30%	0.38	15%	17%
Northeast	24	0.95	24	0.96	37	41
North Central	16	0.62	16	0.63	16	19
Southeast	16	0.83	16	0.90	25	18
Southwest	14	0.54	14	0.57	7	5
Total	**100%**	**0.67**	**100%**	**0.69**	**100%**	**100%**
State(2)						
Florida	6%	0.91	6%	1.01	18%	10%
New York	5	1.33	5	1.37	12	9
New Jersey	3	1.21	3	1.24	10	13
California	18	0.35	18	0.35	10	13
Illinois	4	0.86	5	0.86	10	9
All other	64	0.62	63	0.64	40	46
Total	**100%**	**0.67%**	**100%**	**0.69%**	**100%**	**100%**

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

(2) States presented based on those with the highest percentage of credit losses during 1Q 2019.

Credit Performance of Certain Higher Risk Single-Family Loan Categories

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

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

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

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

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

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

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

	Percentage of Portfolio[(1)]		Serious Delinquency Rate[(1)]	
(Percentage of portfolio based on UPB)	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Interest-only	1%	1%	3.35%	3.43%
Alt-A	1	1	4.17	4.13
Original LTV ratio greater than 90%[(2)]	18	18	0.99	1.04
Lower credit scores at origination (less than 620)	2	2	4.50	4.59

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

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

Sellers and Servicers

Sellers

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

Table 14.3 - Seller Concentration

Single-family Sellers	1Q 2019	1Q 2018
JPMorgan Chase Bank, N.A.	16%	6%
United Shore Financial Services, LLC [(1)]	10	N/A
Wells Fargo Bank, N.A.	8	15
Other top 10 sellers	23	30
Top 10 single-family sellers	**57%**	**51%**

Multifamily Sellers	1Q 2019	1Q 2018
CBRE Capital Markets, Inc.	15%	14%
Berkadia Commercial Mortgage LLC	13	11
Walker & Dunlop, LLC	9	12
Holliday Fenoglio Fowler, L.P.	5	10
Other top 10 sellers	35	32
Top 10 multifamily sellers	**77%**	**79%**

(1) United Shore Financial Services, LLC was not a top 10 single-family seller in 1Q 2018.

In recent years, there has been a shift in our single-family purchase volume from depository institutions to non-depository and smaller depository financial institutions. Some of these non-depository sellers have grown in recent years, and we purchase a significant share of our loans from them. Our top five non-depository sellers provided approximately 26% and 22% of our single-family purchase volume during 1Q 2019 and 1Q 2018, respectively.

Servicers

Significant portions of our single-family and multifamily loans are serviced by several large servicers. The tables below summarize the concentration of single-family and multifamily servicers who serviced 10% or more of our single-family credit guarantee portfolio and our multifamily mortgage portfolio, excluding loans underlying multifamily securitizations where we are not in first loss position, primarily K Certificates and SB Certificates.

Table 14.4 - Servicer Concentration

Single-family Servicers	March 31, 2019[1]	December 31, 2018[1]
Wells Fargo Bank, N.A.	17%	17%
Other top 10 servicers	40	39
Top 10 single-family servicers	**57%**	**56%**

Multifamily Servicers	March 31, 2019	December 31, 2018
Wells Fargo Bank, N.A.	14%	14%
CBRE Capital Markets, Inc.	11	14
Berkadia Commercial Mortgage LLC	11	11
Other top 10 servicers	39	36
Top 10 multifamily servicers	**75%**	**75%**

(1) Percentage of servicing volume is based on the total single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing.

In recent years, there has been a shift in our single-family servicing from depository institutions to non-depository servicers. Some of these non-depository servicers have grown in recent years and now service a large share of our loans. As of March 31, 2019 and December 31, 2018, approximately 18% and 16%, respectively, of our single-family credit guarantee portfolio, excluding loans where we do not exercise control over the associated servicing, was serviced by our top five non-depository servicers. We actively manage the performance of our largest non-depository servicers.

Credit Enhancement Providers

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

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

We evaluate the recovery and collectability from mortgage insurers as part of the estimate of our allowance for credit losses. See **Note 4** for additional information. As of March 31, 2019, mortgage insurers provided coverage with maximum loss limits of $98.9 billion, for $385.5 billion of UPB, in connection with our single-family credit guarantee portfolio. These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected loan is covered under both primary and pool insurance.

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

Table 14.5 - Mortgage Insurer Concentration

Mortgage Insurer	Credit Rating[1]	Mortgage Insurance Coverage[2] March 31, 2019	Mortgage Insurance Coverage[2] December 31, 2018
Arch Mortgage Insurance Company	A-	23%	24%
Radian Guaranty Inc.	BBB	20	20
Mortgage Guaranty Insurance Corporation	BBB	18	19
Genworth Mortgage Insurance Corporation	BB+	15	14
Essent Guaranty, Inc.	BBB+	14	14
Total		**90%**	**91%**

(1) Ratings are for the corporate entity to which we have the greatest exposure. Latest rating available as of March 31, 2019. Represents the lower of S&P and Moody's credit ratings stated in terms of the S&P equivalent.

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

During both 1Q 2019 and 1Q 2018, we received proceeds of $0.1 billion from our primary and pool mortgage insurance policies for recovery of losses on our single-family loans. We had outstanding receivables from mortgage insurers of $0.1 billion (excluding deferred payment obligations associated with unpaid claim amounts) as of both March 31, 2019 and December 31, 2018. The balance of these receivables, net of associated reserves, was approximately $0.1 billion at both March 31, 2019 and December 31, 2018.

PMI Mortgage Insurance Co. and Triad Guaranty Insurance Corp. are both under the control of their state regulators and are in run-off. A substantial portion of their claims is recorded by us as deferred payment obligations. As of both March 31, 2019 and December 31, 2018, we had cumulative unpaid deferred payment obligations of $0.5 billion from these insurers. We have reserved substantially all of these unpaid amounts as collectability is uncertain. It is not clear how the regulators of these companies will administer their respective deferred payment plans in the future, nor when or if those obligations will be paid.

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

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

Other Investments Counterparties

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

Our other investments (including non-mortgage-related securities and cash equivalents) counterparties are primarily major financial institutions, including other GSEs, Treasury, the Federal Reserve Bank of New York, GSD/FICC, highly-rated supranational institutions, depository and non-depository institutions, brokers and dealers, and government money market funds. As of March 31, 2019 and December 31, 2018, including amounts related to our consolidated VIEs, the balance in our other investments was $77.0 billion and $63.1 billion, respectively. The balances consist primarily of cash and securities purchased under agreements to resell invested with counterparties, U.S. Treasury securities, cash deposited with the Federal Reserve Bank of New York, and secured lending activities. As of March 31, 2019, all of our securities purchased under agreements to resell were fully collateralized. As of March 31, 2019 and December 31, 2018, $1.9 billion and $2.5 billion of our securities purchased under agreements to resell were used to provide financing to investors in Freddie Mac securities to increase liquidity and expand the investor base for those securities. These transactions differ from the securities purchased under agreements to resell that we use for liquidity purposes as the counterparties we face may not be major financial institutions and we are exposed to the counterparty risk of these institutions.

NOTE 15

Fair Value Disclosures

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

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

Fair Value Measurements

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

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

	March 31, 2019				
(In millions)	Level 1	Level 2	Level 3	Netting Adjustment(1)	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$—	$25,347	$3,563	$—	$28,910
Other agency	—	1,346	36	—	1,382
Non-agency and other	—	19	1,633	—	1,652
Total available-for-sale securities, at fair value	**—**	**26,712**	**5,232**	**—**	**31,944**
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac	—	10,259	3,051	—	13,310
Other agency	—	2,781	7	—	2,788
All other	—	—	1	—	1
Total mortgage-related securities	**—**	**13,040**	**3,059**	**—**	**16,099**
Non-mortgage-related securities	14,782	2,671	—	—	17,453
Total trading securities, at fair value	**14,782**	**15,711**	**3,059**	**—**	**33,552**
Total investments in securities	**14,782**	**42,423**	**8,291**	**—**	**65,496**
Mortgage loans:					
Held-for-sale, at fair value	—	20,576	—	—	20,576
Derivative assets, net:					
Interest-rate swaps	—	1,929	—	—	1,929
Option-based derivatives	—	4,147	—	—	4,147
Other	—	187	11	—	198
Subtotal, before netting adjustments	**—**	**6,263**	**11**	**—**	**6,274**
Netting adjustments(1)	—	—	—	(5,128)	(5,128)
Total derivative assets, net	**—**	**6,263**	**11**	**(5,128)**	**1,146**
Other assets:					
Guarantee asset, at fair value	—	—	3,795	—	3,795
Non-derivative held-for-sale purchase commitments, at fair value	—	237	—	—	237
All other, at fair value	—	—	150	—	150
Total other assets	**—**	**237**	**3,945**	**—**	**4,182**
Total assets carried at fair value on a recurring basis	**$14,782**	**$69,499**	**$12,247**	**($5,128)**	**$91,400**
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$—	$7	$731	$—	$738
Other debt, at fair value	—	4,115	214	—	4,329
Derivative liabilities, net:					
Interest-rate swaps	—	4,168	—	—	4,168
Option-based derivatives	—	195	—	—	195
Other	—	319	58	—	377
Subtotal, before netting adjustments	**—**	**4,682**	**58**	**—**	**4,740**
Netting adjustments(1)	—	—	—	(4,308)	(4,308)
Total derivative liabilities, net	**—**	**4,682**	**58**	**(4,308)**	**432**
Other liabilities:					
Non-derivative held-for-sale purchase commitments, at fair value	—	4	—	—	4
All other, at fair value	—	—	1	—	1
Total liabilities carried at fair value on a recurring basis	**$—**	**$8,808**	**$1,004**	**($4,308)**	**$5,504**

Referenced footnote is included after the next table.

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

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

Level 3 Fair Value Measurements

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

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

	1Q 2019											
		Realized and unrealized gains (losses)										
(In millions)	Balance, January 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2019	Unrealized gains (losses) still held[3]
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$4,097	($18)	$72	$54	$52	$—	($486)	($96)	$—	($58)	$3,563	($1)
Other agency	38	—	—	—	—	—	—	(2)	—	—	36	—
Non-agency and other	1,640	4	50	54	—	—	—	(61)	—	—	1,633	4
Total available-for-sale mortgage-related securities	**5,775**	**(14)**	**122**	**108**	**52**	**—**	**(486)**	**(159)**	**—**	**(58)**	**5,232**	**3**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	3,286	(59)	—	(59)	143	—	(115)	(24)	—	(180)	3,051	(61)
Other agency	7	—	—	—	—	—	—	—	—	—	7	—
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**3,294**	**(59)**	**—**	**(59)**	**143**	**—**	**(115)**	**(24)**	**—**	**(180)**	**3,059**	**(61)**
Other assets:												
Guarantee asset	3,633	35	—	35	—	282	—	(155)	—	—	3,795	35
All other, at fair value	137	(34)	—	(34)	52	9	(12)	(2)	—	—	150	(33)
Total other assets	**$3,770**	**$1**	**$—**	**$1**	**$52**	**$291**	**($12)**	**($157)**	**$—**	**$—**	**$3,945**	**$2**

		Realized and unrealized (gains) losses										
	Balance, January 1, 2019	Included in earnings	Included in other comprehensive income	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2019	Unrealized (gains) losses still held[3]
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$728	$2	$—	$2	$—	$—	$—	$—	$—	$—	$730	$2
Other debt, at fair value	134	—	—	—	—	80	—	—	—	—	214	—
Net derivatives[2]	91	(38)	—	(38)	—	—	—	(5)	—	—	48	(43)
All other, at fair value	—	(2)	—	(2)	3	—	—	—	—	—	1	(2)

Referenced footnotes are included after the prior period tables.

(In millions)	1Q 2018											
	Balance, January 1, 2018	Realized and unrealized gains (losses)			Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2018	Unrealized gains (losses) still held[3]
		Included in earnings	Included in other comprehensive income	Total								
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$6,751	($6)	($152)	($158)	$433	$—	$—	($257)	$—	$—	$6,769	($6)
Other agency	46	—	—	—	—	—	—	(2)	—	—	44	—
Non-agency and other	4,291	449	(453)	(4)	—	—	(1,467)	(129)	—	—	2,691	17
Total available-for-sale mortgage-related securities	**11,088**	**443**	**(605)**	**(162)**	**433**	**—**	**(1,467)**	**(388)**	**—**	**—**	**9,504**	**11**
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	2,907	(124)	—	(124)	817	—	(455)	(21)	—	(86)	3,038	(111)
Other agency	9	—	—	—	—	—	—	—	—	—	9	—
All other	1	—	—	—	—	—	—	—	—	—	1	—
Total trading mortgage-related securities	**2,917**	**(124)**	**—**	**(124)**	**817**	**—**	**(455)**	**(21)**	**—**	**(86)**	**3,048**	**(111)**
Other assets:												
Guarantee asset	3,171	16	—	16	—	235	—	(137)	—	—	3,285	16
All other, at fair value	45	6	—	6	43	9	(15)	—	—	—	88	3
Total other assets	**$3,216**	**$22**	**$—**	**$22**	**$43**	**$244**	**($15)**	**($137)**	**$—**	**$—**	**$3,373**	**$19**

	Balance, January 1, 2018	Realized and unrealized gains (losses)			Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[1]	Transfers out of Level 3[1]	Balance, March 31, 2018	Unrealized gains (losses) still held[3]
		Included in earnings	Included in other comprehensive income	Total								
Liabilities												
Debt securities of consolidated trusts held by third parties, at fair value	$630	($1)	$—	($1)	$—	$—	$—	$—	$—	$—	$629	($1)
Other debt, at fair value	137	—	—	—	—	—	—	(2)	—	—	135	—
Net derivatives[2]	57	9	—	9	—	(22)	—	(4)	—	—	40	6

(1) Transfers out of Level 3 during 1Q 2019 and 1Q 2018 consisted primarily of certain mortgage-related securities due to an increased volume and level of activity in the market and availability of price quotes from dealers and third-party pricing services. Certain Freddie Mac securities are classified as Level 3 at issuance and generally are classified as Level 2 when they begin trading. Transfers into Level 3 during 1Q 2019 and 1Q 2018 consisted primarily of certain mortgage-related securities due to a decrease in market activity and the availability of relevant price quotes from dealers and third-party pricing services.

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

(3) Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains and losses related to assets and liabilities classified as Level 3 that were still held at March 31, 2019 and March 31, 2018, respectively. Included in these amounts are other-than temporary impairments recorded on available-for-sale securities.

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

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

	March 31, 2019				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Assets					
Available-for-sale, at fair value					
Mortgage-related securities					
Freddie Mac	$2,770	Discounted cash flows	OAS	30 - 261 bps	87 bps
	793	Single external source	External pricing sources	$96.5 - $106.5	$103.8
Non-agency and other	1,416	Median of external sources	External pricing sources	$64.9 - $70.5	$67.4
	217	Single external source	External pricing sources	$97.7 - $114.4	$101.1
Trading, at fair value					
Mortgage-related securities					
Freddie Mac	2,043	Single external source	External pricing sources	$0.0 - $99.6	$46.7
	1,008	Discounted cash flows	OAS	(21,945) - 8,039 bps	617 bps
Guarantee asset, at fair value	3,543	Discounted cash flows	OAS	17-198 bps	44 bps
	251	Other			
Insignificant Level 3 assets[1]	195				
Total level 3 assets	**$12,236**				
Liabilities					
Debt securities of consolidated trusts held by third parties, at fair value	$731	Single External Source	External Pricing Sources	98.0 -102.2 bps	$100.0
Insignificant Level 3 liabilities[1]	263				

Referenced footnote is included after the next table.

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

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

Assets Measured at Fair Value on a Non-Recurring Basis

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

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

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

	March 31, 2019				December 31, 2018			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a non-recurring basis:								
Mortgage loans[(1)]	$—	$91	$5,414	$5,505	$—	$24	$7,519	$7,543

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

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

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

	March 31, 2019				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$5,414				
		Internal model	Historical sales proceeds	$3,400 - $782,100	$177,593
		Internal model	Housing sales index	44 - 486 bps	108 bps
		Median of external sources	External pricing sources	$32.3 - $95.0	$83.7

	December 31, 2018				
			Unobservable Inputs		
(**Dollars in millions**, except for certain unobservable inputs as shown)	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
Non-recurring fair value measurements					
Mortgage loans	$7,519				
		Internal model	Historical sales proceeds	$3,000 - $750,500	$177,725
		Internal model	Housing sales index	44 - 480 bps	108 bps
		Median of external sources	External pricing sources	$36.2 - $94.6	$82.5

Fair Value of Financial Instruments

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

Table 15.6 - Fair Value of Financial Instruments

	March 31, 2019						
			Fair Value				
(In millions)	GAAP Measurement Category(1)	GAAP Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustments(2)	Total
Financial Assets							
Cash and cash equivalents	Amortized cost	$6,239	$6,179	$60	$—	$—	$6,239
Securities purchased under agreements to resell	Amortized cost	50,134	—	50,134	—	—	50,134
Investments in securities:							
Available-for-sale, at fair value	FV - OCI	31,944	—	26,712	5,232	—	31,944
Trading, at fair value	FV - NI	33,552	14,782	15,711	3,059	—	33,552
Total investments in securities		**65,496**	**14,782**	**42,423**	**8,291**	**—**	**65,496**
Mortgage loans:							
Loans held by consolidated trusts		1,858,079	—	1,640,585	216,487	—	1,857,072
Loans held by Freddie Mac		84,009	—	34,688	51,860	—	86,548
Total mortgage loans	**Various(3)**	**1,942,088**	**—**	**1,675,273**	**268,347**	**—**	**1,943,620**
Derivative assets, net	FV - NI	1,146	—	6,263	11	(5,128)	1,146
Guarantee asset	FV - NI	3,795	—	—	3,803	—	3,803
Non-derivative purchase commitments, at fair value	FV - NI	237	—	237	5	—	242
Secured lending and other	Amortized cost	3,151	—	544	1,759	—	2,303
Total financial assets		**$2,072,286**	**$20,961**	**$1,774,934**	**$282,216**	**($5,128)**	**$2,072,983**
Financial Liabilities							
Debt, net:							
Debt securities of consolidated trusts held by third parties		$1,803,707	$—	$1,797,267	$3,238	$—	$1,800,505
Other debt		269,907	—	269,561	3,713	—	273,274
Total debt, net	**Various(4)**	**2,073,614**	**—**	**2,066,828**	**6,951**	**—**	**2,073,779**
Derivative liabilities, net	FV - NI	432	—	4,682	58	(4,308)	432
Guarantee obligation	Amortized cost	3,667	—	—	3,988	—	3,988
Non-derivative purchase commitments, at fair value	FV - NI	4	—	4	21	—	25
Total financial liabilities		**$2,077,717**	**$—**	**$2,071,514**	**$11,018**	**($4,308)**	**$2,078,224**

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

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

(3) As of March 31, 2019, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were$1.9 trillion, $19.2 billion, and $20.6 billion, respectively.

(4) As of March 31, 2019, the GAAP carrying amounts measured at amortized cost and FV - NI were $2.1 trillion and $5.1 billion, respectively.

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

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

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

(3) As of December 31, 2018, the GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NII were$1.9 trillion, $18.5 billion, and $23.1 billion, respectively.

(4) As of December 31, 2018, the GAAP carrying amounts measured at amortized cost and FV - NII were $2.0 trillion and $5.1 billion, respectively.

Fair Value Option

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

The table below presents the fair value and UPB related to certain loans and long-term debt for which we have elected the fair value option. This table does not include interest-only securities related to debt securities of consolidated trusts and other debt held by third parties with a fair value of $88 million and $26 million and multifamily held-for-sale loan purchase commitments with a fair value of $233 million and $142 million, as of March 31, 2019 and December 31, 2018, respectively.

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

	March 31, 2019			December 31, 2018		
(In millions)	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties	Multifamily Held-For-Sale Loans	Other Debt - Long Term	Debt Securities Of Consolidated Trusts Held By Third Parties
Fair value	$20,576	$4,248	$730	$23,106	$4,357	$728
UPB	19,793	3,889	730	22,693	3,998	730
Difference	$783	$359	$—	$413	$359	($2)

Changes in Fair Value Under the Fair Value Option Election

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

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

	1Q 2019	1Q 2018
(In millions)	Gains (Losses)	
Multifamily held-for-sale loans	$341	($458)
Multifamily held-for-sale loan purchase commitments	390	105
Other debt - long term	(2)	9
Debt securities of consolidated trusts held by third parties	(2)	2

Changes in fair value attributable to instrument-specific credit risk were not material for 1Q 2019 and 1Q 2018 for any assets or liabilities for which we elected the fair value option.

NOTE 16

Legal Contingencies

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

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

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

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

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

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

LIBOR Lawsuit

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

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

On February 23, 2018, the Second Circuit reversed the District Court's dismissal of certain plaintiffs' state law fraud and unjust enrichment claims on statutes of limitations grounds. While Freddie Mac was not a party to the appeal, this decision could have the effect of reinstating Freddie Mac's fraud claims against the above-named defendants. The Second Circuit also reversed certain aspects of the District Court's personal jurisdiction rulings and remanded with instructions to allow the named appellant to amend its complaint. The District Court subsequently granted in part Freddie Mac's motion for leave to amend its complaint, and Freddie Mac amended its complaint on April 16, 2019.

Litigation Concerning the Purchase Agreement

Since July 2013, a number of lawsuits have been filed against us concerning the August 2012 amendment to the Purchase Agreement, which created the net worth sweep dividend provisions of the senior preferred stock. The plaintiffs in the lawsuits allege that they are holders of common stock and/or junior preferred stock issued by Freddie Mac and Fannie Mae. (For purposes of this discussion, junior preferred stock refers to the various series of preferred stock of Freddie Mac and Fannie Mae other than the senior preferred stock issued to Treasury.) It is possible that similar lawsuits will be filed in the future. The lawsuits against us are described below.

Litigation in the U.S. District Court for the District of Columbia

In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations. This case is the result of the consolidation of three putative class action lawsuits: *Cacciapelle and Bareiss vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 29, 2013; *American European Insurance Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHFA*, filed on July 30, 2013; and *Marneu Holdings, Co. vs. FHFA, Treasury, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation*, filed on September 18, 2013. (The Marneu case was also filed as a shareholder derivative lawsuit.) A consolidated amended complaint was filed in December 2013. In the consolidated amended complaint, plaintiffs allege, among other items, that the August 2012 amendment to the Purchase Agreement breached Freddie Mac's and Fannie Mae's respective contracts with the holders of junior preferred stock and common stock and the covenant of good faith and fair dealing inherent in such contracts. Plaintiffs sought unspecified damages, equitable and injunctive relief, and costs and expenses, including attorney and expert fees.

The Cacciapelle and American European Insurance Company lawsuits were filed purportedly on behalf of a class of purchasers of junior preferred stock issued by Freddie Mac or Fannie Mae who held stock prior to, and as of, August 17, 2012. The Marneu lawsuit was filed purportedly on behalf of a class of purchasers of junior preferred stock and purchasers of common stock issued by Freddie Mac or Fannie Mae over a not-yet-defined period of time.

Arrowood Indemnity Company vs. Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, FHFA, and Treasury. This case was filed on September 20, 2013. The allegations and demands made by plaintiffs in this case were generally similar to those made by the plaintiffs in the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case described above. Plaintiffs in the Arrowood lawsuit also requested that, if injunctive relief were not granted, the Arrowood plaintiffs be awarded damages against the defendants in an amount to be determined including, but not limited to, the aggregate par value of their junior preferred stock, the total of which they stated to be approximately $42 million.

