Federal Home Loan Mortgage Corporation

Enterprise Regulatory Capital Framework (ERCF) - Public Disclosures for the Standardized Approach

For the quarterly period ended June 30, 2023

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INTRODUCTION

Business Overview

Freddie Mac (the Enterprise) is a Government-Sponsored Enterprise (GSE) chartered by Congress in 1970,[1] with a mission to provide liquidity, stability, and affordability to the U.S. housing market. The Enterprise achieves its goals and mission primarily by purchasing single-family and multifamily residential mortgage loans originated by lenders. In most instances, the Enterprise packages these loans into guaranteed mortgage-related securities, which are sold in the global capital markets, and subsequently transfers interest-rate and liquidity risks to third-party investors. In addition, the Enterprise transfers mortgage credit risk exposure to third-party investors through its Credit Risk Transfer (CRT) programs, which include securities and insurance-based offerings. The Enterprise also invests in mortgage loans and mortgage-related securities. The Enterprise does not originate mortgage loans nor does the Enterprise lend money directly to mortgage borrowers.

Since September 2008, the Enterprise has been operating in conservatorship, with the Federal Housing Finance Agency (FHFA) acting as both its Conservator and Regulator. As a matter of course, the conservatorship and related matters collectively impact the Enterprise's management, business activities, financial condition, and results of operations.

- For additional information on the conservatorship and related matters, as well as the Enterprise and the Department of the Treasury's (Treasury) Senior Preferred Stock Purchase Agreement (Purchase Agreement), refer to sections detailing the nature of the GSE Conservatorship and Supervision of the Enterprise within the Enterprise's 2022 Annual Report on Form 10-K (2022 Form 10-K)[2] and to the 4Q 2022 ERCF Public Disclosures at 5-6 (Introduction).
- For additional background information pertaining to the establishment of the ERCF and its corresponding risk-based capital requirements and leverage capital requirements, refer to the 2022 Form 10-K at 218-219 (Note 18 Regulatory Capital). For additional information on specific ERCF provisions, including requirements on public disclosure, refer to the 2022 Form 10-K at 105-106 (Capital Standards and Public Disclosures) and to the 4Q 2022 ERCF Public Disclosures at 5-6 (Introduction).

Beginning in 1Q 2023, Freddie Mac is required to provide timely public disclosures each calendar quarter of the information specified in subpart D of the ERCF.

This ERCF Public Disclosures for the Standardized Approach (Report) should be read in conjunction with the 2022 Form 10-K, the 2Q 2023 Form 10-Q and 4Q 2022 ERCF Public Disclosures. The first two of these documents have been filed with the U.S. Securities and Exchange Commission (SEC), and the third has been published on Freddie Mac's Investor Relations website. This Report is not required to be nor has it been audited by Freddie Mac's independent registered public accounting firm, as some measures of exposures contained in this Report may not be consistent with GAAP and may not be comparable with measures reported in Freddie Mac's 2Q 2023 Form 10-Q and 2022 Form 10-K.

[1] Throughout this Public Disclosure Report, the terms "Freddie Mac," "Enterprise," "we," "our" or "us," refer to Freddie Mac, unless stated or the context implies otherwise.
[2] See 2022 Form 10-K at 4-5 (Conservatorship and Government Support for Our Business); 104-112 (Regulation and Supervision); and 145-150 (Note 2 Conservatorship and Related Matters).

RISK MANAGEMENT

To achieve Freddie Mac's mission of providing liquidity, stability, and affordability to the U.S. housing market, the Enterprise takes risks as an integral part of its business activities. Risk is the possibility that events will occur that adversely affect the Enterprise's financial strength, safe-and-sound operations, and ability to achieve its mission, strategic, and business objectives. Risk can manifest itself in many ways and the responsibility for risk management resides at all levels of the Enterprise. The Enterprise seeks to take risks in a safe-and-sound, well-controlled manner in order to earn acceptable risk-adjusted returns on a corporate-wide, divisional, and, where applicable, transaction basis. The Enterprise's goal is to maintain an effective risk culture where employees are risk aware, collaborative, transparent, and individually accountable for their decisions, and to conduct business in an effective, legal, and ethical manner.

The Enterprise utilizes a risk taxonomy to define, classify, and report risks that Freddie Mac faces in operating its business. These risks have the potential to adversely affect Freddie Mac's current or projected financial and operational resilience. Risks are classified into the following categories:

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

These risks are factored into Freddie Mac's day-to-day business decisions, as appropriate, with legal, strategic, and reputation risks managed outside of the three lines of defense.

For additional information on Enterprise Risk Framework and Enterprise Risk Governance Structure, refer to the 2022 Form 10-K at 49-51, and to the 4Q 2022 ERCF Public Disclosures at 7-9 (Risk Management).

For more detailed discussions of specific components of the Enterprise's risk management processes, refer to the following sections in this Report: 4 (Credit Risk), 5 (Counterparty Credit Risk), 6 (Credit Risk Mitigation), 7 (CRT and Securitization), 9 (Interest Rate Risk), 10 (Operational Risk), and 12 (Market Risk). In addition, ERM has dedicated Enterprise Credit Risk and Market Risk functions to examine these risks.

1. CAPITAL STRUCTURE

The ERCF establishes risk-based and leverage capital requirements and includes supplemental capital requirements relating to the amount and form of the capital Freddie Mac holds, based largely on the definitions of capital used in U.S. banking regulators' regulatory capital framework. The ERCF capital requirements contain both statutory capital elements (Total Capital and Core Capital) and regulatory capital elements (CET1 Capital, Tier 1 Capital, and Adjusted Total Capital).

Terms and Conditions of Capital Instruments

Common Stock and Preferred Stock

As of June 30, 2023, Freddie Mac had 21 classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (1) voting common stock, no par value per share (Common Stock), and (2) twenty series of perpetual, non-cumulative preferred stock, par value of $1.00 per share (Preferred Stock). The Enterprise also has four classes of perpetual, non-cumulative preferred stock outstanding that were issued through private placement and are not registered under Section 12 (together with the Preferred Stock).

Dividends on shares of the Enterprise's Common Stock are not mandatory. Dividends on shares of the Enterprise's Preferred Stock are not mandatory and are non-cumulative.

During conservatorship, the holders of the Enterprise's Common Stock have no voting rights. Upon its appointment as Conservator, FHFA immediately succeeded to the voting rights of holders of the Enterprise's Common Stock, including the right to elect members of its Board of Directors.

- For additional information on Common Stock and Preferred Stock, refer to the 2022 Form 10-K at Exhibit 4.30 (Description of Registrant's Securities Registered Pursuant to Section 12 of The Securities Exchange Act of 1934) and 2Q 2023 Form 10-Q at 48 (Condensed Consolidated Balance Sheets) and to the 4Q 2022 ERCF Public Disclosures at 10 (Capital Structure).

Senior Preferred Stock

- For additional information on Senior Preferred Stock, refer to the 2022 Form 10-K at 145-150 (Note 2 Conservatorship and Related Matters) and 188-192 (Note 11 Stockholders' Equity and Earnings Per Share) and to the 4Q 2022 ERCF Public Disclosures at 10 (Capital Structure).

Reconciliation of Regulatory Capital Elements

The table below presents a reconciliation from stockholder's equity on the GAAP consolidated balance sheets to regulatory capital components, as well as composition of core capital and total capital.

Freddie Mac's components of total stockholder's equity include its Senior Preferred Stock (SPS), Preferred Stock, Common Stock, retained earnings, accumulated other comprehensive income (AOCI) net of taxes, and treasury stock.

- For additional information, refer to the 2Q 2023 Form 10-Q at 48 (Condensed Consolidated Balance Sheets) and 39-41 (Capital Metrics).

Table 1.1 - Reconciliation of GAAP Stockholder's Equity to Regulatory Capital and Statutory Capital Components

(Dollars in millions)		June 30, 2023 Amount
GAAP	Common stock	$—
	Treasury stock	(3,885)
	Retained earnings	(40,727)
	Accumulated other comprehensive income (AOCI)	(188)
	Preferred stock	14,109
	Senior Preferred Stock[3]	72,648
	Stockholders' Equity under GAAP	**41,957**
Regulatory Capital	Less: Senior Preferred Stock & Preferred stock	86,757
	Common stockholder's equity	(44,800)
	Less:	
	Goodwill[4]	—
	Other intangible assets[4]	—
	Deferred tax assets (DTAs)[4, 5]	5,237
	AOCI-related adjustments[6]	(140)
	Other deductions[4, 7]	147
	Common Equity Tier 1 (CET1) Capital	**(50,044)**
	Qualifying preferred stock	14,109
	Other adjustments and deductions	—
	Tier 1 Capital	**($35,935)**
	Qualifying subordinated debt and other instruments	—
	Qualifying allowance for credit losses	—
	Other adjustments and deductions	—
	Tier 2 Capital	**—**
	Adjusted Total Capital	**($35,935)**
Statutory Capital	Par value or stated value of outstanding common stock	$—
	Par value or stated value of outstanding perpetual, noncumulative preferred stock	464
	Paid-in capital	13,644
	Retained earnings	(40,727)
	Treasury stock	(3,885)
	Total Core Capital	**(30,504)**
	General allowance for foreclosure losses[8]	7,782
	Other[9]	—
	Total Capital	**($22,722)**

[3] Pursuant to the Purchase Agreement, Freddie Mac issued one million shares of senior preferred stock to Treasury on September 8, 2008. Shares of the Senior Preferred Stock have a par value of $1.00.
[4] Net of associated deferred tax liabilities (DTLs), where applicable.
[5] DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10% CET1 deduction threshold.
[6] Accumulated net loss on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet.
[7] Mortgage Servicing Assets (MSA), net of associated DTLs, that exceed the 10% CET1 capital deduction threshold.
[8] Represents our allowance for credit losses.
[9] From sources of funds available to absorb losses that the Director by regulation determines are appropriate.