American European Insurance Company, Cacciapelle, and Miller vs. Treasury and FHFA. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on July 30, 2014. The complaint alleged that, through the August 2012 amendment to the Purchase Agreement, Treasury and FHFA breached their respective fiduciary duties to Freddie Mac, causing Freddie Mac to suffer damages. The plaintiffs asked that Freddie Mac be awarded compensatory damages and disgorgement, as well as attorneys' fees, costs, and other expenses.

FHFA, joined by Freddie Mac and Fannie Mae, moved to dismiss the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case and the other related cases in January 2014. Treasury filed a motion to dismiss the same day. In September 2014, the District Court granted the motions and dismissed the plaintiffs' claims. All plaintiffs appealed that decision, and on February 21, 2017, the U.S. Court of Appeals for the District of Columbia Circuit affirmed in part and remanded in part the decision granting the motions to dismiss. The Court of Appeals affirmed dismissal of all claims except certain claims seeking monetary damages for breach of contract and breach of implied duty of good faith and fair dealing. In March 2017, certain institutional and class plaintiffs filed petitions for panel rehearing with respect to certain claims. On July 17, 2017, the Court of Appeals granted the petitions for rehearing and issued a modified decision, which permitted the institutional plaintiffs to pursue the breach of contract and breach of implied duty of good faith and fair dealing claims that had been remanded. The Court of Appeals also removed language related to the standard to be applied to the implied duty claims, leaving that issue for the District Court to determine on remand. On October 16, 2017, certain institutional and class plaintiffs filed petitions for a writ of certiorari in the U.S. Supreme Court challenging whether HERA's prohibition on injunctive relief against FHFA bars judicial review of the net worth sweep dividend provisions of the August 2012 amendment to the Purchase Agreement, as well as whether HERA bars shareholders from pursuing derivative litigation where they allege the conservator faces a conflict of interest. The Supreme Court denied the petitions on February 20, 2018. On November 1, 2017, certain institutional and class plaintiffs and plaintiffs in another case in which Freddie Mac was not originally a defendant, *Fairholme Funds, Inc. v. FHFA, Treasury, and Federal National Mortgage Association*, filed proposed amended complaints in the District Court. Each of the proposed amended complaints names Freddie Mac as a defendant for breach of contract and breach of the covenant of good faith and fair dealing claims as well as for new claims alleging breach of fiduciary duty and breach of Virginia corporate law. On January 10, 2018, FHFA, Freddie Mac, and Fannie Mae moved to dismiss the amended complaints. On August 16, 2018, plaintiffs in the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case filed a motion for class certification in the District Court. 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. On October 15, 2018, defendants filed a motion seeking reconsideration of the denial of the motion to dismiss as to the implied covenant claims. Discovery is ongoing.

Angel vs. The Federal Home Loan Mortgage Corporation et al. This case was filed pro se on May 21, 2018 against Freddie Mac, Fannie Mae, certain current and former directors of Freddie Mac and Fannie Mae, and FHFA as a nominal defendant. The complaint alleged, among other things, breach of contract, breach of the implied covenant of good faith and fair dealing, and that defendants aided and abetted the government's "avoidance" of plaintiff's dividend rights. On March 6, 2019, the U.S. District Court for the District of Columbia granted the defendants' motion to dismiss the case. On March 18, 2019, Mr. Angel filed a motion seeking to alter or amend the judgment and for leave to file an amended complaint, which defendants have opposed.

Litigation in the U.S. Court of Federal Claims

Reid and Fisher vs. the United States of America and Federal Home Loan Mortgage Corporation. This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on February 26, 2014. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation. The plaintiffs ask that Freddie Mac be awarded just compensation for the U.S. government's alleged taking of its property, attorneys' fees, costs, and other expenses. On March 8, 2018, the plaintiffs filed an amended complaint under seal, with a redacted copy filed on November 14, 2018. Defendants filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018.

Rafter, Rattien and Pershing Square Capital Management vs. the United States of America et al. This case was filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac as a "nominal" defendant, on August 14, 2014. The complaint alleges 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, and the U.S. government breached an implied-in-fact contract with Freddie Mac. In September 2015, plaintiffs filed an amended complaint, which contains one claim involving Freddie Mac. The amended complaint alleges that Freddie Mac's charter is a contract with its common stockholders, and that, through the August 2012 amendment to the Purchase Agreement, the U.S. government breached the implied covenant of good faith and fair dealing inherent in such contract. Plaintiffs ask that they be awarded damages or other appropriate relief for the alleged breach of contract as well as attorneys' fees, costs, and expenses. Plaintiffs filed a further amended complaint under seal on March 8, 2018, and a redacted public version on April 20, 2018. The amended complaint no longer lists Freddie Mac as a nominal defendant.

Fairholme Funds, Inc., et al. vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. This case was originally filed on July 9, 2013 against the United States of America. On March 8, 2018, plaintiffs filed an amended complaint under seal. A redacted public version was filed on May 11, 2018 and adds Freddie Mac and Fannie Mae as nominal defendants. The amended complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking or exaction of private property for public use without just compensation, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiffs ask that plaintiffs, Freddie Mac, and Fannie Mae be awarded (1) just compensation for the government's alleged taking or exaction of their property, (2) damages for the government's breach of fiduciary duties, and (3) damages for the government's breach of the alleged implied-in-fact contracts. In addition, plaintiffs seek pre- and post-judgment interest, attorneys' fees, costs, and other expenses. Defendants filed a motion to dismiss on August 1, 2018 and an amended motion to dismiss on October 1, 2018.

Perry Capital LLC vs. the United States of America, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. This case was filed as a derivative lawsuit, purportedly on behalf of Freddie Mac and Fannie Mae as "nominal" defendants, on August 15, 2018. The complaint alleges, among other items, that the net worth sweep dividend provisions of the senior preferred stock constitute an unlawful taking of private property for public use without just compensation or an illegal exaction in violation of the Fifth Amendment, and that by enacting the net worth sweep, the government breached the fiduciary duty it owed to Freddie Mac and Fannie Mae, and implied-in-fact contracts between the United States on the one hand and Freddie Mac and Fannie Mae on the other. The plaintiffs ask that plaintiffs, Freddie Mac, and Fannie Mae be awarded just compensation for the government's alleged taking of their property or damages for the illegal exaction; damages for the government's breach of fiduciary duties; and damages for the government's breach of the alleged implied-in-fact contracts. The proceedings have been stayed pending a ruling on defendants' motion to dismiss in the Fairholme Funds, Inc. litigation.

Litigation in the U.S. District Court for the District of Delaware

Jacobs and Hindes vs. FHFA and Treasury. This case was filed on August 17, 2015 as a putative class action lawsuit purportedly on behalf of a class of holders of preferred stock or common stock issued by Freddie Mac or Fannie Mae. The case was also filed as a shareholder derivative lawsuit, purportedly on behalf of Freddie Mac and Fannie Mae as "nominal" defendants. The complaint alleges, among other items, that the August 2012 amendment to the Purchase Agreement violated applicable state law and constituted a breach of contract, as well as a breach of covenants of good faith and fair dealing. Plaintiffs seek equitable and injunctive relief (including restitution of the monies paid by Freddie Mac and Fannie Mae to Treasury under the net worth sweep dividend), compensatory damages, attorneys' fees, costs and expenses. On November 27, 2017, the Court dismissed the case with prejudice after defendants filed a motion to dismiss. On December 21, 2017, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Third Circuit, and on November 14, 2018, the Court of Appeals affirmed the dismissal.

At present, it is not possible for us to predict the probable outcome of the lawsuits discussed above in the U.S. District Courts and the U.S. Court of Federal Claims (including the outcome of any appeal) or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matters due to a number of factors, including the inherent uncertainty of pre-trial litigation. In addition, with respect to the *In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations* case, the plaintiffs have not demanded a stated amount of damages they believe are due, and the Court has not certified a class.

NOTE 17

Regulatory Capital

In October 2008, FHFA announced that it was suspending capital classification of us during conservatorship in light of the Purchase Agreement. FHFA continues to monitor our capital levels, but the existing statutory and FHFA regulatory capital requirements are not binding during conservatorship.

We continue to provide quarterly submissions to FHFA on minimum capital. The table below summarizes our minimum capital requirements and deficits and net worth.

Table 17.1 - Net Worth and Minimum Capital

(In millions)	March 31, 2019	December 31, 2018
GAAP net worth (deficit)	$4,665	$4,477
Core capital (deficit)(1)(2)	(68,106)	(68,036)
Less: Minimum capital requirement(1)	18,127	17,553
Minimum capital surplus (deficit)(1)	**($86,233)**	**($85,589)**

(1) Core capital and minimum capital figures are estimates and represent amounts submitted to FHFA. FHFA is the authoritative source for our regulatory capital.

(2) Core capital excludes certain components of GAAP total equity (i.e., AOCI and the liquidation preference of the senior preferred stock) as these items do not meet the statutory definition of core capital.

In May 2017, FHFA, as Conservator, issued guidance to us to evaluate and manage our financial risk and to make economic business decisions, while in conservatorship, utilizing a newly-developed risk-based CCF, an economic capital system with detailed formulae provided by FHFA. We use the CCF to measure risk for making economically effective decisions. We are required to submit quarterly reports to FHFA related to the CCF requirements.

NOTE 18

Selected Financial Statement Line Items

The table below presents the significant components of other income (loss) on our condensed consolidated statements of comprehensive income (loss).

Table 18.1 - Significant Components of Other Income (Loss)

(In millions)	1Q 2019	1Q 2018
Other income (loss):		
Income on guarantee obligation	$192	$171
All other	(158)	(40)
Total other income (loss)	**$34**	**$131**

The table below presents the significant components of other assets and other liabilities on our condensed consolidated balance sheets.

Table 18.2 - Significant Components of Other Assets and Other Liabilities

(In millions)	March 31, 2019	December 31, 2018
Other assets:		
Real estate owned, net	$744	$769
Accounts and other receivables[1]	4,462	2,447
Guarantee asset	3,795	3,633
Secured lending and other	3,151	1,805
All other	2,149	2,322
Total other assets	**$14,301**	**$10,976**
Other liabilities:		
Guarantee obligation	$3,667	$3,561
Payables related to securities	1,442	—
All other	2,529	2,837
Total other liabilities	**$7,638**	**$6,398**

(1) Primarily consists of servicer receivables and other non-interest receivables.

END OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

Other Information

LEGAL PROCEEDINGS

We are involved as a party to a variety of legal proceedings. For more information, see **Note 16** in this report and in our 2018 Annual Report.

In addition, a number of lawsuits have been filed against the U.S. government related to the conservatorship and the Purchase Agreement. Some of these cases also have challenged the constitutionality of the structure of FHFA. For information on these lawsuits, see the **Legal Proceedings** section in our 2018 Annual Report. Freddie Mac is not a party to any of these lawsuits.

RISK FACTORS

This Form 10-Q should be read together with the **Risk Factors** section in our 2018 Annual Report, which describes various risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies, and/or prospects.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

The securities we issue are "exempted securities" under the Securities Act of 1933, as amended. As a result, we do not file registration statements with the SEC with respect to offerings of our securities.

Following our entry into conservatorship, we suspended the operation of, and ceased making grants under, equity compensation plans. Previously, we had provided equity compensation under those plans to employees and members of the Board of Directors. Under the Purchase Agreement, we cannot issue any new options, rights to purchase, participations, or other equity interests without Treasury's prior approval. However, grants outstanding as of the date of the Purchase Agreement remain in effect in accordance with their terms.

Information About Certain Securities Issuances by Freddie Mac

We make available, free of charge through our website at **www.freddiemac.com**, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with the SEC. The SEC also maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

We provide disclosure about our debt securities on our website at **www.freddiemac.com/debt**. From this address, investors can access the offering circular and related supplements for debt securities offerings under Freddie Mac's global debt facility, including pricing supplements for individual issuances of debt securities. Similar information about our STACR transactions and SCR notes is available at **crt.freddiemac.com** and **mf.freddiemac.com/investors**, respectively.

We provide disclosure about our mortgage-related securities, some of which are off-balance sheet obligations (e.g., K Certificates and SB Certificates), on our website at **www.freddiemac.com/mbs**. From this address, investors can access information and documents, including offering circulars and offering circular supplements, for mortgage-related securities offerings.

We provide additional information, including product descriptions, investor presentations, securities issuance calendars, transactions volumes and details, redemption notices, Freddie Mac research, and material developments or other events that may be important to investors, in each case as applicable, on the websites for our business segments, which can be found at **www.freddiemac.com/singlefamily**, **mf.freddiemac.com**, and **www.freddiemac.com/capital-markets**.

EXHIBITS

The exhibits are listed in the **Exhibit Index** of this Form 10-Q.

Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to management of the company, including the company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in implementing possible controls and procedures.

Management, including the company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2019. As a result of management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2019, at a reasonable level of assurance, because we have not been able to update our disclosure controls and procedures to provide reasonable assurance that information known by FHFA on an ongoing basis is communicated from FHFA to Freddie Mac's management in a manner that allows for timely decisions regarding our required disclosure under the federal securities laws. We consider this situation to be a material weakness in our internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING DURING 1Q 2019

We evaluated the changes in our internal control over financial reporting that occurred during 1Q 2019 and concluded that there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MITIGATING ACTIONS RELATED TO THE MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As described above under **Evaluation of Disclosure Controls and Procedures**, we have one material weakness in internal control over financial reporting as of March 31, 2019 that we have not remediated.

Given the structural nature of this material weakness, we believe it is likely that we will not remediate it while we are under conservatorship. However, both we and FHFA have continued to engage in activities and employ procedures and practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws. These include the following:

- FHFA has established the Division of Conservatorship, which is intended to facilitate operation of the company with the oversight of the Conservator.
- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of external press releases, statements, and certain speeches to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-Q, and engage in discussions with us regarding issues associated with the information contained in those filings. Prior to filing this Form 10-Q, FHFA provided us with a written acknowledgment that it had reviewed the Form 10-Q, was not aware of any material misstatements or omissions in the Form 10-Q, and had no objection to our filing the Form 10-Q.
- The Director of FHFA is in frequent communication with our Chief Executive Officer, typically meeting (in person or by phone) on at least a bi-weekly basis.
- FHFA representatives attend meetings frequently with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and capital markets management, external communications, and legal matters.

- Senior officials within FHFA's accounting group meet frequently with our senior financial executives regarding our accounting policies, practices, and procedures.

In view of our mitigating actions related to this material weakness, we believe that our condensed consolidated financial statements for 1Q 2019 have been prepared in conformity with GAAP.

Exhibit Index

Exhibit	Description*
4.1	Federal Home Loan Mortgage Corporation Global Debt Facility Agreement, dated February 14, 2019
10.1	PC Master Trust Agreement, dated March 1, 2019
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Executive Vice President —Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Executive Vice President —Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
101.DEF	XBRL Taxonomy Extension Definition

* The SEC file numbers for the Registrant's Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are 000-53330 and 001-34139.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal Home Loan Mortgage Corporation

By: /s/ Donald H. Layton

Donald H. Layton

Chief Executive Officer

Date: May 1, 2019

By: /s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer

(Principal Financial Officer)

Date: May 1, 2019

Form 10-Q Index

Exhibit 4.1

FEDERAL HOME LOAN MORTGAGE CORPORATION

GLOBAL DEBT FACILITY AGREEMENT

AGREEMENT, dated as of February 14, 2019, among the Federal Home Loan Mortgage Corporation **("Freddie Mac"**) and Holders of Debt Securities (each as hereinafter defined).

Whereas:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the laws of the United States (Title III of the Emergency Home Finance Act of 1970, as amended (the **"Freddie Mac Act**")) and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein;

(b) Pursuant to Section 306(a) of the Freddie Mac Act, Freddie Mac is authorized, upon such terms and conditions as it may prescribe, to borrow, to pay interest or other return, and to issue notes, bonds or other obligations or securities; and

(c) To provide funds to permit Freddie Mac to engage in activities consistent with its statutory purposes, Freddie Mac has established a Global Debt Facility (the **"Facility"**) and authorized the issuance, from time to time, pursuant to this Agreement, of unsecured general obligations of Freddie Mac or, if so provided in the applicable Supplemental Agreement (as hereinafter defined), secured obligations of Freddie Mac **("Debt Securities"**).

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed that the following terms and conditions of this Agreement (including, as to each issue of the Debt Securities, the applicable Supplemental Agreement) shall govern the Debt Securities and the rights and obligations of Freddie Mac and Holders with respect to the Debt Securities.

ARTICLE I

Definitions

Whenever used in this Agreement, the following words and phrases shall have the following meanings, unless the context otherwise requires.

Additional Debt Securities: Debt Securities issued by Freddie Mac with the same terms (other than Issue Date, interest commencement date and issue price) and conditions as Debt Securities for which settlement has previously occurred so as to form a single series of Debt Securities as specified in the applicable Supplemental Agreement.

Agreement: This Global Debt Facility Agreement dated as of February 14, 2019, as it may be amended or supplemented from time to time, and successors thereto pursuant to which Freddie Mac issues the Debt Securities.

Amortizing Debt Securities: Debt Securities on which Freddie Mac makes periodic payments of principal during the terms of such Debt Securities as described in the related Supplemental Agreement.

Beneficial Owner: The entity or individual that beneficially owns a Debt Security.

Bonds: Callable or non-callable, puttable or non-puttable Debt Securities with maturities of more than ten years.

Book-Entry Rules: FHFA regulations, 12 C.F.R. Part 1249, applicable to the Fed Book-Entry Debt Securities, and such procedures as to which Freddie Mac and the FRBNY may agree.

Business Day: (i) With respect to Fed Book-Entry Debt Securities, any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the FRBNY is closed, (d) as to any Holder of a Fed Book-Entry Debt Security, a day on which the Federal Reserve Bank that maintains the Holder's account is closed, or (e) a day on which Freddie Mac's offices are closed; and (ii) with respect to Registered Debt Securities, any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions are closed in (i) the City of New York, if the Specified Payment Currency is U.S. dollars or (2) the Principal Financial Center of the country of such Specified Payment Currency, if the Specified Payment Currency is other than U.S. dollars or euro, (d) if the Specified Payment Currency is euro, a day on which the TARGET2 system is not open for settlements, or a day on which payments in euro cannot be settled in the international interbank market as determined by the Global Agent, (e) for any required payment, a day on which banking institutions are closed in the place of payment, or (f) a day on which Freddie Mac's offices are closed.

Calculation Agent: Freddie Mac or a bank or broker-dealer designated by Freddie Mac in the applicable Supplemental Agreement as the entity responsible for determining the interest rate on a Variable Rate Debt Security.

Calculation Date: In each year, each of those days in the calendar year that are specified in the applicable Supplemental Agreement as being the scheduled Interest Payment Dates regardless, for this purpose, of whether any such date is in fact an Interest Payment Date and, for the avoidance of doubt, a "Calculation Date" may occur prior to the Issue Date or after the last Principal Payment Date.

Cap: A maximum interest rate at which interest may accrue on a Variable Rate Debt Security during any Interest Reset Period.

Citibank - London: Citibank, N.A., London office, the Global Agent for Registered Debt Securities.

Citigroup - Frankfurt: Citigroup Global Markets Deutschland AG, the Registrar for Registered Debt Securities.

Clearstream, Luxembourg: Clearstream Banking, société anonyme, which holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants.

CMT Determination Date: The second New York Banking Day preceding the applicable Reset Date.

CMT Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(L).

Code: The Internal Revenue Code of 1986, as amended.

Common Depositary: The common depositary for Euroclear, Clearstream, Luxembourg and/or any other applicable clearing system, which will hold Other Registered Debt Securities on behalf of Euroclear, Clearstream, Luxembourg and/or any such other applicable clearing system.

CUSIP Number: A unique nine-character designation assigned to each Debt Security by the CUSIP Service Bureau and used to identify each issuance of Debt Securities on the records of the Federal Reserve Banks or DTC, as applicable.

Dealers: Firms that engage in the business of dealing or trading in debt securities as agents, brokers or principals.

Debt Securities: Unsecured subordinated or unsubordinated notes, bonds and other debt securities issued from time to time by Freddie Mac under the Facility, or if so provided in the applicable Supplemental Agreement, secured obligation issued from time to time by Freddie Mac under the Facility.

Deleverage Factor: A Multiplier of less than one by which an applicable Index is multiplied.

Depository: DTC or any successor.

Deposits: Deposits commencing on the applicable Reset Date.

Designated EURIBOR Reuters Page: The display on Reuters Page EURIBOR01, or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying rates for Deposits in euro.

Designated EUR-LIBOR Reuters Page: The display on Reuters Page LIBOR01 or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying rates for Deposits in euro.

Designated Reuters Page: The display on Reuters Page LIBOR01 (or where the Index Currency is Australian dollars, Swiss francs or Yen, Page LIBOR02) or any successor page or such other page (or any successor page) on that service or any successor service specified in the applicable Supplemental Agreement for the purpose of displaying British Bankers' Association interest settlement rates for Deposits in the Index Currency.

Determination Date: The date as of which the rate of interest applicable to an Interest Reset Period is determined.

Determination Period: The period from, and including, one Calculation Date to, but excluding, the next Calculation Date.

DTC: The Depository Trust Company, a limited-purpose trust company, which holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes in accounts of DTC participants.

DTC Registered Debt Securities: Registered Debt Securities registered in the name of a nominee of DTC, which will clear and settle through the system operated by DTC.

EURIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(I).

EURIBOR Determination Date: The second TARGET2 Business Day preceding the applicable Reset Date, unless EURIBOR is determined in accordance with Section 2.07(i)(I)(3), in which case it means the applicable Reset Date.

EUR-LIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(H).

EUR-LIBOR Determination Date: The second TARGET2 Business Day preceding the applicable Reset Date.

Euroclear: Euroclear System, a depositary that holds securities for its participants and clears and settles transactions between its participants through simultaneous electronic book-entry delivery against payment.

Euro Representative Amount: A principal amount of not less than the equivalent of U.S. $1,000,000 in euro that, in the Calculation Agent's sole judgment, is representative for a single transaction in the relevant market at the relevant time.

Euro-Zone: The region consisting of member states of the European Union that adopt the single currency in accordance with the Treaty.

Event of Default: As defined in Section 7.01(a).

Extendible Variable Rate Securities: Variable Rate Debt Securities, the maturity of which may be extended at a Beneficial Owner's option effective as of certain specified dates, subject to a final maturity date, and that bear interest at variable rates subject to different Spreads for different specified periods.

Facility: The Global Debt Facility described in the Offering Circular dated February 14, 2019 under which Freddie Mac issues the Debt Securities.

Fed Book-Entry Debt Securities: U.S. dollar denominated Debt Securities issued and maintained in book-entry form on the Fed Book-Entry System.

Fed Book-Entry System: The book-entry system of the Federal Reserve Banks which provides book-entry holding and settlement for U.S. dollar denominated securities issued by the U.S. Government, certain of its agencies, instrumentalities, government-sponsored enterprises and international organizations of which the United States is a member.

Federal Funds Rate (Daily): The rate determined by the Calculation Agent in accordance with Section 2.07(i)(N).

Federal Funds Rate (Daily) Determination Date: The applicable Reset Date; provided, however, that if the Reset Date is not a Business Day, then the Federal Funds Rate (Daily) Determination Date means the Business Day immediately following the applicable Reset Date.

Federal Reserve: The Board of Governors of the Federal Reserve System.

Federal Reserve Bank: Each U.S. Federal Reserve Bank that maintains Debt Securities in book-entry form.

Federal Reserve Banks: Collectively, the Federal Reserve Banks.

Fiscal Agency Agreement: The Uniform Fiscal Agency Agreement between Freddie Mac and the FRBNY.

Fiscal Agent: The FRBNY is fiscal agent for Fed Book-Entry Debt Securities.

Fixed Principal Repayment Amount: An amount equal to 100% of the principal amount of a Debt Security, payable on the applicable Maturity Date or earlier date of redemption or repayment or a specified amount above or below such principal amount, as provided in the applicable Supplemental Agreement.

Fixed Rate Debt Securities: Debt Securities that bear interest at a single fixed rate.

Fixed/Variable Rate Debt Securities: Debt Securities that bear interest at a single fixed rate during one or more specified periods and at a variable rate determined by reference to one or more Indices, or otherwise, during one or more other periods. As to any such fixed rate period, the provisions of this Agreement relating to Fixed Rate Debt Securities shall apply, and, as to any such variable rate period, the provisions of this Agreement relating to Variable Rate Debt Securities shall apply.

Floor: A minimum interest rate at which interest may accrue on a Debt Security during any Interest Reset Period.

Freddie Mac: Federal Home Loan Mortgage Corporation, a government-sponsored enterprise chartered by Congress pursuant to the Freddie Mac Act.

Freddie Mac Act: Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. § 1451-1459.

FRB: The Board of Governors of the Federal Reserve System.

FRBNY: The Federal Reserve Bank of New York.

FRBNY's Website: The website of the FRBNY, currently at http://www.newyorkfed.org, or any successor source.

Global Agency Agreement: The agreement between Freddie Mac, the Global Agent and the Registrar.

Global Agent: The entity selected by Freddie Mac to act as its fiscal, transfer and paying agent for Registered Debt Securities.

H.15: The statistical release entitled "Statistical Release H.15, Selected Interest Rates" as published by the Federal Reserve, or any successor publication of the Federal Reserve available on its website at http://www.federalreserve.gov/releases/h15/or any successor site.

Holder: In the case of Fed Book-Entry Debt Securities, the entity whose name appears on the book-entry records of a Federal Reserve Bank as Holder; in the case of Registered Debt Securities in global registered form, the depository, or its nominee, in whose name the Registered Debt Securities are registered on behalf of a related clearing system; and, in the case of Registered Debt Securities in definitive registered form, the person or entity in whose name such Debt Securities are registered in the Register.

Holding Institutions: Entities eligible to maintain book-entry accounts with a Federal Reserve Bank.

Index: LIBOR, SOFR, EUR-LIBOR, EURIBOR, Prime Rate, Treasury Rate, CMT Rate, or Federal Funds Rate (Daily) or other specified interest rate, exchange rate or other index, as the case may be.

Index Currency: The currency or currency unit specified in the applicable Supplemental Agreement with respect to which an Index will be calculated for a Variable Rate Debt Security; provided, however, that if euro are substituted for such currency or currency unit, the Index Currency will be euro and the determination provisions for EUR-LIBOR will apply to such Debt Securities upon such substitution. If no such currency or currency unit is specified in the applicable Supplemental Agreement, the Index Currency will be U.S. dollars.

Index Maturity: The period with respect to which an Index will be calculated for a Variable Rate Debt Security that is specified in the applicable Supplemental Agreement.

Interest Component: Each future interest payment, or portion thereof, due on or prior to the Maturity Date, or if the Debt Security is subject to redemption or repayment prior to the Maturity Date, the first date on which such Debt Security is subject to redemption or repayment.

Interest Payment Date: The date or dates on which interest on Debt Securities will be payable in arrears.

Interest Payment Period: Unless otherwise provided in the applicable Supplemental Agreement, the period beginning on (and including) the Issue Date or the most recent Interest Payment Date, as the case may be, and ending on (but excluding) the earlier of the next Interest Payment Date or the Principal Payment Date.

Interest Reset Period: The period beginning on the applicable Reset Date and ending on the calendar day preceding the next Reset Date.

Issue Date: The date on which Freddie Mac wires an issue of Debt Securities to Holders or other date specified in the applicable Supplemental Agreement.

Leverage Factor: A Multiplier of greater than one by which an applicable Index is multiplied.

LIBOR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(G).

LIBOR Determination Date: The second London Banking Day preceding the applicable Reset Date unless the Index Currency is Sterling, in which case it means the applicable Reset Date.

London Banking Day: Any day on which commercial banks are open for business (including dealings in foreign exchange and deposits in the Index Currency) in London.

Maturity Date: The date, one day or longer from the Issue Date, on which a Debt Security will mature unless extended, redeemed or repaid prior thereto.

Mortgage Linked Amortizing Debt Securities: Amortizing Debt Securities on which Freddie Mac makes periodic payments of principal based on the rate of payments on referenced mortgage or mortgage-related assets, as described in the related Supplemental Agreement.

Multiplier: A constant or variable number (which may be greater than or less than one) to be multiplied by the relevant Index for a Variable Rate Debt Security.

Notes: Callable or non-callable, puttable or non-puttable Debt Securities with maturities of more than one day.

New York Banking Day: Any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions in the City of New York are required or permitted by law or executive order to close, or (d) a day on which the FRBNY is closed.

Offering Circular: The Freddie Mac Global Debt Facility Offering Circular dated February 14, 2019 (including any related Offering Circular Supplement) and successors thereto.

OID Determination Date: The last day of the last accrual period ending prior to the date of the meeting of Holders (or, for consents not at a meeting, prior to a date established by Freddie Mac). The accrual period will be the same as the accrual period used by Freddie Mac to determine its deduction for accrued original issue discount under section 163 (e) of the Code.

Other Registered Debt Securities: Registered Debt Securities that are not DTC Registered Debt Securities, that are deposited with a Common Depositary and that will clear and settle through the systems operated by Euroclear, Clearstream, Luxembourg and/or any such other applicable clearing system other than DTC.

Pricing Supplement: A supplement to the Offering Circular that describes the specific terms of, and provides pricing information and other information for, an issue of Debt Securities or which otherwise amends, modifies or supplements the terms of the Offering Circular.

Prime Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(J).

Prime Rate Determination Date: The New York Banking Day preceding the applicable Reset Date.

Principal Component: The principal payment plus any interest payments that are either due after the date specified in, or are specified as ineligible for stripping in, the applicable Supplemental Agreement.

Principal Financial Center: (1) with respect to U.S. dollars, Sterling, Yen and Swiss francs, the City of New York, London, Tokyo and Zurich, respectively; or (2) with respect to any other Index Currency, the city specified in the related Pricing Supplement.

Principal Payment Date: The Maturity Date, or the earlier date of redemption or repayment, if any (whether such redemption or repayment is in whole or in part).

Range Accrual Debt Securities: Variable Rate Debt Securities on which no interest may accrue during periods when the applicable Index is outside a specified range as described in the related Supplemental Agreement.

Record Date: As to Registered Debt Securities issued in global form, the close of business on the Business Day immediately preceding such Interest Payment Date. As to Registered Debt Securities issued in definitive form, the fifteenth calendar day preceding an Interest Payment Date. Interest on a Registered Debt Security will be paid to the Holder of such Registered Debt Security as of the close of business on the Record Date.

Reference Bonds: U.S. dollar denominated non-callable and non-puttable Reference Securities with maturities of more than ten years.

Reference Notes: U.S. dollar denominated non-callable and non-puttable Reference Securities with maturities of more than one year.

Reference Securities: Scheduled U.S. dollar denominated issues of Debt Securities in large principal amounts, which may be either Reference Bonds or Reference Notes.

Register: A register of the Holders of Registered Debt Securities maintained by the Registrar.

Registered Debt Securities: Debt Securities issued and maintained in global registered or definitive registered form on the books and records of the Registrar.

Registrar: The entity selected by Freddie Mac to maintain the Register.

Representative Amount: A principal amount of not less than U.S. $1,000,000 that, in the Calculation Agent's sole judgment, is representative for a single transaction in the relevant market at the relevant time.

Reset Date: The date on which a new rate of interest on a Debt Security becomes effective.

Reuters: Reuters Group PLC or any successor service.

Reuters USAUCTION10 Page: The display designated as "USAUCTION10" (or any successor page) provided by Reuters.

Reuters USAUCTION11 Page: The display designated as "USAUCTION11" (or any successor page) provided by Reuters.

Reuters US PRIME1 Page: The display designated as page "USPRIME1"' (or any successor page) provided by Reuters

Secured Overnight Financing Rate: The secured overnight financing rate published by the FRBNY on the FRBNY's Website.

SOFR: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(H).

SOFR Index Cessation Effective Date: In respect of a SOFR Index Cessation Event, the date on which the FRBNY (or any successor administrator of the Secured Overnight Financing Rate) ceases to publish the Secured Overnight Financing Rate or the date on which the Secured Overnight Financing Rate may no longer be used.

SOFR Index Cessation Event: The occurrence of one or more of the following events:

(1) a public statement by the FRBNY (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at the time of such public statement, there is no successor administrator that will continue to provide the Secured Overnight Financing Rate; or

(2) the publication of information which reasonably confirms that the FRBNY (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at the time of such publication of information, there is no successor administrator that will continue to provide the Secured Overnight Financing Rate; or

(3) a public statement by a United States regulator or other United States official sector entity prohibiting the use of the Secured Overnight Financing Rate.

Specified Currency: The currency or currency unit in which a Debt Security may be denominated and in which payments of principal of and interest on a Debt Security may be made.

Specified Interest Currency: The Specified Currency provided for the payment of interest on Debt Securities.

Specified Payment Currency: The term to which the Specified Interest Currency and Specified Principal Currency are referred collectively.

Specified Principal Currency: The Specified Currency provided for the payment of principal on Debt Securities.

Spread: A constant or variable percentage or number to be added to or subtracted from the relevant Index for a Variable Rate Debt Security.

Step Debt Securities: Debt Securities that bear interest at different fixed rates during different specified periods.

Sterling: British pounds sterling.

Supplemental Agreement: An agreement which, as to the related issuance of Debt Securities, supplements the other provisions of this Agreement and identifies and establishes the particular offering of Debt Securities issued in respect thereof. A Supplemental Agreement may be documented by a supplement to this Agreement, a Pricing Supplement, a confirmation or a terms sheet. A Supplemental Agreement may, as to any particular issuance of Debt Securities, modify, amend or supplement the provisions of this Agreement in any respect whatsoever. A Supplemental Agreement shall be effective and binding as of its publication, whether or not executed by Freddie Mac.

TARGET2: The Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on November 19, 2007.

TARGET2 Business Day: A day on which the TARGET2 system or its successor is operating.

Treasury Auction: The most recent auction of Treasury Bills prior to a given Reset Date.

Treasury Bills: Direct obligations of the United States.

Treasury Department: United States Department of the Treasury.

Treasury Rate: The rate determined by the Calculation Agent in accordance with Section 2.07(i)(K).

Treasury Rate Determination Date: The day of the week in which the Reset Date falls on which Treasury Bills would normally be auctioned or, if no auction is held for a particular week, the first Business Day of that week. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday; provided, however, that if an auction is held on the Friday of the week preceding the Reset Date, the Treasury Rate Determination Date will be that preceding Friday; and provided, further, that if the Treasury Rate Determination Date would otherwise fall on the Reset Date, that Reset Date will be postponed to the next succeeding Business Day.

U.S. Government Securities Business Day: Any day except for (i) a Saturday, (ii) a Sunday, (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities, or (iv) a day on which the FRBNY is closed for business.

Variable Principal Repayment Amount: The principal amount determined by reference to one or more Indices or otherwise, payable on the applicable Maturity Date or date of redemption or repayment of a Debt Security, as specified in the applicable Supplemental Agreement.

Variable Rate Debt Securities: Debt Securities that bear interest at a variable rate, and reset periodically, determined by reference to one or more Indices or otherwise. The formula for a variable rate may include a Spread.

Yen: Japanese yen.

Zero Coupon Debt Securities: Debt Securities that do not bear interest and are issued at a discount to their principal amount.

ARTICLE II

Authorization; Certain Terms

Section 2.01. Authorization.

Debt Securities shall be issued by Freddie Mac in accordance with the authority vested in Freddie Mac by Section 306(a) of the Freddie Mac Act. The indebtedness represented by the Debt Securities shall be unsecured general obligations of Freddie Mac, or, if so provided in the applicable Supplemental Agreement, secured obligations of Freddie Mac. Debt Securities shall be offered from time to time by Freddie Mac in an unlimited amount and shall be known by the designation given them, and have the Maturity Dates stated, in the applicable Supplemental Agreement. Freddie Mac, in its discretion and at any time, may offer Additional Debt Securities having the same terms and conditions as Debt Securities previously offered. The Debt Securities may be issued as Reference Securities, which includes Reference Notes and Reference Bonds, or may be issued as any other Debt Securities denominated in U.S. dollars or other currencies, with maturities of one day or longer and may be in the form of Notes or Bonds or otherwise. Issuances may consist of new issues of Debt Securities or reopenings of an existing issue of Debt Securities.

Section 2.02. Other Debt Securities Issued Hereunder.

Freddie Mac may from time to time create and issue Debt Securities hereunder which contain terms and conditions not specified in this Agreement. Such Debt Securities shall be governed by the applicable Supplemental Agreement and, to the extent that the terms of this Agreement are not inconsistent with Freddie Mac's intent in creating and issuing such Debt Securities, by the terms of this Agreement. Such Debt Securities shall be secured or unsecured obligations of Freddie Mac. If the Debt Securities are secured obligations of Freddie Mac, the provisions of Article V hereof shall apply to such Debt Securities.

Section 2.03. Specified Currencies and Specified Payment Currencies.

(a) Each Debt Security shall be denominated and payable in such Specified Currency as determined by Freddie Mac. Fed Book-Entry Debt Securities will be denominated and payable in U.S. dollars only.

(b) Except under the circumstances provided in Article VI hereof, Freddie Mac shall make payments of any interest on Debt Securities in the Specified Interest Currency and shall make payments of the principal of Debt Securities in the Specified Principal Currency. The Specified Currency for the payment of interest and principal with respect to any Debt Security shall be set forth in the applicable Supplemental Agreement.

Section 2.04. Minimum Denominations.

The Debt Securities shall be issued and maintained in the minimum denominations of U.S. $1,000 and additional increments of U.S. $1,000 for U.S. dollar denominated Debt Securities, unless otherwise provided in the applicable Supplemental Agreement and as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency. In the case of Zero Coupon Debt Securities, denominations will be expressed in terms of the principal amount payable on the Maturity Date.

Section 2.05. Maturity.

(a) Each Debt Security shall mature on its Maturity Date, as provided in the applicable Supplemental Agreement, unless redeemed at the option of Freddie Mac or repaid at the option of the Holder prior thereto in accordance with the provisions described under Section 2.06. Debt Securities may be issued with minimum or maximum maturities or variable maturities allowed or required from time to time by the relevant regulatory or stock exchange authority or clearing systems or any laws or regulations applicable to the Specified Currency.

(b) If so provided in the applicable Supplemental Agreement, certain Debt Securities may have provision permitting their Beneficial Owner to elect to extend the initial Maturity Date specified in such Supplemental Agreement, or any later date to which the maturity of such Debt Securities has been extended, on specified dates. However, the maturity of such Debt Securities may not be extended beyond the final Maturity Date specified in the Supplemental Agreement.

(c) The principal amount payable on the Maturity Date of a Debt Security shall be a Fixed Principal Repayment Amount or a Variable Principal Repayment Amount, in each case as provided in the applicable Supplemental Agreement.

Section 2.06. Optional Redemption and Optional Repayment.

(a) The Supplemental Agreement for any particular issue of Debt Securities shall provide whether such Debt Securities may be redeemed at Freddie Mac's option or repayable at the Holder's option, in whole or in part, prior to their Maturity Date. If so provided in the applicable Supplemental Agreement, an issue of Debt Securities shall be subject to redemption at the option of Freddie Mac, or repayable at the option of the Holders, in whole or in part, on one or more specified dates, at any time on or after a specified date, or during one or more specified periods of time. The redemption or repayment price for such Debt Securities (or such part of such Debt Securities as is redeemed or repaid) shall be an amount provided in, or determined in a manner provided in, the applicable Supplemental Agreement, together with accrued and unpaid interest to the date fixed for redemption or repayment.

(b) Unless otherwise provided in the applicable Supplemental Agreement, notice of optional redemption shall be given to Holders of the related Debt Securities not less than 5 Business Days prior to the date of redemption in the manner provided in Section 8.07. The date that we provide such notice constitutes the first Business Day for purposes of this minimum notice period. Freddie Mac also announces its intent to redeem certain Debt Securities on the Freddie Mac website at http://www.freddiemac.com/debt/html/redemption_release.html.

(c) In the case of a partial redemption of an issue of Fed Book-Entry Debt Securities by Freddie Mac, such Fed Book-Entry Debt Securities shall be redeemed pro rata. In the case of a partial redemption of an issue of Registered Debt Securities by Freddie Mac, one or more of such Registered Debt Securities shall be reduced by the Global Agent in the amount of such redemption, subject to the principal amount of such Registered Debt Securities after redemption remaining in an authorized denomination. The effect of any partial redemption of an issue of Registered Debt Securities on the Beneficial Owners of such Registered Debt Securities will depend on the procedures of the applicable clearing system and, if such Beneficial Owner is not a participant therein, on the procedures of the participant through which such Beneficial Owner owns its interest.

(d) If so provided in the applicable Supplemental Agreement, certain Debt Securities shall be repayable, in whole or in part, by Freddie Mac at the option of the relevant Holders thereof or otherwise, on one or more specified dates, at any time on or after a specified date, or during one or more specified periods of time, upon terms and procedures provided in the applicable Supplemental Agreement. Unless otherwise provided in the applicable Supplemental Agreement, in the case of a Registered Debt Security, to exercise such option, the Holder shall deposit with the Global Agent (i) such Registered Debt Security; and (ii) a duly completed notice of optional repayment in the form obtainable from the Global Agent, in each case not more than the number of days nor less than the number of days specified in the applicable Supplemental Agreement prior to the date fixed for repayment. Unless otherwise specified in the applicable Supplemental Agreement, no such Registered Debt Security (or notice of repayment) so deposited may be withdrawn without the prior consent of Freddie Mac or the Global Agent. Unless otherwise provided in the applicable Supplemental Agreement, in the case of a Fed Book-Entry Debt Security, if the Beneficial Owner wishes to exercise such option, then the Beneficial Owner shall give notice thereof to Freddie Mac through the relevant Holding Institution as provided in the applicable Supplemental Agreement.

(e) The principal amount payable upon redemption or repayment of a Debt Security shall be a Fixed Principal Repayment Amount or a Variable Principal Repayment Amount, in each case as provided in the applicable Supplemental Agreement.

Section 2.07. Payment Terms of the Debt Securities.

(a) Debt Securities shall bear interest at one or more fixed rates or variable rates or may not bear interest. If so provided in the applicable Supplemental Agreement, Debt Securities may be separated by a Holder into one or more Interest Components and Principal Components. The Offering Circular or the applicable Supplemental Agreement for such Debt Securities shall specify the procedure for stripping such Debt Securities into such Interest and Principal Components.

(b) The applicable Supplemental Agreement shall specify the frequency with which interest, if any, is payable on the related Debt Securities. Interest on Debt Securities shall be payable in arrears on the Interest Payment Dates specified in the applicable Supplemental Agreement and on each Principal Payment Date.

(c) Each issue of interest-bearing Debt Securities shall bear interest during each Interest Payment Period. No interest on the principal of any Debt Security will accrue on or after the Principal Payment Date on which such principal is repaid.

(d) The determination by the Calculation Agent of the interest rate on, or any Index in relation to, a Variable Rate Debt Security and the determination of any payment on any Debt Security (or any interim calculation in the determination of any such interest rate, index or payment) shall, absent manifest error, be final and binding on all parties. If a principal or interest payment error occurs, Freddie Mac may correct it by adjusting payments to be made on later Interest Payment Dates or Principal Payment Dates (as appropriate) or in any other manner Freddie Mac considers appropriate. If the source of an Index changes in format, but the Calculation Agent determines that the Index source continues to disclose the information necessary to determine the related interest rate substantially as required, the Calculation Agent will amend the procedure for obtaining information from that source to reflect the changed format. All Index values used to determine principal or interest payments are subject to correction within 30 days from the applicable payment. The source of a corrected value must be the same source from which the original value was obtained. A correction might result in an adjustment on a later date to the amount paid to the Holder.

(e) Payments on Debt Securities shall be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of a Specified Payment Currency other than U.S. dollars, to the nearest smallest transferable unit (with one-half cent or unit being rounded upwards).

(f) In the event that any jurisdiction imposes any withholding or other tax on any payment made by Freddie Mac (or our agent or any other person potentially required to withhold) with respect to a Debt Security, Freddie Mac (or our agent or such other person) will deduct the amount required to be withheld from such payment, and Freddie Mac (or our agent or such other person) will not be required to pay additional interest or other amounts, or redeem or repay the Debt Securities prior to the applicable Maturity Date, as a result.

(g) *Fixed Rate Debt Securities*

Fixed Rate Debt Securities shall bear interest at a single fixed interest rate. The applicable Supplemental Agreement shall specify the fixed interest rate per annum on a Fixed Rate Debt Security. Unless otherwise specified in the applicable Supplemental Agreement, interest on a Fixed Rate Debt Security shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(h) *Step Debt Securities*

Step Debt Securities shall bear interest from their Issue Date to a specified date at their initial fixed interest rate and from that date to their Maturity Date at one or more different fixed interest rates that shall be prescribed as of the Issue Date. A Step Debt Security will have one or more step periods. The applicable Supplemental Agreement shall specify the fixed interest rate per annum payable on Step Debt Securities for each related period from issuance to maturity. Unless otherwise specified in the applicable Supplemental Agreement, interest on a Step Debt Security shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(i) *Variable Rate Debt Securities*

(A) Variable Rate Debt Securities shall bear interest at a variable rate determined on the basis of a direct or an inverse relationship to one or more specified Indices or otherwise, (x) plus or minus a Spread, if any, or (y) multiplied by one or more Leverage or Deleverage Factors, if any, as specified in the applicable Supplemental Agreement. Variable Rate Debt Securities also may bear interest in any other manner described in the applicable Supplemental Agreement.

(B) Variable Rate Debt Securities may have a Cap and/or a Floor.

(C) The applicable Supplemental Agreement shall specify the accrual method (i.e., the day count convention) for calculating interest or any relevant accrual factor on the related Variable Rate Debt Securities. The accrual method may incorporate one or more of the following defined terms:

"Actual/360" shall mean that interest or any other relevant accrual factor shall be calculated on the basis of the actual number of days elapsed in a year of 360 days.

"Actual/365 (fixed)" shall mean that interest or any other relevant accrual factor shall be calculated on the basis of the actual number of days elapsed in a year of 365 days, regardless of whether accrual or payment occurs during a calendar leap year.

"Actual/Actual" shall mean, unless otherwise indicated in the applicable Supplemental Agreement, that interest or any other relevant accrual factor shall be calculated on the basis of (x) the actual number of days elapsed in the Interest Payment Period divided by 365, or (y) if any portion of the Interest Payment Period falls in a calendar leap year, (A) the actual number of days in that portion divided by 366 plus (B) the actual number of days in the remaining portion divided by 365. If so indicated in the applicable Supplemental Agreement, "Actual/Actual" shall mean interest or any other relevant accrual factor shall be calculated in accordance with the definition of "Actual/Actual" adopted by the International Securities Market Association (**"Actual/Actual (ISMA)"**), which means a calculation on the basis of the following:

(1) where the number of days in the relevant Interest Payment Period is equal to or shorter than the Determination Period during which such Interest Payment Period ends, the number of days in such Interest Payment Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Interest Payment Dates that would occur in one calendar year; or

(2) where the Interest Payment Period is longer than the Determination Period during which the Interest Payment Period ends, the sum of (A) the number of days in such Interest Payment Period falling in the Determination Period in which the Interest Payment Period begins divided by the product of (X) the number of days in such Determination Period and (Y) the number of Interest Payment Dates that would occur in one calendar year; and (B) the number of days in such Interest Payment Period falling in the next Determination Period divided by the product of (X) the number of days in such Determination Period and (Y) the number of Interest Payment Dates that would occur in one calendar year.