2. CAPITAL ADEQUACY

As of 2020, FHFA has established the ERCF structure for the Enterprises, which requires them to hold substantially more capital than prior capital-related requirements. ERCF formally became effective on February 16, 2021. As of June 30, 2023, Freddie Mac's capital levels (both risk-based capital and Tier 1 leverage capital) were below the required levels given that Freddie Mac is still in the process of building its regulatory capital base.

The Enterprise is currently not required to comply with the regulatory capital requirements or the associated regulatory buffer requirements while in conservatorship. With respect to the ERCF's advanced approach requirements, the compliance date is January 1, 2025, or any later compliance date specified by FHFA. For additional information on ERCF capital requirements, refer to the 4Q 2022 ERCF Public Disclosures at 5-6 (Introduction).

In October 2008, FHFA suspended capital classification of the Enterprise during conservatorship, in light of the Purchase Agreement.

The Enterprise's entry into Conservatorship resulted in significant changes to the assessment of its capital adequacy and its management of capital. The Enterprise entered into the Purchase Agreement with Treasury, under which it issued to Treasury both SPS and a warrant to purchase 79.9% of common stock outstanding on a fully diluted basis on the date of exercise. Under the Purchase Agreement, Treasury made a commitment to provide the Enterprise with equity funding in certain conditions to eliminate deficits in its net worth. The Enterprise's ability to obtain equity funding from Treasury pursuant to its commitment under the Purchase Agreement has enabled the Enterprise to avoid being placed into receivership by FHFA and maintain the confidence of the debt markets as having very high-quality credit, upon which the Enterprise's business model is dependent. The amount of available funding remaining under the Purchase Agreement was $140.2 billion as of June 30, 2023, which will be reduced by any potential future draws.

- For additional information on the Purchase Agreement, refer to the 2022 Form 10-K at 96 (Capital Resources) and to the 4Q 2022 ERCF Public Disclosures at 12 (Capital Adequacy). For additional information on the Net Worth Activity, refer to the 2Q 2023 Form 10-Q at 38.
- For additional information on FHFA as Conservator, refer to the 2022 Form 10-K at 100 (Conservator Powers Over Our Company) and 100-101 (Purchase Agreement, Warrant, and Senior Preferred Stock) and to the 4Q 2022 ERCF Public Disclosures at 12-13 (Capital Adequacy).
- For a summary discussion of the Enterprise's approach to assessing the adequacy of its capital to support current and future activities, refer to the 2022 Form 10-K at 96 (Capital Resources), 100-101 (Conservator Powers Over Our Company and Purchase Agreement, Warrant, and Senior Preferred Stock), 105-106 (Capital Standards and Public Disclosures) and to the 4Q 2022 ERCF Public Disclosures at 12-13 (Capital Adequacy).

Risk-Weighted Assets and Adjusted Total Assets

The ERCF establishes two approaches for calculating RWA (the "standardized approach" and the "advanced approach"). The risk-based capital requirements are determined using the higher of the RWA calculated under each approach. Under both approaches, Freddie Mac's RWA equals the sum of its credit RWA, market RWA, and operational RWA. However, as noted above, the compliance date for the advanced approach requirements is January 1, 2025 or any later compliance date specific to those requirements provided in a transition order applicable to the Enterprise. For information related to ATA and its components, refer to Section 11 Tier 1 Leverage Ratio.

The table below presents the Enterprise's ATA and standardized RWA and its components.

Table 2.1 - Adjusted Total Assets and Standardized Risk-Weighted Assets Requirements[10]

	June 30, 2023
(Dollars in millions)	**Amount**
Adjusted Total Assets	$3,743,977
Risk-weighted Assets (Standardized Approach)	928,309
Credit Risk	801,550
Market Risk	56,559
Operational Risk	70,200

[10] ATA and RWA include regulatory adjustments and deductions.

Regulatory Capital Amounts and Ratios

The table below presents Freddie Mac's regulatory capital amounts and ratios under the ERCF and required capital versus available capital. As of June 30, 2023, the maximum payout ratio under the ERCF was 0.0%, which limits the Enterprise's capital distributions and discretionary bonus payments discussed under the risk-based and leverage capital requirements.

Table 2.2 - ERCF Available Capital and Capital Requirements

	June 30, 2023				
(Dollars in billions)	Minimum Capital Requirement	Applicable Buffers[11]	Capital Requirement (including Buffer)	Available Capital	Capital Shortfall
Risk-based capital amounts:					
Total capital (statutory)[12]	$74	N/A	$74	($23)	($97)
CET1 capital[13]	42	$51	93	(50)	(143)
Tier 1 Capital[13]	56	51	107	(36)	(143)
Adjusted Total Capital[13]	74	51	125	(36)	(161)
Risk-based capital ratios:[14]					
Total capital (statutory)	8.0 %	N/A	8.0 %	(2.4)%	(10.4)%
CET1 capital	4.5	5.4 %	9.9	(5.4)	(15.3)
Tier 1 Capital	6.0	5.4	11.4	(3.9)	(15.3)
Adjusted Total Capital	8.0	5.4	13.4	(3.9)	(17.3)
Leverage capital amounts:					
Core capital (statutory)[15]	$94	N/A	$94	($31)	($125)
Tier 1 Capital[13]	94	$11	105	(36)	(141)
Leverage capital ratios:[16]					
Core capital (statutory)	2.5 %	N/A	2.5 %	(0.8)%	(3.3)%
Tier 1 Capital	2.5	0.3 %	2.8	(1.0)	(3.8)

- For additional information on ERCF adjusted total assets, risk-weighted assets, required capital and available capital, refer to the 2Q 2023 Form 10-Q at 40 (Table 36 - Capital Metrics Under ERCF).

[11] PCCBA for risk-based capital and PLBA for leverage capital.
[12] Total capital is equal to core capital plus certain allowances for credit losses.
[13] Regulatory capital amounts exclude SPS, DTA arising from temporary differences that exceed 10% of CET1 capital, and certain other items.
[14] As a percentage of RWA.
[15] Core capital excludes certain components of GAAP total equity (i.e., AOCI and SPS) as these items do not meet the statutory definition of core capital.
[16] As a percentage of ATA.

Credit Exposure and RWA Under Different Categories

The table below presents Freddie Mac's credit exposure and RWA under different categories. Details on the Enterprise's market RWA are covered in the Market Risk section.

Table 2.3 - Credit Risk Exposure and RWA

	June 30, 2023	
(Dollars in millions)	**Exposure**	**Credit RWA**
Exposures to the U.S. Government/Sovereign entities	$25,838	$11
Exposures to certain supranational entities and MDBs	228	—
Exposures to GSEs	330,822	23,007
Exposure to depository institutions and credit unions	4,580	916
Exposures to PSEs	15	7
Corporate exposures	25	1
Aggregate Single-Family mortgage exposures categorized by:[17]	1,394,998	453,125
(i) Performing loans;	1,330,926	416,806
(ii) Non-modified re-performing loans;	12,838	5,309
(iii) Modified re-performing loans;	41,031	18,803
(iv) Non-performing loans	10,203	12,207
Aggregate Multifamily mortgage exposures categorized by:	38,831	18,717
(i) Multifamily fixed-rate exposures;	28,294	11,428
(ii) Multifamily adjustable-rate exposures	10,537	7,289
Non-mortgage related past-due items	—	—
Insurance Assets	245	163
Off-balance sheet exposures	1,882	2,309
Cleared Transactions	758	15
Default fund contributions	3,221	827
Unsettled Transactions	—	—
CRT and other securitization exposures[18]	1,949,322	280,664
Equity Exposures	3,038	3,038
Other Assets[19]	37,555	18,750
Total	**$3,791,358**	**$801,550**

[17] Excludes mortgages that are part of CRT transactions and the Enterprise has elected CRT treatment for those transactions.
[18] Includes mortgages that are part of CRT transactions and the Enterprise has elected CRT treatment; Credit RWA is net of the benefit from these transactions.
[19] Other assets primarily consist of guarantee fee assets, commitments, cash in process of collection and other miscellaneous assets.