(D) The applicable Supplemental Agreement shall specify the frequency with which the rate of interest on the related Variable Rate Debt Securities shall reset. The applicable Supplemental Agreement also shall specify the Reset Date. If the interest rate will reset within an Interest Payment Period, then the interest rate in effect on the sixth Business Day preceding an Interest Payment Date will be the interest rate for the remainder of that Interest Payment Period and the first day of each Interest Payment Period also will be a Reset Date. Variable Rate Debt Securities may bear interest prior to the initial Reset Date at an initial interest rate, if any, specified in the applicable Supplemental Agreement. If so, then the first day of the first Interest Payment Period will not be a Reset Date. The rate of interest applicable to each Interest Reset Period shall be determined as provided below or in the applicable Supplemental Agreement.

Except for a Variable Rate Debt Security as to which the rate of interest thereon is determined by reference to LIBOR, SOFR, EUR-LIBOR, EURIBOR, Prime Rate, Treasury Rate, CMT Rate, or Federal Funds Rate (Daily) or as otherwise set forth in the applicable Supplemental Agreement, the Determination Date for a Variable Rate Debt Security means the second Business Day preceding the Reset Date applicable to an Interest Reset Period.

(E) If the rate of interest on a Variable Rate Debt Security is subject to adjustment within an Interest Payment Period, accrued interest shall be calculated by multiplying the principal amount of such Variable Rate Debt Security by an accrued interest factor. Unless otherwise specified in the applicable Supplemental Agreement, this accrued interest factor shall be computed by adding the interest factor calculated for each Interest Reset Period in such Interest Payment Period and rounding the sum to nine decimal places. The interest factor for each such Interest Reset Period shall be computed by (1) multiplying the number of days in the Interest Reset Period by the interest rate (expressed as a decimal) applicable to such Interest Reset Period; and (2) dividing the product by the number of days in the year referred to in the accrual method specified in the applicable Supplemental Agreement.

(F) For each issue of Variable Rate Debt Securities, the Calculation Agent shall also cause the interest rate for the applicable Interest Reset Period and the amount of interest accrued on the minimum denomination specified for such issue to be made available to Holders as soon as practicable after its determination but in no event later than two Business Days thereafter. Such interest amounts so made available may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Reset Period.

(G) If the applicable Supplemental Agreement specifies LIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"LIBOR" shall mean, with respect to any Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in the Index Currency having the Index Maturity that appears on the Designated Reuters Page at 11:00 a.m. (London time) on such LIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, the Calculation Agent shall request the principal London offices of four leading banks in the London interbank market selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the London interbank market for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on such LIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, the Calculation Agent shall request four major banks in the applicable Principal Financial Center selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to leading European banks for a loan in the Index Currency for a period of time corresponding to the Index Maturity, commencing on such Reset Date, at approximately 11:00 a.m. in the Principal Financial Center on such LIBOR Determination Date and in a Representative Amount. If at least two such quotations are provided, LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(4) if fewer than two such quotations are provided as requested in clause (3) above, LIBOR shall be LIBOR determined with respect to the Reset Date immediately preceding such Reset Date or, in the case of the first Reset Date, shall be the rate for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on the most recent London Banking Day preceding the related LIBOR Determination Date for which such rate shall have been displayed on the Designated Reuters Page with respect to Deposits commencing on the second London Banking Day following such date (or, if the Index Currency is Sterling, commencing on such date); and

(5) if LIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to LIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to LIBOR. If, prior to the time LIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of LIBOR. If the Calculation Agent has designated an alternative determination method or index to LIBOR in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(H) If the applicable Supplemental Agreement specifies SOFR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"SOFR" means, with respect to any Reset Date (in the following order of priority):

(1) the Secured Overnight Financing Rate published on or about 8:00 a.m. (New York time) on the New York Federal Reserve's Website on such Reset Date; provided that if no Secured Overnight Financing Rate is published on such Reset Date, SOFR will be the Secured Overnight Financing Rate published on the following U.S. Government Securities Business Day, which is currently based on certain repurchase agreement transactions (as described in the discussion of "Risk Factors" in this Offering Circular) on the U.S. Government Securities Business Day immediately preceding such Reset Date (for example, SOFR for a Saturday December 8, 2018 Reset Date, Sunday December 9, 2018 Reset Date and Monday December 10, 2018 Reset Date was the Secured Overnight Funding Rate published on December 10, 2018 for transactions executed on Friday December 7, 2018); except, in instances where a corrected Secured Overnight Funding Rate subsequently is republished on the New York Federal Reserve's Website, SOFR shall be the corrected Secured Overnight Funding Rate for such Reset Date; or

(2) if the Secured Overnight Financing Rate is not published on such Reset Date or on the following U.S. Government Securities Business Day as specified in paragraph (1), unless both a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date have occurred, the Secured Overnight Financing Rate in respect of the first preceding U.S. Government Securities Business Day for which such rate was published on the New York Federal Reserve's Website; or

(3) if a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date have occurred,

(A) the rate (inclusive of any spreads or adjustments) that was recommended as the replacement for the Secured Overnight Financing Rate by the FRB and/or the FRBNY or a committee officially endorsed or convened by the FRB and/or the FRBNY for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator); provided that,

(B) if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, then the replacement rate (which may include any adjustments or spreads) shall be determined by the issuer, at its sole discretion.

(I) If the applicable Supplemental Agreement specifies EUR-LIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Agreement):

"EUR-LIBOR" shall mean, with respect to any Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in euro having the Index Maturity that appears on the Designated EUR-LIBOR Reuters Page at 11:00 a.m. (London time) on the related EUR-LIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, the Calculation Agent shall request the principal London offices of four leading banks in the London interbank market selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the London interbank market for Deposits in euro having the Index Maturity at 11:00 a.m. (London time) on such EUR-LIBOR Determination Date and in a Euro Representative Amount. If at least two quotations are provided, EUR-LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, the Calculation Agent shall request four major banks in London selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to leading European banks for a loan in euro for a period of time corresponding to the Index Maturity, commencing on such Reset Date, at approximately 11:00 a.m. (London time) on such EUR-LIBOR Determination Date and in a Euro Representative Amount. If at least two such quotations are provided, EUR-LIBOR shall be the arithmetic mean (if necessary rounded upwards) of such quotations;

(4) if fewer than two such quotations are provided as requested in clause (3) above, EUR-LIBOR shall be EUR-LIBOR determined with respect to the Reset Date immediately preceding such Reset Date or, in the case of the first Reset Date, will be the rate for Deposits in euro having the Index Maturity at 11:00 a.m. (London time) on the most recent TARGET Business Day preceding the EUR-LIBOR Determination Date for which such rate was displayed on the Designated EUR-LIBOR Reuters Page for deposits starting on the second TARGET Business Day following such date; and

(5) if EUR-LIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to EUR-LIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to EUR-LIBOR. If, prior to the time EUR-LIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of EUR-LIBOR. If the Calculation Agent has designated an alternative determination method or index to EUR-LIBOR in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the EUR-LIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(J) If the applicable Supplemental Agreement specifies EURIBOR as the applicable Index for determining the rate of interest for the related Variable Rate Debt Security, the following provisions shall apply (unless otherwise specified in the applicable Supplemental Statement):

"EURIBOR" shall mean, with respect to a Reset Date (in the following order of priority):

(1) the rate (expressed as a percentage per annum) for Deposits in euro having the Index Maturity that appears on the Designated EURIBOR Reuters Page at 11:00 a.m., Brussels time, on the relevant EURIBOR Determination Date;

(2) if such rate does not so appear pursuant to clause (1) above, then the Calculation Agent will request the principal offices of four major banks in the Euro-Zone selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations (expressed as a percentage per annum) to prime banks in the Euro-Zone interbank market for Deposits in euro having the Index Maturity at 11:00 a.m. Brussels time on such EURIBOR Determination Date and in a Euro Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the quotations;

(3) if fewer than two such quotations are provided as requested in clause (2) above, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the rates quoted by major banks in the Euro-Zone, selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent), at approximately 11:00 a.m., Brussels time, on the EURIBOR Determination Date for loans in euro to leading European banks for a period of time corresponding to the Index Maturity and in a Euro Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the arithmetic mean (if necessary, rounded upwards) of the quotations;

(4) if fewer than two quotations are provided as requested in clause (3) above, EURIBOR will be EURIBOR as determined for the immediately preceding Reset Date or, in the case of the first Reset Date, the interest rate payable for the new Interest Reset Period will be the initial interest rate; and

(5) if EURIBOR in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to EURIBOR, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to EURIBOR. If, prior to the time EURIBOR may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of EURIBOR. If the Calculation Agent has designated an alternative determination method or index to EURIBOR in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the EURIBOR base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(K) If the applicable Supplemental Agreement specifies the Prime Rate as the applicable Index for determining the rate of interest for the related Variable Rate Debt Securities, the following provisions shall apply:

The **"Prime Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) the rate for the Prime Rate Determination Date, as published in H.15 or other recognized electronic source used for the purpose of displaying that rate opposite the caption "Bank prime loan";

(2) if the rate is not published in H.15 by 5:00 p.m., New York City time, on the Reset Date, then the Prime Rate will be the arithmetic mean, determined by the Calculation Agent, of the rates (after eliminating certain rates, as described below in this clause (2)) that appear, at 11:00 a.m., New York City time, on the Prime Rate

Determination Date, on Reuters USPRIME1 Page as the U.S. dollar prime rate or base lending rate of each bank appearing on that page; provided, that at least three rates appear. In determining the arithmetic mean:

(i) if 20 or more rates appear, the highest five rates (or in the event of equality, five of the highest) and the lowest five rates (or in the event of equality, five of the lowest) will be eliminated,

(ii) if fewer than 20 but 10 or more rates appear, the highest two rates (or in the event of equality, two of the highest) and the lowest two rates (or in the event of equality, two of the lowest) will be eliminated, or

(iii) if fewer than 10 but five or more rates appear, the highest rate (or in the event of equality, one of the highest) and the lowest rate (or in the event of equality, one of the lowest) will be eliminated;

(3) if fewer than three rates so appear on Reuters USPRIME1 Page pursuant to clause (2) above, then the Calculation Agent will request five major banks in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such banks' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. If at least three quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest));

(4) if fewer than three quotations are so provided pursuant to clause (3) above, the Calculation Agent will request five banks or trust companies organized and doing business under the laws of the United States or any state, each having total equity capital of at least U.S. $500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent), to provide a quotation of such banks' or trust companies' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. In making such selection of five banks or trust companies, the Calculation Agent will include each bank, if any, that provided a quotation as requested in clause (3) above and exclude each bank that failed to provide a quotation as requested in clause (3). If at least three quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained; and

(5) if fewer than three quotations are so provided pursuant to clause (4) above, then the Prime Rate will be the Prime Rate determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Prime Rate will be the rate calculated pursuant to clause (1) for the most recent New York Banking Day preceding the Reset Date for which such rate was published in H.15.

(L) If the applicable Supplemental Agreement specifies the Treasury Rate as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"Treasury Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) the rate for the Treasury Rate Determination Date of Treasury Bills having the Index Maturity, as published in H.15, or other recognized electronic source used for the purpose of displaying that rate under the caption "U.S. government securities/Treasury bills (secondary market)";

(2) if the rate described in clause (1) above is not so published by 3.00 p.m., New York City time, on the Reset Date, then the rate from Treasury Auction of Treasury Bills having the Index Maturity, as that rate appears under the caption "INVEST RATE" on the display on Reuters USAUCTION10 Page or Reuters USAUCTION11 Page;

(3) if the rate described in clause (2) above is not published by 5:00 p.m., New York City time, on the Reset Date, then the auction average rate for Treasury Bills having the Index Maturity obtained from the applicable Treasury Auction as announced by the Treasury Department in the form of a press release under the heading "Investment Rate" by 5:00 p.m. on such Reset Date;

(4) if the rate described in clause (3) above is not so announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date, then auction average rate obtained from the Treasury Auction of the applicable Treasury Bills, as otherwise announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date as determined by the Calculation Agent;

(5) if such rate described in clause (4) is not so announced by the Treasury Department by 5:00 p.m., New York City time, on the Reset Date, the Calculation Agent will request five leading primary United States government securities dealers in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such dealers' secondary market bid yields, as of 3:00 p.m. on the Reset Date, for Treasury Bills with a remaining maturity closest to the Index Maturity (or, in the event that the remaining maturities are equally close, the longer remaining maturity). If at least three quotations are provided, then the Treasury Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained; and

(6) if fewer than three quotations are so provided pursuant to clause (5) above, then the Treasury Rate for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the auction average rate for Treasury Bills having the Index Maturity from the most recent auction of Treasury Bills prior to the Reset Date for which such rate was announced by the Treasury Department in the form of a press release under the heading "Investment Rate."

The rate (including the auction average rate) for Treasury Bills and the secondary market bid yield for Treasury Bills will be obtained and expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable (or, if not so expressed, will be converted by the Calculation Agent to such a bond equivalent yield).

(M) If the applicable Supplemental Agreement specifies the CMT Rate as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"CMT Rate"** means, with respect to any Reset Date (in the following order of priority):

(1) for any CMT Determination Date, the daily rate for the Index Maturity that appears on page "FRBCMT" on Reuters (or any other page that replaces the FRBCMT page on that service or any successor service) under the heading "...Treasury Constant Maturities. Federal Reserve Board Release H.15...Mondays Approximately 3:45 p.m.";

(2) if the applicable rate described in clause (1) is not displayed on Reuters page FRBCMT at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate for the Index Maturity applicable for the CMT Determination Date as published in H.15;

(3) if the CMT Rate is not determined pursuant to clause (1) and the applicable rate described in clause (2) does not appear in H.15 at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury rate, applicable to an Index Maturity with reference to the CMT Determination Date, that:

(i) is published by the Federal Reserve or the Treasury Department; and

(ii) Freddie Mac has determined to be comparable to the applicable rate formerly displayed on the FRBCMT page on Reuters and published in H.15;

(4) if the CMT Rate is not determined pursuant to clause (1) or (2) and the rate described in clause (3) above does not appear at 3:45 p.m., New York City time, on the CMT Determination Date, then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for U.S. Treasury securities with an original maturity of approximately the Index Maturity and a remaining term to maturity of no more than one year shorter than the Index Maturity, and in a Representative Amount, as of approximately 3:45 p.m., New York City time, on the CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City that Freddie Mac selects. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest. If two U.S. Treasury securities with an original maturity longer than the Index Maturity have remaining terms to maturity that are equally close to the Index Maturity, Freddie Mac will obtain quotations for the U.S. Treasury security with the shorter remaining term to maturity;

(5) if the CMT Rate is not determined pursuant to clause (1), (2) or (3) and fewer than five but more than two primary dealers are quoting offered rates as described in clause (4), then the CMT Rate for the CMT Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded;

(6) if the CMT Rate is not determined pursuant to clause (1), (2), (3) or (4) and two or fewer primary dealers are quoting offered rates as described in clause (5), then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for U.S. Treasury securities having an original maturity longer than the Index Maturity and a remaining term to maturity closest to the Index Maturity, and in a Representative Amount, as of approximately 3:45 p.m., New York City time, on the CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City that Freddie Mac selects. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation, or, if there is equality, one of the highest and the lowest quotation or, if there is equality, one of the lowest;

(7) if the CMT Rate is not determined pursuant to clauses (1) through (6) above and fewer than five but more than two primary dealers are quoting offered rates as described in clause (6), then the CMT Rate for the CMT Determination date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded;

(8) if the Calculation Agent obtains fewer than three quotations of the kind described in clause (6), the CMT Rate in effect for the new Interest Reset Period will be the CMT Rate in effect for the prior Interest Rate Period, or if the applicable Reset Date is the first Reset Date, the rate of interest payable for the new Interest Reset Period will be the initial interest rate; and

(9) if the CMT Rate in its present form ceases to exist and the provisions described in this Agreement for determining a fallback rate are found to be unreliable or result in a fallback rate that is not comparable to the CMT Rate, Freddie Mac, as the Calculation Agent, is authorized to designate an alternative determination method or index to the CMT Rate. If, prior to the time the CMT Rate may cease to exist, a new industry standard index is adopted, the Calculation Agent may elect, in its sole discretion, to use such standard index in lieu of the CMT Rate. If the Calculation Agent has designated an alternative determination method or index to the CMT Rate in accordance with the foregoing, the Calculation Agent in its sole discretion may determine the business day convention, the definition of business day and the interest determination date to be used and any other relevant methodology, including any adjustment factor needed to make such alternative determination method or index comparable to the CMT Rate base rate, in a manner that is consistent with industry-accepted practices. The Calculation Agent's designation of an alternative determination method or index as described herein will be final and binding on all parties.

(N) If the applicable Supplemental Agreement specifies the Federal Funds Rate (Daily) as the applicable Index for determining the rate of interest for the related Variable Rate, the following provisions shall apply:

The **"Federal Funds Rate (Daily)"** means, with respect to any Reset Date:

(1) the rate for the Business Day preceding the Federal Funds Rate (Daily) Determination Date for U.S. dollar federal funds, as published in the latest H.15 or other recognized electronic source used for the purpose of displaying that rate opposite the caption "Federal funds (effective)";

(2) if the rate specified in clause (1) is not published by 5:00 p.m., New York City time, on the Federal Funds Rate Determination Date, then the Calculation Agent will request five leading brokers (which may include the related Dealers or their affiliates) of federal funds transactions in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) each to provide a quotation of the broker's effective rate for transactions in overnight federal funds arranged by the broker settling on the Business Day preceding the Federal Funds Rate (Daily) Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest));

(3) if fewer than two quotations are so provided pursuant to clause (2) above, then the Calculation Agent will request five leading brokers (which may include the related Dealers or their affiliates) of federal funds transactions in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) each to provide a quotation of the broker's rates for the last transaction in overnight federal funds arranged by the broker as of 11:00 a.m., New York City time, on the Business Day preceding the Federal Funds Rate (Daily) Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)); and

(4) if fewer than two quotations are so provided pursuant to clause (3) above, then the Federal Funds Rate (Daily) as of such Federal Funds Rate (Daily) Determination Date will be the Federal Funds Rate (Daily) determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the rate of interest payable for the new Interest Rate Period will be the initial interest rate.

(j) *Fixed/Variable Rate Debt Securities*

Fixed/Variable Rate Debt Securities shall bear interest at a single fixed rate for one or more specified periods and at a rate determined by reference to one or more Indices, or otherwise, for one or more other specified periods. Fixed/Variable Rate Debt Securities also may bear interest at a rate that Freddie Mac may elect to convert from a fixed rate to a variable rate or from a variable rate to a fixed rate, if so provided in the applicable Supplemental Agreement.

If Freddie Mac may convert the interest rate on a Fixed/Variable Rate Debt Security from a fixed rate to a variable rate, or from a variable rate to a fixed rate, accrued interest for each Interest Payment Period may be calculated using an accrued interest factor in the manner described in Section 2.07(i)(E).

(k) *Zero Coupon Debt Securities*

Zero Coupon Debt Securities shall not bear interest.

(l) *Amortizing Debt Securities*

Amortizing Debt Securities are those on which Freddie Mac makes periodic payments of principal during the terms of such Debt Securities as described in the related Supplemental Agreement. Amortizing Debt Securities may bear interest at fixed or variable rates.

(m) *Debt Securities with Variable Principal Repayment Amounts*

Variable Principal Repayment Amount Debt Securities are those on which the amount of principal payable is determined with reference to an Index specified in the related Supplemental Agreement.

(n) *Mortgage Linked Amortizing Debt Securities*

Mortgage Linked Amortizing Debt Securities are Amortizing Debt Securities on which Freddie Mac makes periodic payments of principal based on the rate of payments on referenced mortgage or mortgage-related assets, as described in the related Supplemental Agreement. Mortgage Linked Amortizing Debt Securities may bear interest at fixed or variable rates.

(o) *Range Accrual Debt Securities*

Range Accrual Debt Securities are Variable Rate Debt Securities on which no interest may accrue during periods when the applicable Index is outside a specified range as described in the related Supplemental Agreement.

(p) *Extendible Variable Rate Debt Securities*

Extendible Variable Rate Debt Securities' are Variable Rate Debt Securities, the maturity of which may be extended at a Beneficial Owner's option effective as of specified dates, subject to a final maturity date, and that bear interest at variable rates subject to different Spreads for different specified periods, as described in the related Supplemental Agreement.

Section 2.08. Business Day Convention.

Unless otherwise specified in the applicable Supplemental Agreement, in any case in which an Interest Payment Date or Principal Payment Date is not a Business Day, payment of any interest on or the principal of the Debt Securities shall not be made on such date but shall be made on the next Business Day with the same force and effect as if made on such Interest Payment Date or Principal Payment Date, as the case may be. Unless otherwise provided in the applicable Supplemental Agreement, no interest on such payment shall accrue for the period from and after such Interest Payment Date or Principal Payment Date, as the case may be, to the actual date of such payment.

Section 2.09. Reopened Issues and Repurchases.

Freddie Mac reserves the right, in its discretion and at any time, to offer additional Debt Securities which have the same terms (other than Issue Date, interest commencement date and issue price) and conditions as Debt Securities for which settlement has previously occurred or been scheduled so as to form a single series of Debt Securities as specified in the applicable Supplemental Agreement.

Freddie Mac reserves the right, in its discretion and at any time, to purchase Debt Securities or otherwise acquire (either for cash or in exchange for securities) some or all of an issue of Debt Securities at any price or prices in the open market or otherwise. Such Debt Securities may be held, resold or canceled by Freddie Mac.

ARTICLE III

Form; Clearance and Settlement Procedures

Section 3.01. Form of Fed Book-Entry Debt Securities.

(a) *General*

Fed Book-Entry Debt Securities shall be issued and maintained only on the Fed Book-Entry System. Fed Book-Entry Debt Securities shall not be exchangeable for definitive Debt Securities. The Book-Entry Rules are applicable to Fed Book-Entry Debt Securities.

(b) *Title*

Fed Book-Entry Debt Securities shall be held of record only by Holding Institutions. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities to whose accounts Fed Book-Entry Debt Securities have been deposited shall be the Holders of such Fed Book-Entry Debt Securities. The rights of the Beneficial Owner of a Fed Book-Entry Debt Security with respect to Freddie Mac and the Federal Reserve Banks may be exercised only through the Holder of the Fed Book-Entry Debt Security. Freddie Mac and the Federal Reserve Banks shall have no direct obligation to a Beneficial Owner of a Fed Book-Entry Debt Security that is not also the Holder of the Fed Book-Entry Debt Security. The Federal Reserve Banks shall act only upon the instructions of the Holder in recording transfers of a Debt Security maintained on the Fed Book-Entry System. Freddie Mac and the Federal Reserve Banks may treat the Holders as the absolute owners of Fed Book-Entry Debt Securities for the purpose of making payments in respect thereof and for all other purposes, whether or not such Fed Book-Entry Debt Securities shall be overdue and notwithstanding any notice to the contrary.

The Holders and each other financial intermediary holding such Fed Book-Entry Debt Securities directly or indirectly on behalf of the Beneficial Owners shall have the responsibility of remitting payments for the accounts of their customers. All payments on Fed Book-Entry Debt Securities shall be subject to any applicable law or regulation.