3. CAPITAL BUFFERS

The ERCF includes a specific requirement that Freddie Mac hold prescribed regulatory capital buffers which can be drawn down in periods of financial stress and then rebuilt over time as economic conditions improve. If the Enterprise falls below the prescribed buffer amounts, it must restrict capital distributions such as stock repurchases and dividends, as well as discretionary bonus payments to executives, until the regulatory buffer amounts are restored. The ERCF prescribes two types of regulatory capital buffers as described below.

For additional information related to ERCF's risk-based and leverage capital requirements, refer to the 4Q 2022 ERCF Public Disclosures at 5-6 (Introduction).

Prescribed Capital Conservation Buffer Amount (PCCBA)

To avoid limitations on capital distributions and discretionary bonus payments, Freddie Mac must maintain CET1 capital that exceeds its risk-based capital requirements by at least the amount of its PCCBA. That PCCBA consists of three separate component buffers: a stress capital buffer, a stability capital buffer, and a countercyclical capital buffer (currently 0%).

The stress capital buffer must be at least 0.75% of Freddie Mac's ATA as of the last day of the previous calendar quarter. FHFA will periodically re-size the stress capital buffer to the extent that FHFA's eventual program for supervisory stress tests determines that Freddie Mac's peak capital exhaustion under a severely adverse stress scenario would exceed 0.75% of ATA.

The stability capital buffer is tailored to the risk that an Enterprise's default or other financial distress could pose to the liquidity, efficiency, competitiveness, or resiliency of the national housing finance markets. Similar to the G-SIB surcharge applicable to Bank Holding Companies, the stability capital buffer is based on an Enterprise's share of residential mortgage debt outstanding. As of June 30, 2023, Freddie Mac's stability capital buffer was 0.60% of ATA.

The countercyclical capital buffer is currently set at 0% of ATA. Consistent with the treatment for Bank Holding Companies, FHFA has indicated that it will adjust the countercyclical capital buffer when taking into account the macro-financial environment in which Freddie Mac operates, such that the buffer would be deployed only when excess aggregate credit growth is judged to be associated with a build-up of system-wide risk.

Prescribed Leverage Buffer Amount (PLBA)

To avoid limitations on capital distributions and discretionary bonus payments, Freddie Mac is required to maintain Tier 1 capital above the amount required under the Tier 1 leverage ratio requirement by at least the amount of a PLBA equal to 50% of the stability capital buffer.

Available Capital Buffers

As of June 30, 2023, Freddie Mac's capital levels (both risk-based capital and leverage capital) were significantly below the levels that would be required under the ERCF. Accordingly, the Enterprise maintained no capital buffers as of yet. The ERCF has a transition period for compliance, and the Enterprise is not required to comply with the buffer requirements specified below while in conservatorship. In general, the compliance date for the buffer requirements in the ERCF will be the date of termination of the conservatorship.

- For additional information on ERCF capital buffers, refer to the 2022 Form 10-K at 218 (Note 18 Regulatory Capital) and to the 4Q 2022 ERCF Public Disclosures at 16 (Capital Buffers).

Required Capital Buffers and Related Metrics

The table below presents Freddie Mac's required regulatory capital buffers and payout metrics as of June 30, 2023.

Table 3.1 - Required Capital Buffers and Payout Metrics

(Dollars in millions)	June 30, 2023 Amount
Prescribed Capital Conservation Buffer (PCCBA)	$50,467
Stress Capital Buffer	27,872
Stability Capital Buffer	22,595
Countercyclical Capital Buffer Amount	—
Prescribed Leverage Buffer Amount (PLBA)	11,297
Eligible Retained Income[20]	7,524
Risk-based Capital Maximum Payout Ratio	— %
Leverage Maximum Payout Ratio	— %
Maximum Payout Amount	—

- For additional information on ERCF required capital buffers and maximum payout ratio, refer to the 2Q 2023 Form 10-Q at 40-41 (Capital Metrics Under ERCF).

[20] The eligible retained income of an Enterprise is the greater of: (i) the Enterprise's net income, as defined under GAAP, for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income; and (ii) the average of the Enterprise's net income for the four calendar quarters preceding the current calendar quarter.

4. CREDIT RISK: GENERAL DISCLOSURES

Credit risk is the risk associated with the inability or failure of a borrower, issuer, or counterparty to meet its financial and/or contractual obligations. Freddie Mac is exposed to counterparty credit risk (see Section 5. Counterparty Credit Risk), and two types of mortgage credit risks listed below:

 - Single-Family mortgage credit risk, through the Enterprise's ownership or guarantee of loans in its Single-Family mortgage portfolio;
 - Multifamily mortgage credit risk, through the Enterprise's ownership or guarantee of loans in its Multifamily mortgage portfolio.

- For additional information on how the Enterprise executes Single-Family and Multifamily mortgage credit risk management principal strategies and a detailed discussion on the Enterprise's credit risk management, refer to the 2022 Form 10-K at 52-71 (Credit Risk) and to the 4Q 2022 ERCF Public Disclosures at 18-19 (Credit Risk: General Disclosures).
- For additional information on accounting treatments of past due loans, placing loans on non-accrual and returning loans to accrual status, refer to the 2022 Form 10-K at 158-159 (Interest Income) and to the 4Q 2022 ERCF Public Disclosures at 18 (Credit Risk: General Disclosures).

Allowance for Credit Losses Methodology

Freddie Mac's allowance for credit losses on mortgage loans pertains to both Single-Family and Multifamily loans classified as held-for-investment for which the Enterprise has not elected the fair value option. The Enterprise measures the allowance for credit losses on a pooled basis when its loans share similar risk characteristics. Freddie Mac recognizes changes in the allowance for credit losses through provision for credit losses on its consolidated statements of income.

Charging-off Uncollectible Amounts

Freddie Mac records charge-offs in the period in which a loan is deemed to be uncollectible. Proceeds received in excess of amounts previously written off are recorded as a decrease to non-interest expense on the Enterprise's consolidated statements of income.

- For additional information on the terms defined above, refer to the 2022 Form 10-K at 171-173 (Allowance for Credit Loss Methodology).

Credit Risk Exposures and Types

Freddie Mac has an Enterprise Credit Risk Policy that defines credit risk management, roles and responsibilities, and governance requirements among different stakeholders.

- For mortgage loans by Single-Family and Multifamily, refer to the 2Q 2023 Form 10-Q at 55 (Table 3.1 - Mortgage Loans). The table presents details of the loans on Freddie Mac's consolidated balance sheets.
- For information on mortgage portfolio's Unpaid Principal Balance (UPB), mortgage-related investments portfolio, and other investments portfolio, refer to the 2Q 2023 Form 10-Q at 11-12 (Our Portfolios).
- For financial guarantees by Single-Family and Multifamily, refer to the 2Q 2023 Form 10-Q at 66 (Table 4.1 - Financial Guarantees). The table presents the Enterprise's financial guarantees' maximum exposure, recognized liability (excludes allowance for credit losses on off-balance sheet credit exposures), and maximum remaining term.
- For mortgage loan purchase commitments and other commitments, refer to the 2Q 2023 Form 10-Q at 67 (Table 4.3 - Other Off-Balance Sheet Credit Exposures).
- For details on investment securities exposures, refer to the 2Q 2023 Form 10-Q at 69-70 (Note 6 Investment Securities).
- For accounting offsets to credit risk exposures as well as collateral information of financial assets and liabilities, refer to the 2Q 2023 Form 10-Q at 78 (Table 9.1 - Offsetting and Collateral Information of Financial Assets and Liabilities). The table presents 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 agreements.
- For average credit risk exposures, refer to the 2Q 2023 Form 10-Q at 7 (MD&A Table 3 - Analysis of Net Interest Yield). The table presents a yield analysis of interest-earning assets and interest-bearing liabilities and also average asset balance.[21]

[21] Excludes the average balances of off-balance sheet credit exposures.

Mortgage Portfolio Geographic Distribution

Table 4.1 – Concentration of Credit Risk of Single-Family Mortgage Portfolio

	June 30, 2023		
(Dollars in millions)	Portfolio UPB	% of Portfolio	Seriously Delinquent Rate
Region:			
West	$907,973	30 %	0.43 %
Northeast	695,851	23	0.70
North Central	436,738	15	0.55
Southeast	520,570	17	0.59
Southwest	442,846	15	0.53
Total	**$3,003,978**	**100 %**	**0.56**
State:			
California	$515,634	17 %	0.44
Texas	206,944	7	0.55
Florida	195,485	7	0.67
New York	130,089	4	1.03
Illinois	112,581	4	0.73
All other	1,843,245	61	0.53
Total	**$3,003,978**	**100 %**	**0.56**

Table 4.2 – Concentration of Credit Risk of Multifamily Mortgage Portfolio

	June 30, 2023		
(Dollars in millions)	Portfolio UPB	% of Portfolio	Seriously Delinquent Rate
Region:			
West	$107,717	25 %	0.05 %
Northeast	103,742	24	0.51
North Central	40,713	10	0.37
Southeast	85,067	20	0.07
Southwest	89,959	21	0.13
Total	**$427,198**	**100 %**	**0.21**

- For additional information on geographic concentration of Single-Family and Multifamily mortgage portfolios, refer to the 2Q 2023 Form 10-Q at 84 (Note 12 Concentration of Credit and Other Risks).

Past Due Mortgage Loans

- For information on the amount of loans and off-balance exposures not past due or past due less than 30 days, past due 30 days but less than 90 days, past due 90 days or in foreclosure, and past due 90 days and still accruing, refer to the 2Q 2023 Form 10-Q at 60 (Table 3.8 - Amortized Cost Basis of Held-for-Investment Loans by Payment Status) and 67 (Table 4.2 - UPB of Loans Underlying Our Mortgage-Related Guarantees by Payment Status). The tables present the amortized cost basis of Freddie Mac's Single-Family and Multifamily held-for-investment loans that are not measured at fair value by payment status and the UPB of mortgage loans underlying mortgage-related guarantees by payment status.

Allowance for Credit Losses and Charge-offs

- For information on the balance of allowance for credit losses at the end of the period, charge-offs during the period, and reconciliation of changes in allowance for credit losses refer to the 2Q 2023 Form 10-Q at 68 (Table 5.1 - Details of the Allowance for Credit losses). The table presents a summary of changes in Freddie Mac's allowance for credit losses.

The table below presents Single-Family's loans by past due status, along with the corresponding ratio of the Single-Family allowance for credit losses. Multifamily mortgage loans allowance for credit losses was immaterial as of June 30, 2023.

Table 4.3 - Single-Family Allowance for Credit Losses to Amortized Cost Basis

	June 30, 2023	
Past Due Status (Dollars in millions)	Amortized Cost Basis	Allowance for Credit Losses to Amortized Cost Basis
Loans Not Past Due or Past Due Less Than 30 Days	$2,960,928	0.24 %
Loans Past Due 30 Days but Less Than 90 Days	25,736	27.54
Loans on Nonaccrual[22]	12,852	55.15
Loans Past Due 90 Days and Still Accruing	—	N/A

Contractual Principal Payments Due by Specified Timeframe for Mortgage Loans

The table below presents the contractual principal payments due on loans underlying Freddie Mac's mortgage portfolio by specified timeframe.

Table 4.4 - Principal Amounts Due by Specified Timeframe for Mortgage Loans[23]

	June 30, 2023				
(Dollars in millions)	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 15 Years	Due after 15 Years	Total
Single-Family Fixed Rate	$92,212	$394,991	$1,066,967	$1,382,429	$2,936,599
Single-Family Adjustable Rate	746	3,282	9,542	11,290	24,860
Single-Family Sub-Total	**92,958**	**398,273**	**1,076,509**	**1,393,719**	**2,961,459**
Multifamily Fixed Rate	14,376	116,060	192,861	16,330	339,627
Multifamily Adjustable Rate	1,311	19,467	65,470	1,029	87,277
Multifamily Sub-Total	**15,687**	**135,527**	**258,331**	**17,359**	**426,904**
Total	**$108,645**	**$533,800**	**$1,334,840**	**$1,411,078**	**$3,388,363**

[22] The vast majority of non-accrual loans are past due over 90 days. There is a small overlap between loans past due 30 days but less than 90 days and loans on non-accrual.

[23] For Single-Family, excludes UPB of mortgage loans held-for-sale. For Multifamily, excludes UPB of mortgage loans underlying off-balance sheet securitization trusts where Freddie Mac no longer has credit risk exposure.

5. COUNTERPARTY CREDIT RISK

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

The Enterprise manages its exposure to counterparty credit risk using the following principal strategies:

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

- For additional information on counterparty risks on derivatives and repo-style transactions, refer to the 2022 Form 10-K at 77-78 (Financial Intermediaries, Clearinghouses, and Other Counterparties).

In addition to the risk management strategies above, the Enterprise has defined guidelines to enable prudent risk management which are briefly described below.

Methodology used to assign credit limits

- For additional information on the methodology used to assign credit limits, refer to the 4Q 2022 ERCF Public Disclosure at 22 (Counterparty Credit Risk).

Policies for securing, valuing and managing collateral

- For additional information on policies for securing, valuing and managing collateral, refer to the 2022 Form 10-K at 77 (Derivative Counterparties) and 179 (Note 9 Derivatives) and to the 4Q 2022 ERCF Public Disclosures at 22 (Counterparty Credit Risk).
- For additional information on Freddie Mac's Other investment other parties, refer to the 2022 Form 10-K at 202 (Other Investment Counterparties).

Collateral and Creditworthiness

- For additional information on the primary types of collateral taken, refer to the 2022 Form 10-K at 77 (Financial Intermediaries, Clearinghouses, and Other Counterparties) and 183-187 (Note 10 Collateralized Agreements and Offsetting Arrangements).
- For additional information on the impact of the amount of collateral the Enterprise would have to provide for a given credit rating downgrade, refer to the 2022 Form 10-K at 77 (Financial Intermediaries, Clearinghouses, and Other Counterparties) and 183 (Derivative Portfolio).

Gross Positive Fair Value of Contracts, Collateral Held, and Net Unsecured Credit Exposure

- For information on the gross positive fair value of contracts, collateral held, and net unsecured credit exposure, refer to the table below or the 2Q 2023 Form 10-Q at 78 (Table 9.1 - Offsetting and Collateral Information of Financial Assets and Liabilities).

Table 5.1 - Offsetting and Collateral Information of Financial Assets and Liabilities

(Dollars in millions)	June 30, 2023					
	Gross Amount Recognized	Amount Offset in the Consolidated Balance Sheets		Net Amount Presented in the Consolidated Balance Sheet	Gross Amount not Offset in the Consolidated Balance Sheet	Net Amount
		Counterparty Netting	Cash Collateral Netting			
Assets:						
Derivatives:						
OTC derivatives	$5,652	($4,229)	($1,112)	$311	($281)	$30
Cleared and exchange-traded	2	—	27	29	—	29
Mortgage commitment	6	—	—	6	—	6
Other	13	—	—	13	—	13
Total derivatives	**5,673**	**(4,229)**	**(1,085)**	**359**	**(281)**	**78**
Securities purchased under agreements to resell	121,554	(9,168)	—	112,386	(112,386)	—
Total	**$127,227**	**($13,397)**	**($1,085)**	**$112,745**	**($112,667)**	**$78**
Liabilities:						
Derivatives:						
OTC derivatives	($9,826)	$4,229	$5,434	($163)	$104	($59)
Cleared and exchange-traded	(68)	—	35	(33)	33	—
Mortgage commitment	(55)	—	—	(55)	—	(55)
Other	(730)	—	—	(730)	—	(730)
Total derivatives	**(10,679)**	**4,229**	**5,469**	**(981)**	**137**	**(844)**
Securities sold under agreements to repurchase	(9,168)	9,168	—	—	—	—
Total	**($19,847)**	**$13,397**	**$5,469**	**($981)**	**$137**	**($844)**

Purchased and Sold Derivatives

- For information on the notional amount of purchased and sold derivatives, including the distribution of the credit derivative products used, categorized further by protection bought and sold within each product group, refer to the table below or the 2Q 2023 Form 10-Q at 74 (Table 8.1 - Derivative Assets and Liabilities at Fair Value). Freddie Mac does not perform intermediation activities related to derivatives.

Table 5.2 - Derivative Assets and Liabilities at Fair Value

	June 30, 2023		
	Notional or Contractual Amount	Derivatives at Fair Value	
(Dollars in millions)		Assets	Liabilities
Not designated as hedges			
Interest-rate risk management derivatives:			
Swaps	$743,108	$1,837	($441)
Written options	67,813	—	(1,910)
Purchased options	76,970	3,668	—
Futures	249,149	—	—
Total interest-rate risk management derivatives	**1,137,040**	**5,505**	**(2,351)**
Mortgage commitment derivatives	58,503	6	(20)
CRT-related derivatives	32,681	—	(149)
Other	13,752	13	(581)
Total derivatives not designated as hedges	**1,241,976**	**5,524**	**(3,101)**
Designated as fair value hedges			
Interest-rate risk management derivatives:			
Swaps	181,144	97	(7,478)
Total derivatives designated as fair value hedges	**181,144**	**97**	**(7,478)**
Receivables (payables)		52	(100)
Netting adjustments		(5,314)	9,698
Total derivative portfolio, net	**$1,423,120**	**$359**	**($981)**

6. CREDIT RISK MITIGATION

This section covers credit risk concentration as well as non-securitized credit enhancements (CE), examples of which include primary mortgage insurance (MI), lender risk-sharing, seller indemnification, Multifamily pool insurance and Multifamily bond insurance. Freddie Mac's CE via securitization, CRT and reinsurance are covered in Section 7 CRT and Securitization.