(c) *Fiscal Agent*

The FRBNY shall be the Fiscal Agent for Fed Book-Entry Debt Securities.

In acting under the Fiscal Agency Agreement, the FRBNY shall act solely as Fiscal Agent of Freddie Mac and does not assume any obligation or relationship of agency or trust for or with any Holder of a Fed Book-Entry Debt Security.

Section 3.02. Form of Registered Debt Securities.

(a) *General*

As specified in the applicable Supplemental Agreement, Registered Debt Securities shall be deposited with (i) a custodian for, and registered in the name of a nominee of, DTC, or (ii) a Common Depositary, and registered in the name of such Common Depositary or a nominee of such Common Depositary.

(b) *Title*

The person in whose name a Registered Debt Security is registered in the Register shall be the Holder of such Registered Debt Security. Beneficial interests in a Registered Debt Security shall be represented, and transfers thereof shall be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Owners of such Registered Debt Security, as a direct or indirect participant in the applicable clearing system for such Registered Debt Security.

Freddie Mac, the Global Agent and the Registrar may treat the Holders as the absolute owners of Registered Debt Securities for the purpose of making payments and for all other purposes, whether or not such Registered Debt Securities shall be overdue and notwithstanding any notice to the contrary. Owners of beneficial interests in a Registered Debt Security shall not be considered by Freddie Mac, the Global Agent or the Registrar as the owner or Holder of such Registered Debt Security and, except as provided in Section 4.02(a), shall not be entitled to have Debt Securities registered in their names and shall not receive or be entitled to receive definitive Debt Securities. Any Beneficial Owner shall rely on the procedures of the applicable clearing system and, if such Beneficial Owner is not a participant therein, on the procedures of the participant through which such Beneficial Owner holds its interest, to exercise any rights of a Holder of such Registered Debt Securities.

Payments by DTC participants to Beneficial Owners of DTC Registered Debt Securities held through DTC participants shall be the responsibility of such participants. Payments with respect to Other Registered Debt Securities held through Euroclear, Clearstream, Luxembourg or any other applicable clearing system shall be credited to Euroclear participants, Clearstream, Luxembourg participants or participants of any other applicable clearing system in accordance with the relevant system's rules and procedures.

(c) *Global Agent*

In acting under the Global Agency Agreement, the Global Agent acts solely as a fiscal agent of Freddie Mac and does not assume any obligation or relationship of agency or trust for or with any Holder of a Registered Debt Security, except that any moneys held by the Global Agent for payment on a Registered Debt Security shall be held in trust for the Holder as provided in the Global Agency Agreement.

(d) *Registrar*

In acting under the Global Agency Agreement, the Registrar does not assume any obligation or relationship of agency or trust for, or with, any Holder of a Registered Debt Security.

Section 3.03. Clearance and Settlement Procedures.

(a) *General*

Unless otherwise provided in the applicable Supplemental Agreement:

(i) Most Debt Securities denominated and payable in U.S. dollars and distributed within the United States shall clear and settle through the Fed Book-Entry System.

(ii) Most Debt Securities denominated and payable in U.S. dollars and distributed simultaneously within and outside of the United States, including all Reference Securities, shall clear and settle, within the United States, through the Fed Book-Entry System and, outside of the United States, through the systems operated by Euroclear, Clearstream, Luxembourg and/or any other designated clearing system.

(iii) Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars that are not cleared and settled in accordance with clause (i) and (ii) above and distributed solely within the United States will clear and settle through the system operated by DTC.

(iv) Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars that are not cleared and settled in accordance with clauses (i) and (ii) above) and distributed simultaneously within and outside of the United States shall clear and settle through the systems operated by DTC, Euroclear, Clearstream, Luxembourg and/or any other designated clearing system.

(v) Debt Securities, irrespective of the Specified Currency in which such Debt Securities are denominated or payable, distributed solely outside of the United States shall clear and settle through the systems operated by Euroclear, Clearstream, Luxembourg and/or any other designated clearing system or, in certain cases, DTC.

(b) *Primary Distribution*

(i) *General.* On initial issue, Debt Securities shall be credited through one or more of the systems specified below or any other system specified in the applicable Supplemental Agreement.

(ii) *Federal Reserve Banks.* Fed Book-Entry Debt Securities shall be issued and settled through the Fed-Book-Entry System in same-day funds and shall be held by designated Holding Institutions. After initial issue, all Fed Book-Entry Debt Securities shall continue to be held by such Holding Institutions in the Fed Book-Entry System unless arrangements are made for the transfer thereof to another Holding Institution. Fed Book-Entry Debt Securities shall not be exchangeable for definitive Debt Securities.

(iii) *DTC.* DTC participants acting on behalf of investors holding DTC Registered Debt Securities through DTC shall follow the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement System. DTC Registered Debt Securities shall be credited to DTC participants' securities accounts following confirmation of receipt of payment to Freddie Mac on the relevant Issue Date.

(iv) *Euroclear and Clearstream, Luxembourg.* Investors holding Other Registered Debt Securities through Euroclear, Clearstream, Luxembourg or such other clearing system shall follow the settlement procedures applicable to conventional Eurobonds in registered form. Such Other Registered Debt Securities shall be credited to Euroclear, Clearstream, Luxembourg or such other clearing system participants' securities accounts either on the relevant Issue Date or on the settlement day following the relevant Issue Date against payment in same-day funds (for value on the relevant Issue Date).

(c) *Secondary Market Transfers*

(i) *Fed Book-Entry Debt Securities.* Transfers of Fed Book-Entry Debt Securities shall take place only in book-entry form on the Fed Book-Entry System. Such transfers shall occur between Holding Institutions in accordance with the rules of the Fed Book-Entry System.

(ii) *Registered Debt Securities.* Transfers of beneficial interests in Registered Debt Securities within the various systems that may be clearing and settling interests therein shall be made in accordance with the usual rules and operating procedures of the relevant system applicable to the Registered Debt Securities and the nature of the transfer.

(iii) Freddie Mac shall not bear responsibility for the performance by any system or the performance of the system's respective direct or indirect participants or accountholders of the respective obligations of such participants or account holders under the rules and procedures governing such system's operations.

ARTICLE IV

Payments, Exchange for Definitive Debt Securities

Section 4.01. Payments.

(a) *Payments on Fed Book-Entry Debt Securities*

Payments of principal of and any interest on Fed Book-Entry Debt Securities shall be made in U.S. dollars (except as otherwise provided in the applicable Supplemental Agreement) on the applicable payment dates to Holders thereof as of the end of the Business Day preceding each such payment date. Payments on Fed Book-Entry Debt Securities shall be made by credit of the payment amount to the Holders' accounts at the relevant Federal Reserve Bank. All payments to or upon the order of a Holder shall be valid and effective to discharge the liability of Freddie Mac and the Fiscal Agent in respect of the related Fed Book-Entry Debt Securities.

(b) *Payments on Registered Debt Securities*

(i) Payments in respect of Registered Debt Securities shall be made in immediately available funds to DTC, Euroclear, Clearstream, Luxembourg or any other applicable clearing system, or their respective nominees, as the case may be, as the Holders thereof. Except as provided in Article VII hereof, such payments shall be made in the Specified Payment Currency. All payments to or upon the order of the Holder of a Registered Debt Security shall be valid and effective to discharge the liability of Freddie Mac in respect of such Registered Debt Security. Ownership positions within each system shall be determined in accordance with the normal conventions observed by such system. Freddie Mac, the Global Agent and the Registrar shall not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Registered Debt Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(ii) Interest on a Registered Debt Security shall be paid on the applicable Interest Payment Date. Such interest payment shall be made to the Holder of such Registered Debt Security as of the close of business on the related Record Date. The first payment of interest on any Registered Debt Security originally issued between a Record Date and the related Interest Payment Date shall be made on the Interest Payment Date following the next Record Date to the Holder on such next Record Date. The principal of each Registered Debt Security, together with accrued and unpaid interest thereon, shall be paid to the Holder thereof against presentation and surrender of such Registered Debt Security.

(iii) All payments on Registered Debt Securities are subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, payments in respect of the related Registered Debt Securities shall be made at the office of any paying agent in the United States.

Section 4.02. Exchange for Definitive Debt Securities.

In the event that Freddie Mac issues definitive Debt Securities in exchange for Registered Debt Securities issued in global form, such definitive Debt Securities shall have terms identical to the Registered Debt Securities for which they were exchanged except as described below.

(a) *Issuance of Definitive Debt Securities*

Unless otherwise provided in the applicable Supplemental Agreement, beneficial interests in Registered Debt Securities issued in global form shall be subject to exchange for definitive Debt Securities only if such exchange is permitted by applicable law and (i) in the case of a DTC Registered Debt Security, DTC notifies Freddie Mac that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such DTC Registered Debt Security, or ceases to be a "clearing agency" registered under the Securities Exchange Act of 1934 (if so required), or is at any time no longer eligible to act as such, and in each case Freddie Mac is unable to locate a successor within 90 calendar days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of any Other Registered Debt Security, if all of the systems through which it is cleared or settled are closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or are permanently closed for business or have announced an intention permanently to cease business and in any such situations Freddie Mac is unable to locate a single successor within 90 calendar days of such closure; or (iii) an Event of Default has occurred and continues unremedied. In such circumstances, Freddie Mac shall cause sufficient definitive Debt Securities to be executed and delivered as soon as practicable (and in any event within 45 calendar days of Freddie Mac's receiving notice of the occurrence of such circumstances) to the Global Agent or its agent for completion, authentication and delivery to the relevant registered holders of such definitive Debt Securities. A person having an interest in a DTC Registered Debt Security or Other Registered Debt Security issued in global form shall provide Freddie Mac or the Global Agent with a written order containing instructions and such other information as Freddie Mac or the Global Agent may require to complete, execute and deliver such definitive Debt Securities in authorized denominations.

(b) *Title*

The person in whose name a definitive Debt Security is registered in the Register shall be the **"Holder"** of such definitive Debt Security. Freddie Mac, the Global Agent and the Registrar may treat the Holders as the absolute owners of definitive Debt Securities for the purpose of making payments and for all other purposes, whether or not such definitive Debt Securities shall be overdue and notwithstanding any notice to the contrary.

(c) *Payments*

Interest on a definitive Debt Security shall be paid on the applicable Interest Payment Date. Such interest payments shall be made by check mailed to the Holder thereof at the close of business on the Record Date preceding such Interest Payment Date at such Holder's address appearing in the Register. The principal of each definitive Debt Security, together with accrued and unpaid interest thereon, shall be due on the Principal Payment Date (subject to the right of the Holder thereof on the related Record Date to receive interest due on an Interest Payment Date that is on or prior to such Principal Payment Date) and shall be paid against presentation and surrender of such definitive Debt Security at the offices of the Global Agent or other paying agent. Payments on the Principal Payment Date shall be made by check provided at the appropriate office of the Global Agent or other paying agent or mailed by the Global Agent to the Holder of such definitive Debt Security. U.S. dollar checks shall be drawn on a bank in the United States. Checks in a Specified Payment Currency other than U.S. dollars shall be drawn on a bank office located outside the United States.

Notwithstanding the provisions described in the preceding paragraph relating to payments by check, the Holder of an aggregate principal amount of at least $10,000,000 of an issue of Debt Securities of which definitive Debt Securities form a part (or, in the case of a definitive Debt Security denominated in a Specified Currency other than U.S. dollars, the Specified Currency equivalent of at least $10,000,000) may elect to receive payments thereon by wire transfer of immediately available funds in the Specified Payment Currency to an account in such Specified Payment Currency with a bank designated by such Holder that is acceptable to Freddie Mac; provided, that such bank has appropriate facilities therefor and accepts such transfer and such transfer is permitted by any applicable law or regulation and will not subject Freddie Mac to any liability, requirement or unacceptable charge. In order for such Holder to receive such payments, the relevant paying agent (including the Global Agent) must receive at its office from such Holder (i) in the case of payments on an Interest Payment Date, a written request therefor not later than the close of business (a) on the related Record Date in the case of a definitive Debt Security or (b) 15 days prior to such Interest Payment Date in the case of a Registered Debt Security issued in the global form; or (ii) in the case of payments on the Principal Payment Date, a written request therefor not later than the close of business on the date 15 days prior to such Principal Payment Date and the related definitive Debt Security not later than two Business Days prior to such Principal Payment Date. Such written request must be delivered to the relevant paying agent (including the Global Agent) by mail, by hand delivery or by tested or authenticated telex. Any such request shall remain in effect until the relevant paying agent receives written notice to the contrary.

All payments on definitive Debt Securities shall be subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or similar restrictions, payments in respect of the related definitive Debt Securities may be made at the office of any paying agent in the United States.

(d) *Partial Redemption*

Definitive Debt Securities subject to redemption in part by Freddie Mac shall be selected by the Global Agent by lot or in such other manner as the Global Agent deems fair and appropriate, subject to the requirement that the principal amount of each outstanding definitive Debt Security after such redemption is in an authorized denomination.

(e) *Transfer and Exchange*

Definitive Debt Securities shall be presented for registration of transfer or exchange (with the form of transfer included thereon properly endorsed, or accompanied by a written instrument of transfer, with such evidence of due authorization and guaranty of signature as may be required by the Registrar, duly executed) at the office of the Registrar or any other transfer agent upon payment of any taxes and other governmental charges and other amounts, but without payment of any service charge to the Registrar or such transfer agent for such transfer or exchange. A transfer or exchange shall not be effective unless, and until, recorded in the Register.

A transfer or exchange of a definitive Debt Security shall be effected upon satisfying the Registrar with regard to the documents and identity of the person making the request and subject to such reasonable regulations as Freddie Mac may from time to time agree with the Registrar. Such documents may include forms prescribed by U.S. tax authorities to establish the applicability of, or the exemption from, withholding or other taxes regarding the transferee Holder. Definitive Debt Securities may be transferred or exchanged in whole or in part only in the authorized denominations of the DTC Registered Debt Securities or Other Registered Debt Securities issued in global form for which they were exchanged. In the case of a transfer of a definitive Debt Security in part, a new definitive Debt Security in respect of the balance not transferred shall be issued to the transferor. In addition, replacement of mutilated, destroyed, stolen or lost definitive Debt Securities also is subject to the conditions discussed above with respect to transfers and exchanges generally. Each new definitive Debt Security to be issued upon transfer of such a definitive Debt Security, as well as the definitive Debt Security issued in respect of the balance not transferred, shall be mailed to such address as may be specified in the form or instrument of transfer at the risk of the Holder entitled thereto in accordance with the customary procedures of the Registrar.

ARTICLE V

Secured Debt Securities

If so provided in the applicable Supplemental Agreement, the indebtedness represented by certain Debt Securities shall be secured obligations of Freddie Mac. In such event, the description of the security interest and the terms of the grant of the security interest shall be set forth in the applicable Supplemental Agreement.

ARTICLE VI

Currency Conversions

Section 6.01. Currency Conversions for DTC Registered Debt Securities.

(a) In the case of DTC Registered Debt Securities whose Specified Payment Currency is other than U.S. dollars, the Currency Exchange Bank specified in the applicable Supplemental Agreement, for Holders of such DTC Registered Debt Securities, shall convert any amounts paid by Freddie Mac in such Specified Payment Currency into U.S. dollars, unless such Holders elect to receive payments in such Specified Payment Currency as hereinafter described. Freddie Mac shall have no responsibility for the conversion of the Specified Payment Currency for such DTC Registered Debt Securities into U.S. dollars.

(b) The U.S. dollar amount to be received by a Holder of a DTC Registered Debt Security in respect of which payments are to be converted from the Specified Payment Currency into U.S. dollars shall be determined by the Currency Exchange Bank in the morning of the day that would be considered the date for “spot” settlement of the Specified Payment Currency on the applicable payment date in accordance with market convention (generally two New York business days prior to such payment date) at the market rate determined by the Currency Exchange Bank to accomplish the conversion on such payment date of the aggregate amount of the Specified Payment Currency payable in respect of DTC Registered Debt Securities scheduled to receive payments converted into U.S. dollars. All currency exchange costs shall be borne by the Holders of such DTC Registered Debt Securities (and, accordingly, by the related Beneficial Owners) by deductions from such payments. In the event all or any portion of a Specified Payment Currency is not convertible into U.S. dollars, Holders of such DTC Registered Debt Securities shall receive payment in the Specified Payment Currency.

(c) A Holder of a DTC Registered Debt Security to be paid in a Specified Payment Currency other than U.S. dollars shall have the option to receive payments of the principal of and any interest on such DTC Registered Debt Security in the Specified Payment Currency by notifying DTC no later than the date 12 days prior to such Principal Payment Date or Interest Payment date, as applicable.

ARTICLE VII

Events of Default and Remedies

Section 7.01. Events of Default.

(a) An "**Event of Default**" with respect to a specific issue of Debt Securities shall consist of (i) any failure by Freddie Mac to pay to Holders of such Debt Securities any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac to perform in any material respect any other covenant or agreement in this Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of not less than 25% of the outstanding principal amount (or notional principal amount) of such Debt Securities; (iii) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, or sequestrator (or other similar official) of Freddie Mac or for all or substantially all of its property, or order the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (iv) Freddie Mac shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, or sequestrator (or other similar official) of Freddie Mac or any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over Freddie Mac, whether or not Freddie Mac consents to such appointment, will not constitute an Event of Default.

Section 7.02. Rights Upon Event of Default.

(a) As long as an Event of Default under this Agreement remains unremedied, Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities to which such Event of Default relates may, by written notice to Freddie Mac, declare such Debt Securities due and payable and accelerate the maturity of such Debt Securities. Upon such acceleration, the principal amount of such Debt Securities and the interest accrued thereon shall be due and payable.

(b) No Holder has any right under this Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, or for the appointment of a receiver or trustee, or for any other remedy, unless (i) such Holder previously has given to Freddie Mac written notice of an Event of Default and of the continuance thereof; (ii) the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities to which such Event of Default relates have given written notice to Freddie Mac of such Event of Default; and (iii) such Event of Default continues uncured for a period of 60 days following such notice. No Holder of an issue of Debt Securities has any right in any manner whatsoever by virtue of or by availing itself of any provision of this Agreement to affect, disturb or prejudice the rights of any other such Holder, or to obtain or seek to obtain preference or priority over any other such Holder or to enforce any right under this Agreement, except in the manner provided in this Agreement and for the ratable and common benefit of all such Holders.

(c) Prior to or after the institution of any action or proceeding relating to an issue of Debt Securities, the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of such Debt Securities may waive an Event of Default, whether or not it has resulted in a declaration of an acceleration of the maturity of such Debt Securities, and may rescind and annul any previously declared acceleration.

(d) Whenever in this Agreement it is provided that the Holders of a specified percentage in outstanding principal amount (or notional principal amount) of an issue of Debt Securities may take any action (including the making of any demand or request, or the giving of any authorization, notice, consent or waiver), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by a writing, or any number of writings of similar tenor, executed by Holders in person, or by an agent or proxy appointed in writing.

ARTICLE VIII

Miscellaneous Provisions

Section 8.01. Limitations on Liability of Freddie Mac and Others.

Neither Freddie Mac nor any of its directors, officers, employees or agents shall be under any liability to the Holders or Beneficial Owners for any action taken, or not taken, by them in good faith under this Agreement or for errors in judgment. This provision will not protect Freddie Mac or any other related person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of obligations and duties under this Agreement. Freddie Mac and such related persons shall have no liability of whatever nature for special, indirect or consequential damages, lost profits or business, or any other liability or claim (other than for direct damages), even if reasonably foreseeable or Freddie Mac has been advised of the possibility of such loss, damage, liability or claim.

In performing its responsibilities under this Agreement, Freddie Mac may employ agents or independent contractors. Except upon an Event of Default (as defined herein), Freddie Mac shall not be subject to the control of Holders in any manner in the discharge of its responsibilities pursuant to this Agreement.

Freddie Mac shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its responsibilities under this Agreement and which in its opinion may involve it in any expense or liability. However, Freddie Mac may in its discretion undertake any such legal action which it may deem necessary or desirable in the interests of the Holders. In such event, the legal expenses and costs of such action shall be expenses and costs of Freddie Mac.

Section 8.02. Binding Effect of this Agreement.

(a) By receiving and accepting a Debt Security, each Holder, financial intermediary and Beneficial Owner of such Debt Security unconditionally agrees, without any signature or further manifestation of assent, to be bound by the terms and conditions of this Agreement, as supplemented, modified or amended pursuant to its terms.

(b) This Agreement shall be binding upon and inure to the benefit of any successor to Freddie Mac.

Section 8.03. Replacement.

Any Registered Debt Security in definitive form that becomes mutilated, destroyed, stolen or lost shall be replaced by Freddie Mac at the expense of the Holder upon delivery to the Global Agent of evidence of the destruction, theft or loss thereof, and an indemnity satisfactory to Freddie Mac and the Global Agent. Upon the issuance of any substituted Registered Debt Security, Freddie Mac or the Global Agent may require the payment by the Holder of a sum sufficient to cover any taxes and expenses connected therewith.

Section 8.04. Conditions to Payment, Transfer or Exchange.

Freddie Mac, its agent or any other person potentially required to withhold with respect to payments on a Debt Security shall have the right to require a Holder of a Debt Security, as a condition to payment of principal of or interest on such Debt Security, or as a condition to transfer or exchange of such Debt Security, to present at such place as Freddie Mac, its agent or such other person shall designate a certificate in such form as Freddie Mac, its agent or such other person may from time to time prescribe, to enable Freddie Mac, its agent or such other person to determine its duties and liabilities with respect to (i) any taxes, assessments or governmental charges which Freddie Mac, any Federal Reserve Bank, the Global Agent or such other person, as the case may be, may be required to deduct or withhold from payments in respect of such Debt Security under any present or future law of the United States or jurisdiction therein or any regulation or interpretation of any taxing authority thereof; and (ii) any reporting or other requirements under such laws, regulations or interpretations. Freddie Mac, its agent or such other person shall be entitled to determine its duties and liabilities with respect to such deduction, withholding, reporting or other requirements on the basis of information contained in such certificate or, if no certificate shall be presented, on the basis of any presumption created by any such law, regulation or interpretation, and shall be entitled to act in accordance with such determination.

Section 8.05. Amendment.

(a) Freddie Mac may modify, amend or supplement this Agreement and the terms of an issue of Debt Securities, without the consent of the Holders or Beneficial Owners, (i) to cure any ambiguity, or to correct or supplement any defective provision or to make any other provision with respect to matters or questions arising under this Agreement or the terms of any Debt Security that are not inconsistent with any other provision of this Agreement or the Debt Security; (ii) to add to the covenants of Freddie Mac for the benefit of the Holders or surrender any right or power conferred upon Freddie Mac; (iii) to evidence the succession of another entity to Freddie Mac and its assumption of the covenants of Freddie Mac; (iv) to conform the terms of an issue of Debt Securities or cure any ambiguity or discrepancy resulting from any changes in the Book-Entry Rules or any regulation or document that are applicable to book-entry securities of Freddie Mac; (v) to increase the amount of an issue of Debt Securities as contemplated under Section 2.09; or (vi) in any other manner that Freddie Mac may determine and that will not adversely affect in any material respect the interests of Holders or Beneficial Owners at the time of such modification, amendment or supplement.