The Enterprise holds an immaterial amount of collateral for non-securitized credit risk mitigation as of June 30, 2023.

Risk Concentrations and Credit Enhancement Providers

Based on Freddie Mac's assessment of business conditions that could affect its financial results, the Enterprise has determined that concentrations of credit risk exist among certain borrowers (including geographic concentrations), loan sellers and servicers, credit enhancement providers, and other investment counterparties.

- For a general discussion of the Enterprise's derivative counterparties as well as related master netting and collateral agreements, see Section 5 Counterparty Credit Risk.

The sections below discuss the concentration of credit risk for each of the groups to which the Enterprise is exposed.

Single-Family Mortgage Portfolio

In the Single-Family mortgage portfolio, geographic concentrations may increase the exposure of Freddie Mac's portfolio to specific credit risk, as regional economic conditions may affect a borrower's ability to repay and the underlying property value.

- For a summary of the concentration of Single-Family mortgage portfolio by geographic area, refer to the 2Q 2023 Form 10-Q at 84 (Note 12 Concentration of Credit and Other Risks & Table 12.1, Concentration of Credit Risk of Our Single-Family Mortgage Portfolio).

Multifamily Mortgage Portfolio

In the Multifamily mortgage portfolio, the primary concentration of credit risk is based on the legal structure of the investments the Enterprise holds. Freddie Mac's exposure to credit risk in its senior subordinate securitization products is minimal, as the expected credit risk is generally absorbed by the subordinate tranches, which are typically sold to third-party investors. As a result, the Enterprise's Multifamily mortgage credit risk is primarily related to loans that have not been securitized.

Numerous factors affect the credit risk related to Multifamily borrowers, the most significant of which are effective rents paid and capitalization rates for the mortgaged property. Effective rents paid vary among geographic regions of the United States. Geographic concentrations may increase the exposure of the Enterprise's portfolio to credit risk, as regional economic conditions may affect a Multifamily borrower's ability to repay and the underlying property value.

- For a summary of the concentration of Multifamily mortgage portfolio by geographic area, refer to the 2Q 2023 Form 10-Q at 84 (Note 12 Concentration of Credit and Other Risks & Table 12.2 - Concentration of Credit Risk of Our Multifamily Mortgage Portfolio).

Sellers and Servicers

Freddie Mac acquires a significant portion of its Single-Family and Multifamily loan purchase and guarantee volume from several large sellers. Significant portions of the Enterprise's Single-Family and Multifamily loans are serviced by several large servicers.

- For additional information on the concentration of Single-Family and Multifamily sellers, refer to the 2022 Form 10-K at 199-200 (Sellers and Servicers - Seller Concentration).

The Enterprise is also exposed to the risk that servicers might fail to service loans in accordance with the contractual requirements, resulting in increased credit losses. For example, the Enterprise's servicers have an active role in its loss mitigation efforts, and the Enterprise, therefore, has exposure to such servicers to the extent that a decline in their business performance results in a failure to realize the anticipated benefits of the loss mitigation plans. Since the Enterprise does not have its own servicing operation, if the servicers lack appropriate governance and controls, experience a failure in their controls, and/or experience an operational disruption in their ability to service loans, the Enterprise's overall business and financial results could be adversely affected.

- For additional information on the concentration of Single-Family and Multifamily servicers, refer to the 2022 Form 10-K at 200-201 (Sellers and Servicers - Servicer Concentration).

Credit Enhancement Providers

Freddie Mac has counterparty credit risk relating to the potential insolvency of, or nonperformance by, mortgage insurers that insure Single-Family loans purchased or guaranteed.

The Enterprise evaluates the recovery and collectability from mortgage insurers as part of the estimate of its allowance for credit losses. Changes in the Enterprise's expectations related to recovery and collectability from its credit enhancement providers may affect its estimates of expected credit losses.

- For a summary of the concentration of mortgage insurer counterparties who provided 10% or more of the Enterprise's overall primary mortgage insurance coverage, refer to the 2022 Form 10-K at 201 (Credit Enhancement Providers).

Other Investment Counterparties

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

The Enterprise's 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, the Government Securities Division (GSD)/Fixed Income Clearing Corporation (FICC), highly rated supranational institutions, depository and non-depository institutions, brokers and dealers, and government money market funds.

- For additional information on derivative counterparties creditworthiness and the concentration of credit and other risks and main types of credit enhancement providers and their creditworthiness, refer to the 2022 Form 10-K at 77-78 (Derivative Counterparties) and 198-202 (Note 15 Concentration of Credit and Other Risks).

Exposures Covered by Eligible Financial Collateral and/or Guarantees

The table below presents exposure and post-CE RWA of Single-Family primary mortgage insurance and other non-CRT credit enhancements and Multifamily non-CRT credit enhancements.

Table 6.1 - Exposures and Post-CE RWA of Non-CRT Credit Enhancements

	June 30, 2023	
(Dollars in millions)	**Exposure**	**Post – CE RWA**
Single-Family		
Primary mortgage insurance	$624,103	$310,348
Other non-CRT credit enhancements	6,786	1,858
Less: exposures with multiple non-CRT credit enhancements	843	326
Total Single-Family	**630,046**	**311,880**
Multifamily non-CRT credit enhancements	12,030	2,083
Total	**$642,076**	**$313,963**

7. CRT AND SECURITIZATION

Freddie Mac engages in various types of credit enhancements, including CRT transactions and other securitized credit enhancements, to reduce its credit risk exposure. The Enterprise defines CRT transactions as those arrangements where the Enterprise actively transfers the credit risk exposure on mortgages owned or guaranteed. Importantly, CRT transactions allow Freddie Mac to transfer credit risk to the private market, reducing the risk of future losses to Freddie Mac when borrowers default and supporting Freddie Mac's mission of providing stability, liquidity and affordability to the U.S. housing market.

Objectives for Securitizing Assets

The Enterprise's CRT transactions are designed to reduce the amount of required capital related to credit risk, to transfer portions of credit losses on groups of previously acquired loans to third-party investors, and to reduce the risk of future losses when borrowers default.

- For additional information on Single-Family and Multifamily's objectives for securitizing assets, refer to the 2022 Form 10-K at 29-31 (Single-Family CRT Activities) and 43 (Multifamily CRT Activities).

Scope of CRT and Securitization Exposures

CRT and Securitization exposures under this section include both on-balance sheet and off-balance sheet exposures that arise from traditional or synthetic securitizations, as well as eligible reinsurance risk transfer. Traditional securitization exposures are those where all or a portion of the credit risk of one or more underlying exposures is transferred to one or more third parties other than through the use of credit derivatives or guarantees, whereas synthetic securitizations utilize derivatives or guarantees to transfer the risk to a third-party. Eligible reinsurance risk transfer is defined as a credit transfer in which the Enterprise transfers the credit risk on one or more mortgage exposures to one or more insurance companies or reinsurers that have been approved by the Enterprise.

The Enterprise had no affiliated entities in CRT securitization transactions as of June 30, 2023.

The Enterprise had no retained or purchased resecuritization exposures that meet the ERCF criteria as of June 30, 2023.

- For additional details on risks in the Enterprise's CRT and securitization, refer to the 2022 Form 10-K at 123-124 (Credit Risks), 126 (Market Risks) and 201 (Credit Enhancement Providers) and to the 4Q 2022 ERCF Public Disclosures at 27 (CRT and Securitization).

Risk Management, Monitoring, and Mitigation

Freddie Mac requires ACIS and MCIP counterparties to partially collateralize their exposure to reduce the risk that the Enterprise might not be reimbursed for claims under the policies.

- For additional information on ACIS and MCIP collateral, refer to the 2022 Form 10-K at 76 (ACIS Counterparties) and 43 (CRT Activities).
- For additional details on managing the credit risk retained through securitization via loss mitigation activities, refer to the 2022 Form 10-K at 31-32 (Loss Mitigation Activities) and 71 (Managing Our Portfolio, Including Loss Mitigation Activities) and to the 4Q 2022 ERCF Public Disclosures at 27 (CRT and Securitization).

Collateral Types

- For the main types of collateral posted by ACIS providers, refer to the 2022 Form 10-K at 76 (ACIS Counterparties), which may include agency securities, Treasury securities, and cash. Collateral posted by MCIP providers was immaterial as of June 30, 2023.

Risk-Based Capital Approaches

All of Freddie Mac's CRT deals follow the Credit Risk Transfer Approach (CRTA) for measuring risk-based capital. The Enterprise may elect to not recognize a CRT transaction that does not provide ERCF capital relief. The Enterprise applies the Simplified Supervisory Formula Approach (SSFA) for certain legacy private label security (PLS) securitization exposures that have not been originated by the Enterprise.

Securitization Special Purpose Entities (SPEs)

Freddie Mac's Multifamily segment occasionally securitizes loans or bonds contributed by third parties that are underwritten by the Enterprise after origination.

- For additional information on the Enterprise's occasional securitization of third-party exposures and the off-balance sheet accounting treatment of its interests in such VIEs, refer to the 2022 Form 10-K at 68 (Maintaining Policies and Procedures for New Business Activity, Including Prudent Underwriting Standards) and 151-156 (Note 3 Securitizations and Variable Interest Entities) and to the 4Q 2022 ERCF Public Disclosures at 28 (CRT and Securitization).

Accounting Policies and Valuation Method

- For additional information on traditional securitization and other securitization products, refer to the 2022 Form 10-K at 152-154 (Note 3 Securitizations and Variable Interest Entities, Nonconsolidated VIEs) and to the 4Q 2022 ERCF Public Disclosures at 28 (Accounting Treatment of CRT and Securitizations).
- For additional information on trust note transactions, refer to the 2022 Form 10-K at 154-155 (Note 3 Securitizations and Variable Interest Entities) and to the 4Q 2022 ERCF Public Disclosures at 28-29 (CRT and Securitizations).
- For additional information on definition and accounting treatment of STACR debt note and SCR debt note, refer to the 2022 Form 10-K at 58 and 69 (Transferring Credit Risk to Third-Party Investors), 176-178 (Note 8 Debt) and 279-280 (Glossary) and to the 4Q 2022 ERCF Public Disclosures at 29 (CRT and Securitizations).
- For additional information on summary of accounting treatment of the Enterprise's CRT securitization, refer to the 2022 Form 10-K at 58 and 69 (Transferring Credit Risk to Third-Party Investors).
- For additional information on the Enterprise's election of the fair value option, refer to the 2022 form 10-K at 203-215 (Note 16 Fair Value Disclosures) and to the 4Q 2022 ERCF Public Disclosures at 29 (CRT and Securitization).
- For additional details of methods and key assumptions applied in valuing assets and liabilities at fair value, refer to the 2022 Form 10-K at 203-215 (Note 16 Fair Value Disclosures) and to the 4Q 2022 ERCF Public Disclosures at 29 (CRT and Securitization).
- For additional information on how exposures intended to be securitized are valued, refer to the 2022 Form 10-K at 204-206 (Note 16 Fair Value Disclosures, Valuation Techniques) and to the 4Q 2022 ERCF Public Disclosures at 29-30 (CRT and Securitization).

Significant Changes

- For an explanation of significant changes to quantitative information since the last reporting period for Single-Family and Multifamily, refer to the 2Q 2023 Form 10-Q at 16 (Single-Family CRT Activities) and 21 (Multifamily CRT Activities).

On- & Off-Balance Sheet Exposures of Securitization and Reinsurance CRT, Past Due Amount and Loss Recognized

The table below presents on- and off-balance sheet exposures by type of underlying collateral. These exposures are related to both traditional and synthetic securitization transactions as well as reinsurance CRT. Note that the table excludes CRT transactions that no longer provide capital relief and may include transactions that were not executed as of the period end.

Table 7.1 - On- & Off-Balance Sheet Securitization and Reinsurance CRT Exposures, Past Due Amount and Loss Recognized

	June 30, 2023						
(Dollars in millions)	Total Exposure	On-Balance Sheet Exposure	Off Balance Sheet Exposure	Retained	Acquired	Past-due Amount[24]	Loss Recognized During the Quarter
Traditional							
Single-Family securitization	$23,942	$—	$23,942	$23,942	$—	$2,138	$—
Multifamily securitization	305,530	—	305,530	305,530	—	632	—
Private label securities	488	488	—	—	488	6	—
Synthetic/Reinsurance CRT							
Single-Family CRT	1,578,809	1,578,809	—	1,578,809	—	8,163	6
Multifamily CRT	40,553	35,196	5,357	40,553	—	51	—
Total securitization and CRT exposure	**$1,949,322**	**$1,614,493**	**$334,829**	**$1,948,834**	**$488**	**$10,990**	**$6**

[24] Sixty days or more past due.

Securitization and Reinsurance CRT Exposures and Risk-based Capital Treatment

The table below presents Freddie Mac's securitization and reinsurance CRT exposures and the associated risk-based capital treatment as of June 30, 2023.

Table 7.2 - Securitization and Reinsurance CRT Exposures and Risk-based Capital Treatment

	June 30, 2023				
			RWA by Calculation Methodology		
(Dollars in millions)	Total Exposure	RWA	SSFA	CRTA	1250% Risk Weighted
Traditional					
Single-Family securitization	$23,942	$1,197	$—	$1,197	$—
Multifamily securitization	305,530	35,083	—	35,083	—
Private label securities	488	977	977	—	—
Synthetic/Reinsurance CRT					
Single-Family CRT	1,578,809	236,005	—	236,005	—
Multifamily CRT	40,553	7,402	—	7,402	—
Total securitization and CRT exposure	**$1,949,322**	**$280,664**	**$977**	**$279,687**	**$—**

Securitization and Reinsurance CRT Exposures and Risk Weight Bands

The table below presents Freddie Mac's securitization and reinsurance CRT exposures and the associated risk weight bands and capital impact of RWA as of June 30, 2023.

Table 7.3 - Securitization and Reinsurance CRT Exposures and Risk Weight Bands

	June 30, 2023			
(Dollars in millions)	Total Exposure	SSFA Risk-Weighted Assets	CRTA Risk-Weighted Assets	Capital Impact of RWA[25]
Securitization/Reinsurance CRT				
Zero to 20%	$1,609,974	$11	$146,526	$6,595
21% to 50%	266,865	1	81,097	3,649
51% to 100%	63,741	1	41,329	1,860
Over 100%	8,742	964	10,735	526
Resecuritization				
Zero to 20%	—	—	—	—
21% to 50%	—	—	—	—
51% to 100%	—	—	—	—
Over 100%	—	—	—	—
Total CRT and securitization/ resecuritization exposure	**$1,949,322**	**$977**	**$279,687**	**$12,630**

[25] Required CET1 capital amount associated with the exposure.

Assets Intended for Securitization and Reinsurance CRT and Related Activities

The table below presents assets pending securitization (i.e., assets held with the intent to securitize) and Reinsurance CRT and Freddie Mac's year-to-date securitization and reinsurance CRT activities. Freddie Mac did not have gain-on-sale on a securitization that has been deducted from CET1 capital as of June 30, 2023.

Table 7.4 - Assets Intended for Securitization and CRT and Related Activities

	June 30, 2023		
(Dollars in millions)	Assets Pending Securitization or CRT	Securitized or Packaged into CRT YTD	Recognized Gain/Loss on Sale YTD
Traditional[26]			
Single-Family securitization	$3,231	$—	$—
Multifamily securitization	9,300	14,776	—
Private label securities	—	—	—
Synthetic/Reinsurance CRT[27]			
Single-Family CRT	15,153	70,924	—
Multifamily CRT	11,379	8,802	—
Total securitization and CRT exposure	**$39,063**	**$94,502**	**$—**

[26] Single-Family assets pending securitization into traditional securities represent held-for-sale population as of quarter-end. Multifamily assets pending securitization into traditional securities represent retained held-for-sale loans pending K-Deal securitizations.
[27] Single-Family assets pending securitization into synthetic securities and reinsurance arrangements represent those STACR and ACIS transactions when a third-party broker/dealer is engaged, and collateral has been targeted for a CRT transaction. The assets are considered to be held with the intent to securitize and represented by assets pending securitization. Multifamily assets pending securitization into synthetic securities and reinsurance arrangements represent a) retained held-for-investment loans intended to be securitized into Multifamily Participation Certificates (Multi PCs®) and other securities that are fully guaranteed by Freddie Mac, and (b) Multi PCs® and other guaranteed securities, as applicable, that have not yet been credit enhanced by an MCIP reinsurance and/or an SCR transaction.

8. EQUITIES

Freddie Mac's equity investments include its Multifamily investments in certain non-publicly traded Low-Income Housing Tax Credit (LIHTC) fund partnerships. The Enterprise accounts for these investments using the proportional amortization method.

These LIHTC fund partnerships invest as a Limited Partner directly in operating partnerships that own and operate affordable Multifamily rental properties that generate federal income tax credits and deductible operating losses. Multifamily's ongoing investment in LIHTC partnerships helps to support and preserve the supply of affordable housing.

The tables below present carrying value, RWA and capital impact of RWA of LIHTC as of June 30, 2023.

Table 8.1 - Multifamily LIHTC Carrying Value and RWA

	June 30, 2023		
(Dollars in millions)	Public	Non-Public	Total
Carrying value	$—	$3,038	$3,038
Unrealized gains/losses	—	—	—
Unrealized gains/losses not recognized on the balance sheet or through earnings	—	—	—
Fair value[28]	$—	$3,038	$3,038
Unrealized gains/losses included in risk-based capital	—	—	—
YTD Cumulative realized gains/losses from sales and liquidation	—	—	—

- For additional information on Multifamily LIHTC, refer to the 2Q 2023 Form 10-Q at 20 (Multifamily Mortgage Portfolio and Guarantee Portfolio) and 2022 Form 10-K at 43-44 (Multifamily Investing Activities).