(b) In addition, either (i) with the written consent of the Holders of at least 50% of the aggregate then outstanding principal amount or notional principal amount of an issue of Debt Securities affected thereby, excluding any such Debt Securities owned by Freddie Mac; or (ii) by the adoption of a resolution at a meeting of Holders at which a quorum is present, by the Holders of at least 50% of the aggregate then outstanding principal amount or notional principal amount of an issue of Debt Securities represented at such meeting, excluding any such Debt Securities owned by Freddie Mac, Freddie Mac may from time to time and at any time modify, amend or supplement the terms of an issue of Debt Securities for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of such Debt Securities or modifying in any manner the rights of the Holders; provided, however, that no such modification, amendment or supplement may, without the written consent or affirmative vote of each Holder of a Debt Security; (A) change the Maturity Date or any Interest Payment Date of such Debt Security; (B) materially modify the redemption or repayment provisions, if any, relating to the redemption or repayment price of, or any redemption or repayment date or period for, such Debt Security; (C) reduce the principal amount of, delay the principal payment of, or materially modify the rate of interest or the calculation of the rate of interest on, such Debt Security; (D) in the case of Registered Debt Securities only, change the Specified Payment Currency of such Registered Debt

Security; or (E) reduce the percentage of Holders whose consent or affirmative vote is necessary to modify, amend or supplement the terms of the relevant issue of Debt Securities. A quorum at any meeting of Holders called to adopt a resolution shall be Holders entitled to vote a majority of the then aggregate outstanding principal amount or notional principal amount of an issue of such Debt Securities called to such meeting and, at any reconvened meeting adjourned for lack of a quorum, 25% of the then aggregate outstanding principal amount or notional principal amount of such issue of Debt Securities, in both cases excluding any such Debt Securities owned by Freddie Mac. It shall not be necessary for the Holders to approve the particular form of any proposed amendment, but it shall be sufficient if such consent or resolution approves the substance of such change. If any modification, amendment or supplement of the terms of an issue of Debt Securities that have been separated into Interest and Principal Components requires the consent of Holders, only the Holders of the Principal Components will be entitled to give or withhold that consent. Holders of Interest Components will have no right to give or withhold such consent.

(c) The "principal amount," for purposes of the preceding paragraph, for a Debt Security that is a Zero Coupon Debt Security or for a Debt Security issued at an "issue price" of 80% or less of its principal amount will be equal to (i) the issue price of such Debt Security; plus (ii) the original issue discount that has accrued from the Issue Date of such Debt Security to the OID Determination Date; minus (iii) any amount considered as part of the "stated redemption price at maturity" of such Debt Security that has been paid from the Issue Date of such Debt Security to the OID Determination Date.

The "principal amount," for purposes of the second preceding paragraph, of a Debt Security whose Specified Principal Currency is other than U.S. dollars will be the U.S. dollar equivalent, determined on the Issue Date, of the principal amount (or, in the case of the Debt Securities referred to in the preceding paragraph, the amount determined in accordance with the provisions described in such preceding paragraph) of such Debt Security. The "principal amount" of a Debt Security with principal determined by reference to an Index will be described in the applicable Supplemental Agreement. The "principal amount" of a Debt Security with principal determined by reference to an Index will be described in the applicable Supplemental Agreement.

(d) Freddie Mac may establish a record date for the determination of Holders entitled to vote at any meeting of Holders of Debt Securities, to grant any consent in respect of Debt Securities and to notice with respect to any such meeting or consent.

(e) Any instrument given by or on behalf of any Holder of a Debt Security in connection with any consent to any such modification, amendment or supplement shall be irrevocable once given and shall be conclusive and binding on all subsequent Holders of such Debt Security or any Debt Security issued, directly or indirectly, in exchange or substitution therefor, irrespective of whether or not notation in regard thereto is made thereon. Any modification, amendment or supplement of this Agreement or of the terms of Debt Securities shall be conclusive and binding on all Holders of Debt Securities affected thereby, whether or not they have given such consent or were present at any meeting (unless by the terms of this Agreement a written consent or an affirmative vote of such Holders is required), and whether or not notation of such modification, amendment or supplement is made upon the Debt Securities.

Section 8.06. Securities Acquired by Freddie Mac.

Freddie Mac may, from time to time, repurchase or otherwise acquire (either for cash or in exchange for newly-issued Debt Securities) all or a portion of any issue of Debt Securities. Any Debt Securities owned by Freddie Mac shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority or distinction as among such Debt Securities, except that in determining whether the Holders of the required percentage of the outstanding principal amount (or notional principal amount) of an issue of Debt Securities have given any required demand, authorization, notice, consent or waiver under this Agreement, any Debt Securities owned by Freddie Mac or any person directly or indirectly controlling or controlled by or under direct or indirect common control with Freddie Mac shall be disregarded and deemed not to be outstanding for the purpose of such determination.

Section 8.07. Notice.

(a) Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the mail, addressed to such Holder as such Holder's name and address may appear in the records of Freddie Mac, a Federal Reserve Bank or the Registrar, as the case may be, or, in the case of a Holder of a Fed Book-Entry Debt Security by transmission to such Holder through the communication system linking the Federal Reserve Banks, or, in the case of a Holder of a Debt Security maintained on DTC, by transmission to such Holder through the DTC communication system. In the event that the Federal Reserve Banks' communication system and/or the DTC communication system is unavailable, Freddie Mac may give notice to a Holder by making use of an alternate comparable communication system, platform or service. Such notice, demand or other communication to or upon any Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

(b) Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon Freddie Mac shall be given in writing addressed (until another address is published by Freddie Mac) as follows: Federal Home Loan Mortgage Corporation, 8200 Jones Branch Drive, McLean, Virginia 22102 Attention: General Counsel and Secretary. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

Section 8.08. Governing Law.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE HOLDERS AND FREDDIE MAC WITH RESPECT TO THE DEBT SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE UNITED STATES. INSOFAR AS THERE MAY BE NO APPLICABLE PRECEDENT, AND INSOFAR AS TO DO SO WOULD NOT FRUSTRATE THE PURPOSES OF THE FREDDIE MAC ACT OR ANY PROVISION OF THIS AGREEMENT OR THE TRANSACTIONS GOVERNED THEREBY, THE LAWS OF THE STATE OF NEW YORK SHALL BE DEEMED REFLECTIVE OF THE LAWS OF THE UNITED STATES.

Section 8.09. Headings.

The Article, Section and Subsection headings are for convenience only and shall not affect the construction of this Agreement.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Exhibit 10.1

Freddie Mac

PC MASTER TRUST AGREEMENT

THIS PC MASTER TRUST AGREEMENT is entered into as of March 1, 2019, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the PCs offered from time to time pursuant to Freddie Mac's Offering Circular referred to herein.

WHEREAS:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the Freddie Mac Act and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein; and

(b) Freddie Mac may from time to time (i) purchase Mortgages, in accordance with the applicable provisions of the Freddie Mac Act, (ii) as Depositor, transfer and deposit such Mortgages into various trust funds that are established pursuant to this Agreement and that are referred to herein as "PC Pools," (iii) as Administrator, on behalf of the Trustee, create and issue hereunder, on behalf of the related PC Pool, PCs representing undivided beneficial ownership interests in the assets of that PC Pool, (iv) as Trustee, act as trustee for each such PC Pool, (v) as Guarantor, guarantee the payment of interest and principal for the benefit of the Holders of such PCs and (vi) as Administrator, administer the affairs of each such PC Pool.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, the parties to this Agreement, do hereby declare and establish this Agreement and do hereby undertake and otherwise agree as follows with respect to the transfer of the Mortgages to various PC Pools, the issuance of the PCs and the establishment of the rights and obligations of the parties.

Definitions

The following terms used in this Agreement have the respective meanings set forth below.

Accrual Period: As to any PC and any Payment Date, (i) the calendar month preceding the month of the Payment Date for Gold PCs or (ii) the second calendar month preceding the month of the Payment Date for ARM PCs.

Administrator: Freddie Mac, in its corporate capacity, as administrator of the PC Pools created under this Agreement.

Agreement: This PC Master Trust Agreement, dated as of March 1, 2019, by and among Freddie Mac in its corporate capacity as Depositor, Administrator and Guarantor, Freddie Mac in its capacity as Trustee, and the Holders of the various PCs, as originally executed, or as modified, amended or supplemented in accordance with the provisions set forth herein. Unless the context requires otherwise, the term "Agreement" shall be deemed to include any applicable Pool Supplement entered into pursuant to Section 1.01 of this Agreement.

ARM: An adjustable rate Mortgage.

ARM PC: A PC with a Payment Delay of 75 days and which is backed by ARMs. ARM PCs include Deferred Interest PCs.

Book-Entry Rules: The provisions from time to time in effect, currently contained in Title 12, Part 1249 of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities on the book-entry system of the Federal Reserve Banks and authorizing a Federal Reserve Bank to act as its agent in connection with such securities.

Business Day: A day other than (i) a Saturday or Sunday and (ii) a day when the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is closed or, as to any Holder, a day when the Federal Reserve Bank that maintains the Holder's account is closed.

Conventional Mortgage: A Mortgage that is not guaranteed or insured by the United States or any agency or instrumentality of the United States.

Custodial Account: As defined in Section 3.05(e) of this Agreement.

Deferred Interest: The amount by which the interest due on a Mortgage exceeds the borrower's monthly payment, which amount is added to the unpaid principal balance of the Mortgage.

Deferred Interest PC: A PC representing an undivided beneficial ownership interest in a PC Pool that includes Mortgages providing for negative amortization.

Depositor: Freddie Mac, in its corporate capacity, as depositor of Mortgages into the PC Pools created under this Agreement.

Eligible Investments: Any one or more of the following obligations, securities or holdings maturing on or before the Payment Date applicable to the funds so invested:

(i) obligations of, or obligations guaranteed as to the full and timely payment of principal and interest by, the United States;

(ii) obligations of any agency or instrumentality of the United States (other than Freddie Mac, except as provided in subsection (viii) below) or taxable debt obligations of any state or local government (or political subdivision thereof) that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch in any case in one of its two highest rating categories for long-term securities or in its highest ratings category for short-term securities;

(iii) federal funds (which are typically overnight, unsecured cash loans to depository institutions or Federal Home Loan Banks, closely resembling bank-to-bank loans executed in the so-called federal funds market), certificates of deposit, time deposits and bankers' acceptances with a fixed maturity of no more than 365 days of any depository institution or trust company, provided that the short-term securities of the depository institution or trust company are rated by S&P, Moody's or Fitch in the highest applicable ratings category for short-term securities;

(iv) commercial paper with a fixed maturity of no more than 270 days, of any corporation that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(v) debt securities that have a long-term rating or a short-term rating, as applicable, from S&P, Moody's or Fitch, in any case in one of its two highest ratings categories for long-term securities or in its highest ratings category for short-term securities;

(vi) money market funds that are registered under the Investment Company Act of 1940, as amended, are entitled, pursuant to Rule 2a-7 of the Securities and Exchange Commission, or any successor to that rule, to hold themselves out to investors as money market funds, and are rated by S&P, Moody's or Fitch in one of its two highest ratings categories for money market funds;

(vii) asset-backed commercial paper that is rated by S&P, Moody's or Fitch in its highest short-term ratings category;

(viii) in the case of funds with respect to PCs issued on or after March 1, 2017, discount notes and other short-term debt obligations (in each case, with a stated final maturity, as of the related issue date, of one year or less) issued by Freddie Mac;

(ix) repurchase agreements on obligations that are either specified in any of clauses (i), (ii), (iii), (iv), (v), (vii) or (viii) above or are mortgage-backed securities insured or guaranteed by an entity that is an agency or instrumentality of the United States; provided that the counterparty to the repurchase agreement is an entity whose short-term debt securities are rated by S&P, Moody's or Fitch in its highest ratings category for short-term securities; and

(x) any other investment without options that is approved by Freddie Mac and is within the two highest ratings categories of the applicable rating agency for long-term securities or the highest ratings category of the applicable rating agency for short-term securities.

The rating requirement will be satisfied if the relevant security, issue or fund at the time of purchase receives at least the minimum stated rating from at least one of S&P, Moody's or Fitch. The rating requirement will not be satisfied by a rating that is the minimum rating followed by a minus sign or by a rating lower than Aa2 from Moody's.

Event of Default: As defined in Section 5.01 of this Agreement.

FHA/VA Mortgage: A Mortgage insured by the Federal Housing Administration or by the Department of Agriculture Rural Development (formerly the Rural Housing Service) or guaranteed by the Department of Veterans Affairs or the Department of Housing and Urban Development.

Final Payment Date: As to any PC, the first day of the latest month in which the related Pool Factor will be reduced to zero. The Administrator publishes the Final Payment Date upon formation of the related PC Pool.

Fitch: Fitch, Inc., also known as Fitch Ratings, or any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation, a corporation created pursuant to the Freddie Mac Act for the purpose of establishing and supporting a secondary market in residential mortgages. Unless the context requires otherwise, the term "Freddie Mac" shall be deemed to refer to Freddie Mac acting in one or more of its corporate capacities, as specified or as provided in context, and not in its capacity as Trustee.

Freddie Mac Act: Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459.

Gold PC: A PC with a Payment Delay of 45 days and which is backed by fixed-rate Mortgages.

Guarantor: Freddie Mac, in its corporate capacity, as guarantor of the PCs issued by each PC Pool.

Guide: Freddie Mac's Single-Family Seller/Servicer Guide, as supplemented and amended from time to time, in which Freddie Mac sets forth its mortgage purchase standards, credit, appraisal and underwriting guidelines and servicing policies.

Holder: With respect to any PC Pool, any entity that appears on the records of a Federal Reserve Bank as a holder of the related PCs.

Monthly Reporting Period: The period, which period the Administrator has the right to change as provided in Section 3.05(d) of this Agreement, during which servicers report Mortgage payments to the Administrator, generally consisting of:

(i) in the case of all payments other than full prepayments on the Mortgages, the one-month period (A) ending on the 15th of the month preceding the related Payment Date for Gold PCs and (B) ending on the 15th of the second month preceding the related Payment Date for ARM PCs; and

(ii) in the case of full prepayments on the Mortgages (including repurchases of the Mortgages pursuant to Section 1.02(c) of this Agreement), the calendar month preceding the related Payment Date for Gold PCs and the second calendar month preceding the related Payment Date for ARM PCs; *provided, however*, that with respect to full prepayments on PCs issued before September 1, 1995, the Monthly Reporting Period generally is from the 16th of a month through the 15th of the next month.

Moody's: Moody's Investors Service, Inc., or any successor thereto.

Mortgage: A mortgage loan or a participation interest in a mortgage loan that is secured by a first or second lien on a one-to-four family dwelling and that has been purchased by the Depositor and transferred by the Depositor to the Trustee for inclusion in the related PC Pool. With respect to each PC Pool, the Mortgages to be included therein shall be identified on the books and records of the Depositor and the Administrator.

Mortgage Coupon: The per annum fixed or adjustable interest rate of a Mortgage.

MultiLender Swap Program: A program under which Freddie Mac purchases Mortgages from one or more sellers in exchange for PCs representing undivided beneficial ownership interests in a PC Pool consisting of Mortgages that may or may not be those delivered by the seller(s).

Negative Amortization Factor: With respect to PCs backed by Mortgages providing for negative amortization, a rounded (or, prior to the Negative Amortization Factors for the month of August 2016, truncated rather than rounded) eight-digit decimal number that reflects the amount of Deferred Interest added to the principal balances of the related Mortgages in the preceding month.

Offering Circular: Freddie Mac's Mortgage Participation Certificates Offering Circular dated July 1, 2018, as amended and supplemented by any Supplements issued from time to time, or any successor thereto, as it may be amended and supplemented from time to time.

Payment Date: The 15th of each month or, if the 15th is not a Business Day, the next Business Day.

Payment Delay: The delay between the first day of the Accrual Period for a PC and the related Payment Date.

PC: With respect to each PC Pool, a Mortgage Participation Certificate issued pursuant to this Agreement, representing a beneficial ownership interest in such PC Pool. The term "PC'' includes a Gold PC or an ARM PC unless the context requires otherwise.

PC Coupon: The per annum fixed or adjustable rate of a PC calculated as described in the Offering Circular or the applicable Pool Supplement, computed on the basis of a 360-day year of twelve 30-day months.

PC Issue Date: With respect to each PC Pool, the date specified in the related Pool Supplement or, if not specified therein, the date on which Freddie Mac issues a PC in exchange for the Mortgages delivered by a dealer or other customer.

PC Pool: With respect to each PC, the corpus of the related trust fund created by this Agreement, consisting of (i) the related Mortgages and all proceeds thereof, (ii) amounts on deposit in the Custodial Account, to the extent allocable to such PC Pool, (iii) the right to receive payments under the related guarantee and (iv) any other assets specified in the related Pool Supplement, excluding any investment earnings on any of the assets of that PC Pool. With respect to each PC Pool, and unless expressly stated otherwise, the provisions of this Agreement will be interpreted as referring only to the Mortgages included in that PC Pool, the PCs issued by that PC Pool and the Holders of those PCs.

Person: Any legal person, including any individual, corporation, partnership, limited liability company, financial institution, joint venture, association, joint stock company, trust, unincorporated organization or governmental unit or political subdivision of any governmental unit.

Pool Factor: With respect to each PC Pool, a rounded (or, prior to the Pool Factors for the month of August 2016, truncated rather than rounded) eight-digit decimal calculated for each month by the Administrator which, when multiplied by the original principal balance of the related PCs, will equal their remaining principal amount. The Pool Factor for any month reflects the remaining principal amount after the payment to be made on the Payment Date in the same month for Gold PCs or in the following month for ARM PCs.

Pool Supplement: Any physical or electronic document or record (which may be a supplement to the Offering Circular or any other supplemental document prepared by Freddie Mac for the related PCs), which, together herewith, evidences the establishment of a PC Pool and modifies, amends or supplements the provisions hereof in any respect whatsoever. The Pool Supplement for a particular PC Pool shall be binding and effective upon formation of the related PC Pool and issuance of the related PCs, whether or not such Pool Supplement is executed, delivered or published by Freddie Mac.

Purchase Documents: The mortgage purchase agreements between Freddie Mac and its Mortgage sellers and servicers, which are the contracts that govern the purchase and servicing of Mortgages and which include, among other things, the Guide and any negotiated modifications, amendments or supplements to the Guide.

Record Date: As to any Payment Date, the close of business on the last day of (i) the preceding month for Gold PCs or (ii) the second preceding month for ARM PCs.

S&P: S&P Global Ratings, or any successor thereto.

Trustee: Freddie Mac, in its capacity as trustee of each PC Pool formed under this Agreement, and its successors and assigns, which will have the trustee responsibilities specified in this Agreement, as amended or supplemented from time to time.

Trustee Event of Default: As defined in Section 6.06 of this Agreement.

ARTICLE I

Conveyance of Mortgages; Creation of PC Pools

Section 1.01. Declaration of Trust; Transfer of Mortgages; Assignment of Principal and Interest and Acceptance of Beneficial Interests. (a) The Depositor, by delivering any Mortgages pursuant to this Agreement, unconditionally, absolutely and irrevocably hereby transfers, assigns, sets over and otherwise conveys to the Trustee, on behalf of the related Holders, all of the Depositor's right, title and interest in and to such Mortgages, including all payments of principal and interest thereon received after the month in which the PC Issue Date occurs. Once Mortgages have been identified as being part of a related PC Pool for which at least one PC has been issued, they shall remain in that PC Pool unless removed in a manner consistent with this Agreement. Concurrently with the Depositor's transferring, assigning, setting over and otherwise conveying the Mortgages to the Trustee for a PC Pool, the Trustee hereby accepts the Mortgages so conveyed and acknowledges that it holds the entire corpus of each PC Pool in trust for the exclusive benefit of the related Holders and shall deliver to, or on the order of, the Depositor, the PCs issued by such PC Pool. The Administrator agrees to administer the related PC Pool and such PCs in accordance with the terms of this Agreement. On the related PC Issue Date and upon payment to the Depositor for any such PC by a Holder, such Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement.

The Trustee shall make an election under Section 860D of the Code as a "real estate mortgage investment conduit" ("REMIC") with respect to beneficial interests in principal and interest payments on all or a portion of the assets comprising each PC Pool issued by Freddie Mac on or after July 1, 2018, except as indicated in the Offering Circular. With respect to any such REMIC election and the assets subject to such REMIC election, the Trustee shall take any action, or cause each PC Pool with beneficial interests in principal and interest payments with respect to such PC Pool subject to such REMIC election to take any action, necessary or appropriate to establish and maintain the REMIC status of any assets with respect to which such REMIC election is made.

A Pool Supplement shall evidence the establishment of a particular PC Pool and shall relate to specific PCs representing the entire beneficial ownership interests in such PC Pool. If for any reason the creation of a Pool Supplement is delayed, Freddie Mac shall create one as soon as practicable, and such delay shall not affect the validity and existence of the PC Pool or the related PCs. With respect to each PC Pool, the collective terms hereof and of the related Pool Supplement shall govern the issuance and administration of the PCs related to such PC Pool, and all matters related thereto, and shall have no applicability to any other PC Pool or PCs. As applied to each PC Pool, the collective terms hereof and of the related Pool Supplement shall constitute an agreement as if the collective terms of those instruments were set forth in a single instrument. In the event of a conflict between the terms hereof and the terms of a Pool Supplement for a PC Pool, the terms of the Pool Supplement shall control with respect to that PC Pool. A Pool Supplement is not considered an amendment to this Agreement requiring approval pursuant to Section 7.05.

(b) The Trustee shall assign, to one or more separate trust funds established by the Depositor, beneficial interests in principal and interest payments on the Mortgages comprising all or a portion of a specified PC Pool, in exchange for beneficial interests in the principal and interest payments on such Mortgages represented by the related REMIC regular interests created pursuant to such separate trust funds.

Section 1.02. Identity of the Mortgages; Substitution and Repurchase.

(a) In consideration for the transfer of the related Mortgages by the Depositor to a PC Pool, the Depositor (i) shall receive the PCs issued by such PC Pool and (ii) may retain such PCs or transfer them to the related Mortgage seller or otherwise, as the Depositor deems appropriate.

(b) After the PC Issue Date but prior to the first Payment Date, the Depositor may, in accordance with its customary mortgage purchase and pooling procedures, adjust the amount and identity of the Mortgages to be transferred to a PC Pool, the PC Coupon and/or the original unpaid principal balance of the PCs and the Mortgages in the PC Pool, provided that any changes to the characteristics of the PCs shall be evidenced by an amendment or supplement to the related Pool Supplement.

(c) Except as provided in this Section 1.02 or in Section 1.03, once the Depositor has transferred a Mortgage to a particular PC Pool, such Mortgage may not be transferred out of such PC Pool, except (x) if a mortgage insurer exercises an option under an insurance contract to purchase such Mortgage or (y) in the case of repurchase by the Guarantor, the Administrator or the related Mortgage seller or servicer, under the following circumstances:

(i) The Guarantor may repurchase from the related PC Pool a Mortgage in connection with a guarantee payment under Section 3.09(a)(ii).

(ii) The Administrator may repurchase from the related PC Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if a repurchase is necessary or advisable (A) to maintain servicing of the Mortgage in accordance with the provisions of the Guide, or (B) to maintain the status of the PC Pool as a grantor trust for federal income tax purposes or, to the extent not inconsistent with this clause (B), to maintain the REMIC status of any assets with respect to which a REMIC election is made.

(iii) The Guarantor may repurchase from the related PC Pool, or require or permit a Mortgage seller or servicer to repurchase, any Mortgage if (A) such Mortgage is 120 or more days delinquent, or (B) the Guarantor determines, on the basis of information from the related borrower or servicer, that loss of ownership of the property securing a Mortgage is likely or default is imminent due to borrower incapacity, death or hardship or other extraordinary circumstances that make future payments on such Mortgage unlikely or impossible.

(iv) The Guarantor may repurchase from the related PC Pool a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.

(v) The Administrator may require or permit a Mortgage seller or servicer to repurchase from the related PC Pool any Mortgage or (within six months of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is (A) a material breach of warranty by the Mortgage seller or servicer, (B) a material defect in documentation as to such Mortgage or (C) a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and, if applicable, other Purchase Documents.