Table 8.2 - Multifamily LIHTC Risk Weight Band

	June 30, 2023		
(Dollars in millions)	Exposure	RWA	Capital Impact of RWA[29]
0% Risk Weight	$—	$—	$—
20%	—	—	—
100%	3,038	3,038	137
300%	—	—	—
400%	—	—	—
600%	—	—	—
Total	**$3,038**	**$3,038**	**$137**

[28] Mathematical sum of above line items. Non-publicly traded investments do not have readily determinable fair values.
[29] Required CET1 capital amount associated with the exposure.

9. INTEREST RATE RISK FOR NON-TRADING ACTIVITIES

Freddie Mac defines its enterprise-specific interest-rate risk as the economic risk related to adverse changes in the level or volatility of interest rates. Interest rates can fluctuate for many reasons, including changes in the fiscal and monetary policies of the federal government and its agencies as well as geopolitical events or changes in general economic conditions, such as increased inflation.

Changes in interest rates could adversely affect the cash flows and prepayment rates on assets owned and related debt and derivatives. In addition, changes in interest rates could adversely affect the prepayment rate or default rate on the loans guaranteed. For example, when interest rates decrease, borrowers are more likely to prepay their loans by refinancing them at a lower rate. An increased likelihood of prepayment on the loans underlying the Enterprise's mortgage-related securities may adversely affect the value of these securities.

Interest-rate risk is managed across both non-trading and any limited trading activities the Enterprise undertakes. The Enterprise measures the impact of interest rate shifts on the prices and durations of its interest rate sensitive assets and liabilities daily.

- For a detailed discussion of the Enterprise's interest rate risk management, including the nature of interest rate risk for all applicable activities, key assumptions, and the use of interest rate derivatives, including swaps, swaptions, and futures as hedges to manage interest rate risk, refer to the 2022 Form 10-K at 80-85 (Risk Management, Market Risk) and 124-127 (Risk Factors, Market Risks) and to the 4Q 2022 ERCF Public Disclosures at 33 (Interest Rate Risk for Non-Trading Activities).
- For the increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk for all applicable activities, refer to the 2Q 2023 Form 10-Q at 32-33 (Tables 24-27).

10. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems, or external events. As such, operational risk is generally inherent within all of Freddie Mac's day-to-day activities.

Operational risk events include the prospective breakdowns related to people, processes, infrastructure and/or technology that could result in financial loss, legal actions, regulatory fines, and reputational harm. Operational risk includes people, reporting, transactions and governance, information, technology, third-party resiliency, and models. As part of the ERM Framework, operational risks are identified, assessed, controlled, monitored, and reported.

The Enterprise's current approach for measuring operational risk capital is based on a Standardized Approach of 15 basis points of its ATA. The Enterprise is working towards implementing an Advanced Measurement Approach (AMA) which is targeted for implementation in 2025. Additional disclosures behind the model and considerations will be provided after AMA is implemented.

- For general information on operational risk and a description of the use of insurance to mitigate operational risk, refer to the 2022 Form 10-K at 86-88 (Operational Risk).

11. TIER 1 LEVERAGE RATIO

Under the ERCF, the Tier 1 leverage ratio is calculated as available Tier 1 Capital under the ERCF divided by Freddie Mac's ATA.

The Enterprise's available Tier 1 Capital as of June 30, 2023, consists of total equity minus SPS, DTA arising from temporary differences that exceed 10% of CET1 capital, and certain other items with immaterial balances.

The Enterprise's ATA for the same period mainly consists of total on-balance sheet assets and Single-Family and Multifamily off-balance sheet financial guarantees, which mainly include Single-Family and Multifamily exposures from securitization activity guarantees, other mortgage-related guarantees and guarantees of Fannie Mae securities.

Tier 1 leverage requirement acts as a backstop to risk-based capital requirements as it is less sensitive to risk and less prone to model and assumption errors.

Accounting Assets and Adjusted Total Assets

The table below presents a summary comparison of Freddie Mac's accounting assets and its ATA.

Table 11.1 - Reconciliation of Accounting Total Assets to Adjusted Total Assets

	June 30, 2023
(Dollars in millions)	Amount
Total consolidated assets as reported in published financial statements	$3,250,956
Adjustment for fiduciary assets recognized on balance sheet but excluded from total leverage exposure	—
Adjustment for derivative exposures	4,953
Adjustment for repo-style transactions	12,381
Adjustment for off-balance sheet exposures (that is, conversion to credit equivalent amounts of off-balance sheet exposures)	473,275
Other adjustments	2,412
Adjusted Total Assets	**$3,743,977**

Tier 1 Capital Leverage Ratio

The table below presents the components of Freddie Mac's Tier 1 Capital Leverage Ratio.

Table 11.2 - Composition of Adjusted Total Assets and Tier 1 Leverage Ratio

	June 30, 2023
(Dollars in millions)	Amount
On-balance sheet exposures	
On-balance sheet assets (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions and add-back of allowance for credit losses)	$3,145,867
Less: Amounts deducted from Tier 1 Capital	5,244
Total on-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)	3,140,623
Derivative exposures	
Current exposure for derivative exposures (that is, net of cash variation margin)	95
Add-on amounts for potential future exposure (PFE) for derivative exposures	1,996
Gross-up for cash collateral posted if deducted from the on-balance sheet assets, except for cash variation margin	—
Less: Deductions of receivable assets for cash variation margin posted in derivative transactions, if included in on-balance sheet assets	—
Less: Exempted CCP leg of client-cleared transactions	—
Effective notional principal amount of sold credit protection	—
Less: Effective notional principal amount offsets and PFE adjustments for sold credit protection	—
Default Fund Contributions	3,221
Current exposure for derivative exposures (that is, net of cash variation margin)	5,312
Repo-style transactions	
On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions. Exclude from this item the value of securities received in a security-for-security repo-style transaction where the securities lender has not sold or re-hypothecated the securities received. Include in this item the value of securities that qualified for sales treatment that must be reversed	121,554
Less: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements	—
Counterparty credit risk for all repo-style transactions	3,213
Exposure for repo-style transactions where the Enterprise acts as an agent	—
Total exposures for repo-style transactions	124,767
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amounts.	489,701
Less: Adjustments for conversion to credit equivalent amounts and off-balance sheet exposures held in retained portfolio	16,426
Off-balance sheet exposures	473,275
Capital and Adjusted Total Assets	
Tier 1 Capital	(35,935)
Adjusted total assets (sum of total on-balance sheet exposures, total derivative exposures, total exposures for repo-style transactions, and off-balance sheet exposures)	$3,743,977
Tier 1 leverage ratio	
Tier 1 leverage ratio (in percent)	(1.0)%

12. MARKET RISK DISCLOSURES

Freddie Mac's business segments have embedded exposure to market risk, which is the economic risk associated with adverse changes in interest rates, volatility, and spreads. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth. The primary sources of market risk are from the Enterprise's investments in mortgage-related assets, the debt issued to fund these assets, and Single-Family guarantees.

Market risk under the ERCF reflects spread risk and defines covered position as any asset that has more than de minimis spread risk (other than any intangible asset, such as any servicing asset). Based on the ERCF, measurement of market risk approaches include prescribed capital percentage, spread duration approach and internal model method. For additional details, refer to Table 12.1.

- For general information on the characteristic of the internal models used in the market risk capital calculations and benchmarking of internal estimates, refer to 4Q 2022 ERCF Public Disclosures at 36 (Market Risk Disclosures).

Material Portfolios

- For the composition of the material portfolio of covered positions, refer to Table 12.1.

Valuation Policies, Procedures, and Methodologies

- For information on the Enterprise's valuation policies, procedures, and methodologies for covered positions and securitization positions, the methods and key assumptions used for valuing such positions, refer to the 2022 Form 10-K at 203-215 (Note 16 Fair Value Disclosures) and 4Q 2022 ERCF Public Disclosures at 36-37 (Market Risk Disclosures).

Internal Modeling

- For information on the approaches used for validating and evaluating the accuracy of models and modeling processes, refer to the 2022 Form 10-K at 87-88 (Model Risk) and 4Q 2022 ERCF Public Disclosures at 37 (Market Risk Disclosures).

Stress Test

- For information on stress testing of credit spread risk in the annual DFAST process, the Enterprise's application of models to analyze outcome of different interest rate scenarios and the scenarios applied to the positions subject to particular interest rate risk factors, refer to the 2022 Form 10-K at 80-85 (Market Risk) and 4Q 2022 ERCF Public Disclosures at 37 (Market Risk Disclosures).