(vi) The Administrator shall repurchase from the related PC Pool any Mortgage or (within two years of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if (A) a court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business determines that Freddie Mac's purchase of such Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense or (B) such court or government agency requires repurchase of such Mortgage.

(vii) To the extent a PC Pool includes convertible ARMs or Balloon/Reset Mortgages (each, as defined in the Offering Circular), the Administrator shall repurchase from the related PC Pool or require or allow the Mortgage seller or servicer to repurchase such Mortgages (a) when the borrower exercises its option to convert the related interest rate from an adjustable rate to a fixed rate, in the case of a convertible ARM; and (b) shortly before such Mortgage reaches its scheduled balloon repayment date, in the case of a Balloon/Reset Mortgage.

(d) The purchase price of a Mortgage repurchased by a Mortgage seller or servicer shall be equal to the then unpaid principal balance of such Mortgage, less any principal on such Mortgage that the Mortgage seller or servicer advanced to the Depositor or the Administrator. The purchase price of a Mortgage repurchased by the Administrator or the Guarantor under this Agreement shall be equal to the then unpaid principal balance of such Mortgage, less any outstanding advances of principal on such Mortgage that the Administrator, on behalf of the Trustee, distributed to Holders. The Administrator, on behalf of the Trustee, agrees to release any Mortgage from the PC Pool upon payment of the applicable purchase price.

(e) In determining whether a Mortgage shall be repurchased from the related PC Pool as described in this Section 1.02, the Guarantor and the Administrator may consider such factors as they deem appropriate, including the reduction of administrative costs (in the case of the Administrator) or possible exposure as Guarantor under its guarantee (in the case of the Guarantor).

Section 1.03. Post-Settlement Purchase Adjustments

(a) The Administrator shall make any post-settlement purchase adjustments necessary to reflect the actual aggregate unpaid principal balance of the related Mortgages or other Mortgage characteristics as of the date of their purchase by the Depositor or their delivery to the Administrator, on behalf of the Trustee, in exchange for PCs, as the case may be.

(b) Post-settlement adjustments may be made in such manner as the Administrator deems appropriate, but shall not adversely affect any Holder's rights to monthly payments of interest at the PC Coupon, any Holder's pro rata share of principal or any Holder's rights under the Guarantor's guarantees. Any reduction in the principal balance of the Mortgages held by a PC Pool shall be reflected by the Administrator as a corresponding reduction in the principal balance of the related PCs with a corresponding principal payment to the related Holders, on a pro rata basis.

Section 1.04. Custody of Mortgage Documents. With respect to each PC Pool, the Administrator, a custodian acting as its agent (which may be a third party or a trust or custody department of the related seller or servicer), or the originator or seller of the Mortgage may hold the related Mortgage documents, including Mortgage notes and participation certificates evidencing the Trustee's legal ownership interest in the Mortgages. The Administrator may adopt and modify its policies and procedures for the custody of Mortgage documents at any time, provided such modifications are prudent and do not materially and adversely affect the Holders' interests.

Section 1.05. Interests Held or Acquired by Freddie Mac. Freddie Mac shall have the right to purchase and hold for its own account any PCs. Subject to Section 7.06, PCs held or acquired by Freddie Mac from time to time and PCs held by other Holders shall have equal and proportionate benefits, without preference, priority or distinction. In the event that Freddie Mac retains any interest in a Mortgage, the remaining interest in which is part of a PC Pool, Freddie Mac's interest in such Mortgage shall rank equally with that of the related PC Pool, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

Section 1.06. Intended Characterization. It is intended that the conveyance, transfer, assignment and setting over of the Mortgages by the Depositor to the Trustee pursuant to this Agreement be a true, absolute and unconditional sale of the related Mortgages by the Depositor to the Trustee, and not a pledge of the Mortgages to secure a debt or other obligation of the Depositor, and that the Holders of the related PCs shall be the beneficial owners of such Mortgages. Notwithstanding this express intention, however, if the Mortgages are determined by a court of competent jurisdiction or other competent authority to be the property of the Depositor, then it is intended that: (a) this Agreement be deemed to be a security agreement within the meaning of Articles 8 and 9 of the Uniform Commercial Code; (b) the conveyances provided for in Section 1.01 shall be deemed to be (1) a grant by the Depositor to the Trustee on behalf of the related Holders of a security interest in all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the related Mortgages, any and all general intangibles consisting of, arising from or relating to any of the foregoing, and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Custodial Account and allocable to such Mortgages, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Depositor to the Trustee on behalf of the related Holders of any security interest in any and all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clause (1); and (c) notifications to Persons holding such property, and acknowledgments, receipts or confirmations from Persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, financial intermediaries, bailees or agents (as applicable) of the Administrator, on behalf of the Trustee of the related Holders, for the purpose of perfecting such security interest under applicable law.

Section 1.07. Encumbrances. Except as may otherwise be provided expressly in this Agreement, neither Freddie Mac nor the Trustee, shall directly or indirectly, assign, sell, dispose of or transfer all or any portion of or interest in any PC Pool, or permit all or any portion of any PC Pool to be subject to any lien, claim, mortgage, security interest, pledge or other encumbrance of any other Person. This Section shall not be construed as a limitation on Freddie Mac's rights with respect to PCs held by it in its corporate capacity.

ARTICLE II

Administration and Servicing of the Mortgages

Section 2.01. The Administrator as Primary Servicer. With respect to each PC Pool, the Administrator shall service or supervise servicing of the related Mortgages and administer, on behalf of the Trustee, in accordance with the provisions of the Guide and this Agreement, including management of any property acquired through foreclosure or otherwise, all for the benefit of the related Holders. The Administrator shall have full power and authority to do or cause to be done any and all things in connection with such servicing and administration that the Administrator deems necessary or desirable. The Administrator shall seek from the Trustee, as representative of the related Holders any consents or approvals relating to the control, management and servicing of the Mortgages included in any PC Pool and that are required hereunder.

Section 2.02. Servicing Responsibilities. With respect to each PC Pool, the Administrator shall service or supervise servicing of the related Mortgages in a manner consistent with prudent servicing standards and in substantially the same manner as the Administrator services or supervises the servicing of unsold mortgages of the same type in its portfolio. In performing its servicing responsibilities hereunder, the Administrator may engage servicers, subservicers and other independent contractors or agents. The Administrator may discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. Except as provided in Articles V and VI and Sections 7.05 and 7.06 of this Agreement, Freddie Mac, as Administrator shall not be subject to the control of the Holders in the discharge of its responsibilities pursuant to this Article. Except with regard to its guarantee obligations pursuant to Section 3.09 with respect to a PC Pool, the Administrator shall have no liability to any related Holder for the Administrator's actions or omissions in discharging its responsibilities under this Article II other than for any direct damage resulting from its failure to exercise that degree of ordinary care it exercises in the conduct and management of its own affairs. In no event shall the Administrator have any liability for consequential damages.

Section 2.03. Realization Upon Defaulted Mortgages. With respect to each PC Pool, unless the Administrator deems that another course of action (e.g., charge-off) would be in the best economic interest of the Holders, the Administrator (or its authorized designee or representative) shall, as soon as practicable, foreclose upon (or otherwise comparably convert the ownership of) any real property securing a Mortgage which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or conversion, the Administrator (or its authorized designee or representative) shall follow such practices or procedures as it deems necessary or advisable and consistent with general mortgage servicing standards.

Section 2.04. Automatic Acceleration and Assumptions.

(a) With respect to each PC Pool, to the extent provided in the Guide, the Administrator shall enforce the terms of each applicable Mortgage that gives the mortgagee the right to demand full payment of the unpaid principal balance of the Mortgage upon sale or transfer of the property securing the Mortgage regardless of the creditworthiness of the transferee (a right of "automatic acceleration''), subject to applicable state and federal law and the Administrator's then-current servicing policies.

(b) With respect to each PC Pool, the Administrator shall permit the assumption by a new mortgagor of an FHA/VA Mortgage upon the sale or transfer of the underlying property, as required by applicable regulations. Any such assumption shall be in accordance with applicable regulations, policies, procedures and credit requirements and shall not result in loss or impairment of any insurance or guaranty.

Section 2.05. Prepayment Penalties. Unless otherwise provided in the Pool Supplement for a PC Pool, the related Holders shall not be entitled to receive any prepayment penalties, assumption fees or other fees charged on the Mortgages included in such PC Pool, and either the related servicer or the Administrator shall retain such amounts.

Section 2.06. Mortgage Insurance and Guarantees.

(a) With respect to each PC Pool, if a Conventional Mortgage is insured by a mortgage insurer and the mortgage insurance policy is an asset of such PC Pool, the related Holders acknowledge that the insurer shall have no obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives regarding the mortgagee's rights, benefits and obligations under the related insurance contract.

(b) With respect to each PC Pool, each FHA/VA Mortgage shall have in full force and effect a certificate or other satisfactory evidence of insurance or guaranty, as the case may be, as may be issued by the applicable government agency from time to time. None of these agencies has any obligation to recognize or deal with any Person other than the Administrator, the Trustee, or their respective authorized designees or representatives with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance or guaranty relating to each FHA/VA Mortgage included in such PC Pool.

ARTICLE III

Distributions to Holders; Guarantees

Section 3.01. Monthly Reporting Period. For purposes of this Agreement with respect to any PC Pool, any payment or any event with respect to any Mortgage included in such PC Pool that is reported to the Administrator by the related servicer as having been made or having occurred within a Monthly Reporting Period shall be deemed to have been received by the Administrator or to have in fact occurred within such Monthly Reporting Period used by the Administrator for such purposes. Payments reported by servicers include all principal and interest payments made by a borrower, insurance proceeds, liquidation proceeds and repurchase proceeds. Events reported by servicers include foreclosure sales, payments of insurance claims and payments of guarantee claims.

Section 3.02. Holder's Undivided Beneficial Ownership Interest. With respect to each PC Pool, the Holder of a PC on the Record Date shall be the owner of record of a pro rata undivided beneficial ownership interest in the remaining principal balance of the Mortgages in the related PC Pool as of such date and shall be entitled to interest at the PC Coupon on such pro rata undivided beneficial ownership interest, in each case on the related Payment Date. Such pro rata undivided beneficial ownership interest shall change accordingly if any Mortgage is added to or removed from such PC Pool in accordance with this Agreement. A Holder's pro rata undivided beneficial ownership interest in the Mortgages included in a PC Pool is calculated by dividing the original unpaid principal balance of the Holder's PC by the original unpaid principal balance of all the Mortgages in the related PC Pool.

Section 3.03. Distributions of Principal. With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of principal collections with respect to the Mortgages in such PC Pool, including, if applicable, each Holder's pro rata share of the aggregate amount of any Deferred Interest that has been added to the principal balance of the related Mortgages; *provided, however*, that with respect to guarantee payments, the Guarantor's obligations herein shall be subject to its subrogation rights pursuant to Section 3.10. The Administrator may retain from any prepayment or delinquent principal payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. For Mortgages purchased by the Depositor in exchange for PCs under its MultiLender Swap Program, the Depositor shall retain principal payments made on such Mortgages in the amount of any difference between the aggregate unpaid principal balance of the Mortgages as of delivery by the seller and the aggregate unpaid principal balance as of the PC Issue Date, and the Depositor shall purchase additional Mortgages with such principal payments; such additional Mortgages may or may not be included in the related PC Pool represented by the PCs received by the seller.

Section 3.04. Distributions of Interest. With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall withdraw from the Custodial Account and shall distribute to each related Holder its pro rata share of interest collections with respect to the Mortgages included in such PC Pool, at a rate equal to the PC Coupon (excluding, if applicable, each Holder's pro rata share of any Deferred Interest that has been added to the principal balance of the related Mortgages). Interest shall accrue during the applicable Accrual Periods. The Administrator may retain from any delinquent interest payment on any Mortgage, for reimbursement to the Guarantor, any amount not previously received with respect to such Mortgage but paid by the Guarantor to the related Holders under its guarantee. With respect to each PC Pool, a partial month's interest retained by Freddie Mac or remitted to the related Holders with respect to prepayments shall constitute an adjustment to the fee payable to the Administrator and the Guarantor pursuant to Section 3.08(a) for such PC Pool.

Section 3.05. Payments.

(a) With respect to each PC Pool, distributions of principal and interest on the related PCs shall begin in the month after issuance for Gold PCs and in the second month after issuance for ARM PCs. The Administrator, on behalf of the Trustee, shall calculate, or cause to be calculated, for each PC the distribution amount for the current calendar month.

(b) On or before each Payment Date, the Administrator, on behalf of the Trustee, shall instruct the Federal Reserve Banks to credit payments on PCs from the Custodial Account to the appropriate Holders' accounts. The related PC Pool's payment obligations shall be met upon transmittal of the Administrator's payment order to the Federal Reserve Banks provided sufficient funds are then on deposit in the Custodial Account. A Holder shall receive the payment of principal, if applicable, and interest on each Payment Date on each PC held by such Holder as of the related Record Date.

(c) The Administrator relies on servicers' reports of mortgage activity to prepare the Pool Factors. There may be delays or errors in processing mortgage information, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. In these situations the Administrator's calculation of scheduled principal to be made on Gold PCs may not reflect actual payments on the related Mortgages. The Administrator shall account for and reconcile any differences as soon as practicable.

(d) The Administrator reserves the right to change the period during which a servicer may hold funds prior to payment to the Administrator, as well as the period for which servicers report payments to the Administrator, including adjustments to the Monthly Reporting Period. Either change may change the time at which prepayments are distributed to Holders. Any such change, however, shall not impair Holders' rights to payments as otherwise provided in this Section.

(e) The Administrator shall maintain one or more accounts (together, the "Custodial Account"), segregated from the general funds of Freddie Mac, in its corporate capacity, for the deposit of collections of principal (including full and partial principal prepayments) and interest received from or advanced by the servicers in respect of the Mortgages. Mortgage collections in respect of the PC Pools established by Freddie Mac under this Agreement or trust funds established by Freddie Mac pursuant to any other trust agreements may be commingled in the Custodial Account, provided that the Administrator keeps, or causes to be kept, separate records of funds with respect to each such PC Pool and other trust fund. Collections due to Freddie Mac, in its corporate capacity as owner of mortgages held in its portfolio, may also be commingled in the Custodial Account, provided that the Administrator may withdraw such amounts for remittance to Freddie Mac from time to time. Funds on deposit in the Custodial Account may be invested by the Administrator in Eligible Investments. Investment earnings on deposits in the Custodial Account shall be for the benefit of the Administrator, and any losses on such investments shall be paid by the Administrator. On each Payment Date, amounts on deposit in the Custodial Account shall be withdrawn upon the order of the Administrator, on behalf of the Trustee, for the purpose of making distributions to the related Holders, in accordance with this Agreement.

Section 3.06. Pool Factors.

(a) The Administrator, on behalf of the Trustee, shall calculate and make payments to Holders on each Payment Date based on the monthly Pool Factors (including Negative Amortization Factors) until such time as the Administrator determines that a more accurate and practicable method for calculating such payments is available and implements that method. Pursuant to Section 7.05(e), the Administrator may modify the Pool Factor methodology from time to time, without the consent of Holders. With respect to each PC Pool, the Administrator, on behalf of the Trustee, shall do the following:

(i) The Administrator shall publish or cause to be published for each month a Pool Factor with respect to each PC Pool. Beginning in the month after formation of a PC Pool, Pool Factors shall be published on or about the fifth Business Day of the month, which Pool Factors may reflect prepayments reported to the Administrator after the end of the related Monthly Reporting Period and before the publication of the applicable Pool Factors. However, the Administrator may, in its own discretion, publish Pool Factors on any other Business Day. The Pool Factor for the month in which the PC Pool is established is 1.00000000 and need not be published.

(ii) The Administrator shall distribute principal each month to a Holder of a Gold PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the Gold PC by the difference between its Pool Factors for the preceding and current months.

(iii) The Administrator shall distribute principal each month to a Holder of an ARM PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the ARM PC by the difference between its Pool Factors for the two preceding months.

(iv) The Administrator shall distribute interest each month in arrears to a Holder (assuming no Deferred Interest) in an amount equal to 1/12th of the applicable PC Coupon multiplied by such Holder's pro rata share of principal, calculated by multiplying the original principal balance of such Holder's PC by the preceding month's Pool Factor for Gold PCs or by the second preceding month's Pool Factor for ARM PCs.

(v) For any month that Deferred Interest has accrued on a Deferred Interest PC, the Administrator shall distribute principal (if any is due) to a Holder in an amount equal to such Holder's pro rata share of principal, calculated by (A) subtracting the preceding month's Pool Factor from the second preceding month's Pool Factor, (B) adding to the difference the Negative Amortization Factor for the preceding month and (C) multiplying the resulting sum by the original PC principal balance. The interest payment on the Deferred Interest PC in that month shall be (i) 1/12th of the PC Coupon multiplied by (ii) the original principal balance of the Holder's PC multiplied by (iii) the preceding month's Pool Factor minus the preceding month's Negative Amortization Factor.

(b) With respect to each PC Pool, a Pool Factor shall reflect prepayments reported for the applicable Monthly Reporting Period. The Administrator, on behalf of the Trustee, may also, in its discretion, reflect in a Pool Factor any prepayments reported after the end of the applicable Monthly Reporting Period. To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to the Guarantor's guarantee of timely payment of scheduled principal on Gold PCs) does not reflect the actual unpaid principal balance of the related Mortgages, the Administrator shall account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(c) In the case of a PC Pool that is comprised of ARMs, a Pool Factor shall be based upon the unpaid principal balance of the related Mortgages that servicers report to the Administrator for the Monthly Reporting Period that ended in the second month preceding the month in which the Pool Factor is published. The Administrator, on behalf of the Trustee, may also, in its discretion, include as part of the aggregate principal payment in any month any prepayments received after the Monthly Reporting Period that ended in the second month preceding the month in which the Pool Factor is published. To the extent a given Pool Factor does not reflect the actual aggregate unpaid principal balance of the Mortgages, the Administrator shall account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(d) The Pool Factor method for a PC Pool may affect the timing of receipt of payments by related Holders but shall not affect the Guarantor's guarantee with respect to such PC Pool, as set forth in Section 3.09. The Guarantor's guarantee shall not be affected by the implementation of any different method for calculating and paying principal and interest for any PC Pool, as permitted by this Section 3.06.

Section 3.07. Servicing Fees; Retained Interest.

(a) To the extent provided by contractual arrangement with the Administrator, with respect to each PC Pool, the related servicer of each Mortgage included in such PC Pool shall be entitled to retain each month, as a servicing fee, any interest payable by the borrower on a Mortgage that exceeds the servicer's required remittance with respect to such Mortgage. Each servicer is required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement for those expenses, except as provided in Section 3.08(c). If a servicer advances any principal and/or interest on a Mortgage to the Administrator prior to the receipt of such funds from the borrower, the servicer may retain (i) from prepayments or collections of delinquent principal on such Mortgage any payments of principal so advanced, or (ii) from collections of delinquent interest on such Mortgage any payments of interest so advanced. To the extent permitted by its servicing agreement, the servicer is entitled to retain as additional compensation certain incidental fees related to Mortgages it services.

(b) With respect to a PC Pool, pursuant to the related Purchase Documents, a seller may retain each month as extra compensation a fixed amount of interest on a Mortgage included in such PC Pool. In such event, the related servicer shall retain each month as a servicing fee the excess of any interest payable by the borrower on such Mortgage (less the seller's retained interest amount) over the servicer's required remittance with respect to such Mortgage.

Section 3.08. Administration Fee; Guarantee Fee.

(a) Subject to any adjustments required by Section 3.04, with respect to any PC Pool, the Administrator and the Guarantor shall be entitled to receive from monthly interest payments on each related Mortgage a fee (to be allocated between the Administrator and the Guarantor as they may agree) equal to the excess of any interest received by the Administrator from the servicer over the amount of interest payable to the related Holders; *provided, however,* that the aggregate fee amount shall be automatically adjusted with respect to each PC Pool to the extent a Pool Factor does not reflect the unpaid principal balance of the Mortgages. Any such adjustment shall equal the difference between (i) interest at the applicable PC Coupon computed on the aggregate unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by the Administrator and (ii) interest at the applicable PC Coupon computed on the remaining balance of the Mortgages included in the PC Pool derived from the Pool Factor. The Administrator shall (i) withdraw the aggregate fee amount from the Custodial Account prior to distributions to the related Holders, (ii) retain its portion of the fee for the Administrator's own account and (iii) remit the remaining portion of the fee to the Guarantor as the guarantee fee. In addition, the Administrator is entitled to retain as additional compensation certain incidental fees on the Mortgages as provided in Section 2.05 and certain investment earnings as provided in Section 3.05(e).

(b) The Depositor shall pay all expenses incurred in connection with the transfer of the Mortgages, the establishment and administration of each PC Pool and the issuance of the PCs. Any amounts (including attorney's fees) expended by the Trustee or the Administrator (or the servicers on the Administrator's behalf) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages, shall be expenses to be borne pro rata by the Administrator and the Holders in accordance with their interests in each Mortgage. The Administrator, on behalf of the Trustee, may retain an amount sufficient to pay the portion of such expenses borne pro rata by the Depositor and the Holders from payments otherwise due to Holders, which may affect the timing of receipt of payments by Holders but shall not affect the Guarantor's obligations under Section 3.09.

(c) The Administrator shall reimburse a servicer for any amount (including attorney's fees) it expends (on the Administrator's behalf and with its approval) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Such expenses shall be reimbursable to the servicer from the assets of the related PC Pool, to the extent provided in the Guide.

(d) Any fees and expenses described above shall not affect the Guarantor's guarantee with respect to any PC Pool, as set forth in Section 3.09.

Section 3.09. Guarantees.

(a) With respect to each PC Pool, the Guarantor guarantees to the Trustee and to each Holder of a PC:

(i) the timely payment of interest at the applicable PC Coupon;

(ii) the full and final payment of principal on the underlying Mortgages on or before the Payment Date that falls (A) in the month of its Final Payment Date, for Gold PCs, or (B) in the month after its Final Payment Date, for ARM PCs; and

(iii) for Gold PCs only, the timely payment of scheduled principal on the underlying Mortgages.

In the case of Deferred Interest PCs, the Guarantor's guarantee of principal includes, and its guarantee of interest excludes, any Deferred Interest added to the principal balances of the related Mortgages. The Guarantor shall make payments of any guaranteed amounts by transfer to the Custodial Account for distribution to the related Holders, in accordance with Sections 3.03 and 3.04. The guarantees pursuant to this Section will inure to the benefit of each PC Pool and its related Holders, and shall be enforceable by the Trustee of that PC Pool and by such Holders, as provided in Article V of this Agreement.

(b) The Guarantor shall compute guaranteed scheduled monthly principal payments on any Gold PC, subject to any applicable adjustments, in accordance with procedures adopted by the Guarantor from time to time. With respect to each PC Pool, any payment the Guarantor makes to the Administrator, on behalf of the Trustee, on account of the Guarantor's guarantee of scheduled principal payments shall be considered to be a payment of principal for purposes of calculating the Pool Factor for such PC Pool and the Holder's pro rata share of the remaining unpaid principal balance of the related Mortgages.

(c) The Guarantor's guarantees shall continue to be effective or shall be reinstated (i) in the event that any principal or interest payment made to a Holder is for any reason returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this Agreement and (ii) notwithstanding any provision hereof permitting fees, expenses, indemnities or other amounts to be paid from the assets of any PC Pool.

Section 3.10. Subrogation. With respect to each PC Pool, the Guarantor shall be subrogated to all the rights, interests, remedies, powers and privileges of each related Holder in respect of any Mortgage included in such PC Pool on which it has made guarantee payments of principal and/or interest to the extent of such payments. Nothing in this Section shall impair the Guarantor's right to receive distributions in its capacity as Holder, if it is a Holder of any PCs.

Section 3.11. Termination Upon Final Payment. Each PC Pool is irrevocable and will terminate only in accordance with the terms of this Agreement. Except as provided in Sections 3.05(e), 6.06 and 7.01, with respect to each PC Pool, Freddie Mac's and the Trustee's obligations and responsibilities under this Agreement shall terminate as to a PC Pool and its Holders upon (i) the full payment to such Holders of all principal and interest due to the Holders based on the Pool Factors or by reason of the Guarantor's guarantees or (ii) the payment to the Holder of all amounts held by Freddie Mac and the Trustee, respectively, and required to be paid hereunder; *provided, however*, that in no event shall any PC Pool created hereby continue beyond the expiration of 21 years from the death of the survivor of the descendants of Joseph P. Kennedy, the late ambassador of the United States to the Court of St. James's, living on the date hereof.

Section 3.12. Effect of Final Payment Date. The actual final payment on a PC may occur prior to the Payment Date specified in Section 3.09(a)(ii) due to prepayments of principal, including prepayments made in connection with the repurchase of any Mortgage from the related PC Pool.

Section 3.13. Payment Error Corrections. In the event of a principal or interest payment error, the Administrator, in its sole discretion, may effect corrections by the adjustment of payments to be made on future Payment Dates or in such other manner as it deems appropriate.

ARTICLE IV

PCs

Section 4.01. Form and Denominations. With respect to each PC Pool, the principal balances, PC Coupons and other characteristics of the PCs to be issued shall be specified in the related Pool Supplement. Delivery of the PCs of a PC Pool shall constitute the issuance of the PCs for that PC Pool. PCs shall be issued, held and transferable only on the book-entry system of the Federal Reserve Banks in minimum original principal amounts of $1,000 and additional increments of $1. PCs shall at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules. A Federal Reserve Bank will maintain a book-entry recordkeeping system for all transactions in PCs with respect to Holders.

Section 4.02. Transfer of PCs. PCs may be transferred only in minimum original principal amounts of $1,000 and additional increments of $1. PCs may not be transferred if, as a result of the transfer, the transferor or the new Holder would have on deposit in its account PCs of the same issue with an original principal amount of less than $1,000. The transfer, exchange or pledge of PCs shall be governed by the fiscal agency agreement between Freddie Mac and a Federal Reserve Bank, the Book-Entry Rules and such other procedures as shall be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. A Federal Reserve Bank shall act only upon the instructions of the Holder in recording transfers of a PC. A charge may be made for any transfer of a PC and shall be made for any tax or other governmental charge imposed in connection with a transfer of a PC. Freddie Mac hereby assigns to the Administrator, on behalf of the Trustee, Freddie Mac's rights under each fiscal agency agreement with respect to PCs issued by any PC Pool.

Section 4.03. Record Date. The Record Date for each Payment Date shall be the close of business on the last day of the preceding month for Gold PCs and the second preceding month for ARM PCs. A Holder of a PC on the books and records of a Federal Reserve Bank on the Record Date shall be entitled to payment of principal and interest on the related Payment Date. A transfer of a PC made on or before the Record Date in a month shall be recognized as effective as of the first day of such month.

ARTICLE V

Remedies

Section 5.01. Events of Default. With respect to each PC Pool, an "Event of Default'' means any one of the following events:

(a) Default by the Guarantor or the Administrator in the payment of interest or principal to the related Holders as and when the same shall become due and payable as provided in this Agreement, and the continuance of such default for a period of 30 days.

(b) Failure by the Guarantor or the Administrator to observe or perform any other covenants of this Agreement relating to their respective obligations, and the continuance of such failure for a period of 60 days after the date of receipt by such party of written notice of such failure and a demand for remedy by the affected Holders representing not less than 65 percent of the remaining principal balance of any affected PC Pool.

(c) The entry by any court having jurisdiction over the Guarantor or the Administrator of a decree or order for relief in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of its property, or for the winding up or liquidation of its affairs, if such decree or order remains unstayed and in effect for a period of 60 consecutive days.

(d) Commencement by the Guarantor or the Administrator of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent by the Guarantor or the Administrator to the entry of an order for relief in an involuntary case under any such law, or its consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Guarantor or the Administrator or for any substantial part of their respective properties, or any general assignment made by the Guarantor or the Administrator for the benefit of creditors, or failure by the Guarantor or the Administrator generally to pay their debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over the Guarantor or the Administrator, whether or not such party consents to such appointment, shall not constitute an Event of Default.

Section 5.02. Remedies.

(a) If an Event of Default occurs and is continuing with respect to a PC Pool, the Holders of PCs representing a majority of the remaining principal balance of such PC Pool may, by written notice to Freddie Mac, remove Freddie Mac as Administrator and nominate its successor under this Agreement with respect to such PC Pool. The nominee shall be deemed appointed as Freddie Mac's successor as Administrator unless Freddie Mac objects within 10 days after such nomination. Upon such objection:

(i) The Administrator may petition any court of competent jurisdiction for the appointment of its successor; or

(ii) Any bona fide Holder that has been a Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of the Administrator's successor.

(b) If a successor Administrator is appointed, the Administrator shall submit to its successor a complete written report and accounting of the Mortgages in the affected PC Pool and shall take all other steps necessary or desirable to transfer its interest in and administration of such PC Pool to its successor.

(c) Subject to the Freddie Mac Act, a successor may take any action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to the designation of a successor, the Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool may waive any past or current Event of Default.

(d) Appointment of a successor shall not relieve Freddie Mac, in its capacity as Guarantor, of its guarantee obligations as set forth in this Agreement.

Section 5.03. Limitation on Suits by Holders.

(a) With respect to any PC Pool, except as provided in Section 5.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise or seek any other remedy whatsoever against Freddie Mac or the Trustee with respect to this Agreement or the related PCs or Mortgages, unless:

(i) Such Holder previously has given the Trustee written notice of an Event of Default and the continuance thereof;

(ii) The Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool have made a written request to the Trustee to institute an action or proceeding in its own name and have offered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred;

(iii) The Trustee has failed to institute any such action or proceeding for 60 days after its receipt of the written notice, request and offer of indemnity described above; and

(iv) The Trustee has not received from such Holders any direction inconsistent with the written request described above during the 60-day period.

(b) No Holder shall have any right under this Agreement to prejudice the rights of any other Holder, to obtain or seek preference or priority over any other Holder or to enforce any right under this Agreement, except for the ratable and common benefit of all Holders of PCs representing interests in any affected PC Pool.

(c) For the protection and enforcement of the provisions of this Section, Freddie Mac, the Trustee and each and every Holder shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing, no Holder's right to receive payment (or to institute suit to enforce payment) of principal and interest as provided herein on or after the due date of such payment shall be impaired or affected without the consent of the Holder.

ARTICLE VI

Trustee

Section 6.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing with respect to a PC Pool, the Trustee shall exercise the rights and powers vested in it by this Agreement and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee.

(c) The Trustee and its directors, officers, employees and agents may not be protected from liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of reckless disregard of obligations and duties under this Agreement, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any action taken, or not taken, by the Trustee in good faith pursuant to this Agreement or for errors in judgment; and

(iii) the Trustee shall not be required to take notice or be deemed to have notice or knowledge of any default or Event of Default, unless the Trustee obtains actual knowledge or written notice of such default or Event of Default. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that there is no default or Event of Default.

(d) Every provision of this Agreement shall be subject to the provisions of this Section and Section 6.02.

(e) The Trustee shall not be liable for indebtedness evidenced by or arising under this Agreement, including principal of or interest on the PCs, or interest on any money received by it except as the Trustee may agree in writing.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law or the terms of this Agreement.

(g) No provision of this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) The Trustee, or the Administrator on its behalf, may, but shall not be obligated to, undertake any legal action that it deems necessary or desirable in the interest of Holders. The Trustee, or the Administrator on its behalf, may be reimbursed for the legal expenses and costs of such action from the assets of the related PC Pool.

Section 6.02. Certain Matters Affecting the Trustee.

(a) The Trustee, and any director, officer, employee or agent of the Trustee may rely in good faith on any certificate, opinion or other document of any kind which, prima facie, is properly executed and submitted by any appropriate Person respecting any matters arising hereunder. The Trustee may rely on any such documents believed by it to be genuine and to have been signed or presented by the proper Person and on their face conforming to the requirements of this Agreement. The Trustee need not investigate any fact or matter stated in such documents.

(b) Before the Trustee acts or refrains from acting, it may require an officer's certificate or an opinion of counsel, which shall not be at the expense of the Trustee. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an officer's certificate or opinion of counsel. The right of the Trustee to perform any discretionary act enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its willful misfeasance, bad faith or gross negligence in the performance of such act.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, that the Trustee's conduct does not constitute willful misfeasance, bad faith or gross negligence. In no event shall the Trustee have any liability for consequential damages.

(e) The Trustee may consult with and rely on the advice of counsel, accountants and other advisors and shall not be liable for errors in judgment or for anything it does or does not do in good faith if it so relies. Any opinion of counsel with respect to legal matters relating to this Agreement and the PCs shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with any opinion of such counsel.

(f) Any fees, expenses and indemnities payable from the assets of any PC Pool to Freddie Mac, in its capacity as Trustee, in the performance of its duties and obligations hereunder shall not affect Freddie Mac's guarantee with respect to that PC Pool, as set forth in Section 3.09.

Section 6.03. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Agreement, the assets of the PC Pool or the PCs.

Section 6.04. Trustee May Own PCs. Subject to Section 7.06, the Trustee in its individual or any other capacity may become the owner or pledgee of PCs with the same rights as it would have if it were not the Trustee.

Section 6.05. Indemnity. Each PC Pool shall indemnify the Trustee and the Trustee's employees, directors, officers and agents, as provided in this Agreement, against any and all claims, losses, liabilities or expenses (including attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties under this Agreement (to the extent not previously reimbursed above), including, without limitation, the execution and filing of any federal or state tax returns and information returns and being the mortgagee of record with respect to the related Mortgages. The Trustee shall notify the Administrator promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Administrator shall not relieve the related PC Pool of its obligations hereunder. A PC Pool shall not be required to reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misfeasance, bad faith or gross negligence.

The Trustee's rights pursuant to this Section shall survive the discharge of this Agreement.

Section 6.06. Replacement of Trustee. The Trustee may resign at any time. Any successor Trustee shall resign if it ceases to be eligible in accordance with the provisions of Section 6.09. In either case, the resignation of the Trustee shall become effective, and the resigning Trustee shall be discharged from its obligations with respect to the PC Pools created under this Agreement by giving 90 days' written notice of the resignation to the Depositor, the Guarantor and the Administrator and upon the effectiveness of an appointment of a successor Trustee, which may be as of a date prior to the end of the 90-day period. Upon receiving such notice of resignation, the Depositor shall promptly appoint one or more successor Trustees by written instrument, one copy of which is delivered to the resigning Trustee and one copy of which is delivered to the successor Trustee. The successor Trustee need not be the same Person for all PC Pools. If no successor Trustee has been appointed for a PC Pool, or one that has been appointed has not accepted the appointment within 90 days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Prior to an Event of Default, or if an Event of Default has occurred and has been cured with respect to a PC Pool, Freddie Mac cannot be removed as Trustee with respect to that PC Pool. If an Event of Default has occurred and is continuing while Freddie Mac is the Trustee, at the direction of Holders of PCs representing a majority of the remaining principal balance of such PC Pool, Freddie Mac shall resign or be removed as Trustee, and to the extent permitted by law, all of the rights and obligations of the Trustee with respect to the related PC Pool only, will be terminated by notifying the Trustee in writing. Holders of PCs representing a majority of the remaining principal balance of the PC Pool will then be authorized to name and appoint one or more successor Trustees. Notwithstanding the termination of the Trustee, its liability under this Agreement and arising prior to such termination shall survive such termination.

If a successor Trustee is serving as the Trustee, the following events are "Trustee Events of Default" with respect to a PC Pool:

(i) the Trustee fails to comply with Section 6.09;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

If at any time a Trustee Event of Default has occurred and is continuing, the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) may, and if directed by Holders of PCs representing a majority of the remaining principal balance of such PC Pool, shall, remove the Trustee as to such PC pool and appoint a successor Trustee by written instrument, one copy of which shall be delivered to the Trustee so removed and one copy of which shall be delivered to the successor Trustee, and the Guarantor (or if an Event of Default has occurred and is continuing, the Depositor) shall give written notice of the successor Trustee to the Holders affected by the succession. Notwithstanding the termination of the Trustee, its liability under this Agreement arising prior to such termination will survive such termination.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Depositor shall promptly appoint a successor Trustee that satisfies the eligibility requirements of Section 6.09.

The retiring Trustee agrees to cooperate with the Depositor and any successor Trustee in effecting the termination of the retiring Trustee's responsibilities and rights hereunder and shall promptly provide such successor Trustee all documents and records reasonably requested by it to enable it to assume the Trustee's functions hereunder.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Depositor, the Guarantor and the Administrator. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Agreement with respect to such PC Pool. The successor Trustee shall mail a notice of its succession to the related Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Depositor may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 6.07. Successor Trustee By Merger. If a successor Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee; provided, that such corporation or banking association shall be otherwise qualified and eligible under Section 6.09.

Section 6.08. Appointment of Co-Trustee or Separate Trustee.

(a) Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of a PC Pool may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of such PC Pool and to vest in such Person or Persons, in such capacity and for the benefit of the related Holders, such title to such PC Pool, or any part thereof, and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.09 and no notice to the related Holders of the appointment of any co-trustee or separate trustee shall be required under Section 6.06 hereof.

(b) With respect to each PC Pool, every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the related PC Pool or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.09. Eligibility; Disqualification. Freddie Mac is eligible to act as the Trustee and is initially the Trustee for the PC Pools created under this Agreement. Any successor to Freddie Mac (i) at the time of its appointment as Trustee, must be reasonably acceptable to Freddie Mac and (ii) must be organized as a corporation or association doing business under the laws of the United States or any State thereof, be authorized under such laws to exercise corporate trust powers, have combined capital and surplus of at least $50,000,000 and be subject to supervision or examination by federal or state financial regulatory authorities. If any successor Trustee shall cease to satisfy the eligibility requirements set forth in (ii) above, that successor Trustee shall resign immediately in the manner and with the effect specified in Section 6.06.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. Annual Statements. Within a reasonable time after the end of each calendar year, the Administrator (or its agent) shall furnish to each Holder on any Record Date during such year information that the Administrator deems necessary or desirable to enable Holders and beneficial owners of PCs to prepare their United States federal income tax returns, if applicable.

Section 7.02. Limitations on Liability. Neither Freddie Mac, in its corporate capacity, nor any of its directors, officers, employees, authorized designees, representatives or agents ("related persons'') shall be liable to Holders for any action taken, or not taken, by them or by a servicer in good faith pursuant to this Agreement or for errors in judgment. This provision shall not protect Freddie Mac or any related person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement. In no event shall Freddie Mac or any related person be liable for any consequential damages. Freddie Mac and any related person may rely in good faith on any document or other communication of any kind properly executed and submitted by any Person with respect to any matter arising under this Agreement. Freddie Mac has no obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service or supervise the servicing of the Mortgages in accordance with this Agreement and which in its opinion may involve any expense or liability for Freddie Mac. Freddie Mac may, in its discretion, undertake or participate in any action it deems necessary or desirable with respect to any Mortgage, this Agreement, the PCs or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any resulting liability shall be expenses for the protection, preservation and maintenance of the Mortgages borne pro rata by Freddie Mac and Holders as provided in Section 3.08(b).

Section 7.03. Limitation on Rights of Holders. The death or incapacity of any Person having an interest in a PC shall not terminate this Agreement or any PC Pool. Such death or incapacity shall not entitle the legal representatives or heirs of such Person, or any Holder for such Person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of the related PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 7.04. Control by Holders. With respect to any PC Pool, except as otherwise provided in Articles V and VI and Sections 7.05 and 7.06, no Holder shall have any right to vote or to otherwise control in any manner the operation and management of the Mortgages included in such PC Pool, or the obligations of the parties hereto. This Agreement shall not be construed so as to make the Holders from time to time partners or members of an association. Holders shall not be liable to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

Section 7.05. Amendment.

(a) Freddie Mac and the Trustee may amend this Agreement (including any related Pool Supplement) from time to time without the consent of any Holders to (i) cure any ambiguity or correct or supplement any provision in this Agreement, *provided, however,* that any such amendment shall not have a material adverse effect on any Holder; (ii) maintain the classification of any PC Pool as a grantor trust for federal income tax purposes, as it may then be in effect, or, in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments on all or a portion of the assets comprising any PC Pool, to maintain the REMIC status of any assets with respect to which such REMIC election is made; or (iii) avoid the imposition of any state or federal tax on a PC Pool; it being understood that any amendment permitting the repurchase of a Mortgage by Freddie Mac due to a delinquency of less than 120 days, other than in the circumstances described in Section 1.02(c)(iii), may not be adopted under this clause (a).

(b) Except as provided in Section 7.05(c), Freddie Mac and the Trustee may amend this Agreement as to any PC Pool, with the consent of Holders representing not less than a majority of the remaining principal balance of the affected PC Pool.

(c) Freddie Mac and the Trustee may not amend this Agreement, without the consent of a Holder, if such amendment would impair or affect the right of such Holder to receive payment of principal and interest on or after the due date of such payment or to institute suit for the enforcement of any such payment on or after such date.

(d) To the extent that any provisions of this Agreement differ from the provisions of any Freddie Mac Mortgage Participation Certificates Agreement or PC Master Trust Agreement dated prior to the date of this Agreement, this Agreement shall be deemed to amend such provisions of the prior agreement, but only to the extent that Freddie Mac, under the terms of such prior agreement, could have effected such change as an amendment of such prior agreement without the consent of Holders of PCs thereunder; *provided, however,* that the trust declarations and related provisions set forth in Section 7.05(d) of the PC Master Trust Agreement dated as of December 31, 2007 are hereby reaffirmed with respect to each PC Pool created before December 31, 2007.

(e) Notwithstanding any other provision of this Section, (i) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to reflect any modification in the Administrator's methodology of calculating payments to Holders, including any modifications described in Section 3.05(d) and Section 3.06(a) and the manner in which it distributes prepayments to Holders, (ii) the Administrator (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend this Agreement to cure any inconsistency between this Agreement and the provisions of the Guide and (iii) the Depositor (in its own discretion and in its own interest) and the Trustee (at the Administrator's direction) may amend any Pool Supplement to make the adjustments described in Section 1.02(b) to the characteristics of the Mortgages to be transferred to a PC Pool or to the related PCs.

Section 7.06. Voting Rights.

If Freddie Mac is acting as Administrator or Trustee and an Event of Default has occurred and is continuing, any PCs held by Freddie Mac for its own account shall be disregarded and deemed not to be outstanding for purposes of exercising the remedies set forth in Section 5.02 and the second paragraph of Section 6.06.

Section 7.07. Persons Deemed Owners. With respect to each PC Pool, Freddie Mac, the Trustee, the Administrator and a Federal Reserve Bank (or any agent of any of them) may deem and treat the related Holder(s) as the absolute owner(s) of a PC and the undivided beneficial ownership interests in the Mortgages included in the related PC Pool for the purpose of receiving payments and for all other purposes, and none of Freddie Mac, the Trustee, the Administrator or a Federal Reserve Bank (nor any agent of any of them) shall be affected by any notice to the contrary. All payments made to a Holder, or upon such Holder's order, shall be valid, and, to the extent of the payment, shall satisfy and discharge the related PC Pool's payment obligations with respect to the Holder's PC. None of Freddie Mac, the Trustee, the Administrator or any Federal Reserve Bank shall have any direct obligation to any beneficial owner unless it is also the Holder of a PC.

Section 7.08. Governing Law. THIS AGREEMENT AND THE PARTIES' RIGHTS AND OBLIGATIONS WITH RESPECT TO PCs, SHALL BE GOVERNED BY THE LAWS OF THE UNITED STATES. INSOFAR AS THERE MAY BE NO APPLICABLE PRECEDENT, AND INSOFAR AS TO DO SO WOULD NOT FRUSTRATE THE PURPOSES OF THE FREDDIE MAC ACT OR ANY PROVISION OF THIS AGREEMENT OR THE TRANSACTIONS GOVERNED HEREBY, THE LOCAL LAWS OF THE STATE OF NEW YORK SHALL BE DEEMED REFLECTIVE OF THE LAWS OF THE UNITED STATES.

Section 7.09. Grantor Trust and REMIC Status. No provision in this Agreement shall be construed to grant Freddie Mac, the Trustee or any other Person authority to act in any manner which (i) would cause a PC Pool not to be treated as a grantor trust for federal income tax purposes, or (ii) in the event a REMIC election is made with respect to the beneficial interests in principal and interest payments on all or a portion of the assets comprising any PC Pool, would affect the status of such assets as a REMIC for federal income tax purposes.

Section 7.10. Payments Due on Non-Business Days. If the date fixed for any payment on any PC is a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day, with the same force and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

Section 7.11. Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, including any successor by operation of law, and permitted assigns.

Section 7.12. Headings. The headings in this Agreement are for convenience only and shall not affect the construction of this Agreement.

Section 7.13. Notice and Demand.

(a) Any notice, demand or other communication required or permitted under this Agreement to be given to or served upon any Holder may be given or served (i) in writing by deposit in the United States mail, postage prepaid, and addressed to such Holder as such Holder's name and address may appear on the books and records of a Federal Reserve Bank or (ii) by transmission to such Holder through the communication system of the Federal Reserve Banks. Any notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

(b) Any notice, demand or other communication which is required or permitted to be given to or served under this Agreement may be given in writing addressed as follows (i) in the case of Freddie Mac in its corporate capacity, to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Executive Vice President - General Counsel and Secretary and (ii) in the case of the Trustee, to: Freddie Mac (as Trustee), 1551 Park Run Drive, McLean, Virginia 22102, Attention: Office of Trustee; email: Freddie_Mac_Trustee@freddiemac.com, with a copy to the Executive Vice President - General Counsel and Secretary at the address set forth in clause (i).

(c) Any notice, demand or other communication to or upon Freddie Mac or the Trustee shall be deemed to have been sufficiently given or made only upon its actual receipt of the writing.

Section 7.14. Counterparts. This Agreement may be executed in any number of counterparts, each of which counterpart shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Agreement.

THE SALE OF A PC AND RECEIPT AND ACCEPTANCE OF A PC BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH PC OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT (INCLUDING THE RELATED POOL SUPPLEMENT) AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE.

FEDERAL HOME LOAN MORTGAGE CORPORATION, as Trustee

/s/ Amy Moorhus Baumgardner
Authorized Signatory

FEDERAL HOME LOAN MORTGAGE CORPORATION, in its corporate capacity as Depositor, Administrator and Guarantor

/s/ Mark D. Hanson
Authorized Signatory

Exhibit 31.1

CERTIFICATION

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

I, Donald H. Layton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of the Federal Home Loan Mortgage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019

/s/ Donald H. Layton

Donald H. Layton

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

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

I, James G. Mackey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of the Federal Home Loan Mortgage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019

/s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer

Exhibit 32.1

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald H. Layton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2019

/s/ Donald H. Layton

Donald H. Layton

Chief Executive Officer

Exhibit 32.2

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James G. Mackey, Executive Vice President – Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2019

/s/ James G. Mackey

James G. Mackey

Executive Vice President — Chief Financial Officer