Market Risk Change Monitoring

- For information related to market risk change monitoring, including monitoring changes in the market risk of securitization positions, refer to the 2022 Form 10-K at 81-83 (Interest-Rate Risk), the 2Q 2023 Form 10-Q at 31-33 (Market Risk) and 4Q 2022 ERCF Public Disclosures at 37 (Market Risk Disclosures). The Enterprise has no resecuritization exposure as of June 30, 2023.

Exposure Amounts and Risk-Weighted Assets

The table below presents the exposure amounts and RWA by each product type included in covered positions of any material portfolio.

Table 12.1 - Market Risk Exposures and RWA

	June 30, 2023	
(Dollars in millions)	Exposure	Standardized Market RWA
Single Point Approach		
Mortgage exposures that are not secured by an MBS guaranteed by the Enterprise		
Non-Performing loans	$4,237	$2,516
Re-Performing loans	18,569	11,026
Reverse mortgage loans	—	—
Reverse mortgage securities	—	—
Spread Duration Approach		
Multifamily mortgage exposures	20,460	1,725
Private-Label Securities[30]	503	698
MBS (non-IO) guaranteed by an Enterprise or by Ginnie Mae and secured by Multifamily mortgage exposures	5,389	2,939
Internal Estimates		
Covered Positions that are not subject to the Single Point or Spread Duration Approaches		
Single-Family MBS guaranteed by the Enterprise	23,327	26,420
Single-Family MBS guaranteed by Ginnie Mae	—	—
Single-Family MBS guaranteed by the other Enterprise	416	448
Multifamily IO securities guaranteed by an Enterprise or Ginnie Mae	1,782	2,188
Commercial MBS	57	18
CRT exposures[31]	303	158
Other securitization exposures	3,565	7,960
Performing loans, not securitized	10,707	1,814
Other trading assets and liabilities	323	(1,351)
Total	**$89,638**	**$56,559**

[30] Market risk exposure and RWA of on-balance sheet PLS.
[31] Market risk exposure and RWA of off-balance sheet re-performing loan senior subordination securities.

GLOSSARY

This Glossary includes acronyms and defined terms that are used throughout this report and/or the 4Q 2022 ERCF Public Disclosures.

- **ACIS** - Agency Credit Insurance Structure - Transactions in which Freddie Mac purchases insurance policies that provide credit protection for certain specified credit events that are typically allocated to the non-issued notional credit risk positions of a STACR transaction. The Enterprise also enters into other ACIS transactions that provide credit protection for certain specified credit events on loans not included in a reference pool created for a STACR transaction or provide front-end credit risk transfer as loans come into the portfolio. Under each of these insurance policies, the Enterprise pays monthly premiums that are determined based on the outstanding balance of the reference pool. When specific credit events occur, the Enterprise generally receives compensation from the insurance policy up to an aggregate limit based on actual losses.
- **AMA** - Advanced Measurement Approach.
- **AOCI** - Accumulated Other Comprehensive Income (loss), net of taxes.
- **ATA** - Adjusted Total Assets.
- **CCP** - Central counterparty, counterparty (for example, a clearing house) that facilitates trades between counterparties in one or more financial markets by either guaranteeing trades or novating contracts.
- **CE** - Credit Enhancements.
- **CET1** - Common Equity Tier 1.
- **Charge-Offs** - Represent the amount of a financial asset that is removed from the consolidated balance sheets when deemed uncollectible, regardless of when the impact of the credit loss was recorded on the consolidated statements of comprehensive income. For mortgage loans, generally the amount of a charge-off is the recorded investment in excess of the fair value of the loan's collateral.
- **Conservator** - FHFA, acting in its capacity as Conservator of Freddie Mac.
- **Conservatorship Scorecard** - FHFA's mechanism for outlining specific conservatorship priorities for Freddie Mac, Fannie Mae, and their joint venture, Common Securitization Solutions, LLC℠.
- **Credit Enhancement** - A financial arrangement that is designed to reduce credit risk by partially or fully compensating an investor in a mortgage or security (e.g., Freddie Mac) in the event of specified losses. Examples of credit enhancements include insurance, CRT transactions, overcollateralization, indemnification agreements, and government guarantees.
- **CRT** - Credit Risk Transfer - Arrangements where Freddie Mac actively transfers the credit risk exposure on mortgages that it owns or guarantees.
- **CRTA** - Credit Risk Transfer Approach.
- **DFAST** - Dodd-Frank Act Stress Testing.
- **DSCR** - Debt Service Coverage Ratio - An indicator of future credit performance for Multifamily loans. The DSCR estimates a Multifamily borrower's ability to service its mortgage obligation using the secured property's cash flow, after deducting non-mortgage expenses from income. The higher the DSCR, the more likely a Multifamily borrower will be able to continue servicing its loan obligation.
- **DTA** - Deferred Tax Assets.
- **Duration** - A measure of a financial instrument's price sensitivity to changes in interest rates.
- **Duration Gap** - One of Freddie Mac’s primary interest-rate risk measures. Duration gap is a measure of the difference between the estimated durations of the Enterprise’s interest rate sensitive assets and liabilities. The Enterprise presents the duration gap of its financial instruments in units expressed as months. A duration gap of zero implies that the change in value of the Enterprise’s interest rate sensitive assets from an instantaneous change in interest rates would be expected to be accompanied by an equal and offsetting change in the value of its interest rate sensitive liabilities, thus leaving economic value unchanged.
- **Enterprises** - Freddie Mac and Fannie Mae.
- **ERCF** - Enterprise Regulatory Capital Framework - Rule initially adopted by FHFA in 2020, and subsequently amended in 2022, which establishes a new regulatory capital framework for Freddie Mac and Fannie Mae.
- **ERM** - Enterprise Risk Management.
- **ESOP** - Employee Stock Ownership Plan.

- **Fannie Mae** - Federal National Mortgage Association.
- **FHFA** - Federal Housing Finance Agency - An independent agency of the U.S. government with responsibility for regulating Freddie Mac, Fannie Mae, and the FHLBs.
- **FICC** - Fixed Income Clearing Corporation.
- **GAAP** - Generally Accepted Accounting Principles in the United States of America.
- **GSD/FICC** - Government Securities Division of the Fixed Income Clearing Corporation.
- **GSE** - Government-Sponsored Enterprises - Refers to certain legal entities created by the U.S. government, including Freddie Mac, Fannie Mae, and the FHLBs.
- **ICM** - Investment and Capital Markets division of Freddie Mac.
- **LIHTC** - Low-Income Housing Tax Credit.
- **LTV ratio** - Loan-to-value ratio - The ratio of the unpaid principal amount of a loan to the value of the property that serves as collateral for the loan, expressed as a percentage. The Enterprise reports LTV ratios based solely on the amount of the loan purchased or guaranteed by Freddie Mac.
- **MBS** - Mortgage-Backed Security.
- **MCIP** - Multifamily Credit Insurance Pool.
- **MD&A** - Management's Discussion and Analysis of Financial Condition and Results of Operations.
- **MI** - Mortgage Insurance.
- **Multifamily Loan** - A loan secured by a property with five or more residential rental units or by a manufactured housing community.
- **Multi PCs®** - Multifamily Participation Certificates.
- **MSAs** - Mortgage Servicing Assets.
- **Net Worth Amount** - The term Net Worth Amount is defined as the total assets of Freddie Mac (excluding Treasury's commitment and any unfunded amounts thereof), less the Enterprise's total liabilities (excluding any obligation in respect of capital stock), in each case as reflected on the Enterprise's consolidated balance sheets prepared in conformity with GAAP. If the calculation of the dividend payment for the quarter does not exceed zero, then no dividend shall accrue or be payable for that quarter.
- **Non-Accrual Loan** - A loan for which Freddie Mac is not accruing interest income. Freddie Mac places loans on non-accrual status when it believes collectability of principal and interest in full is not reasonably assured, which generally occurs when a loan is three monthly payments past due, unless the loan is well secured and in the process of collection based upon an individual loan assessment.
- **OAS** - Option-Adjusted Spread - An estimate of the incremental yield spread between a particular financial instrument (e.g., a security, loan, or derivative contract) and a benchmark yield curve (e.g., LIBOR, SOFR, agency, or U.S. Treasury securities). This includes consideration of potential variability in the instrument's cash flows resulting from any options embedded in the instrument, such as prepayment options. When the OAS on a given asset widens, the fair value of that asset will typically decline, all other market factors being equal. The opposite is true when the OAS on a given asset tightens.
- **OTC** - Over-the-counter.
- **PCCBA** - Prescribed Capital Conservation Buffer Amount.
- **PFE** - Potential Future Exposure.
- **PLBA** - Prescribed Leverage Buffer Amount.
- **PLS** - Private Label Security.
- **Preferred Stock** - Preferred Stock as defined and described in Exhibit 4.30 of 2022 Form 10-K.
- **Purchase Agreement** - Senior Preferred Stock Purchase Agreement.
- **Purchase Agreement / Senior Preferred Stock Purchase Agreement** - An agreement that Freddie Mac through the Conservator, acting on its behalf, entered into with Treasury on September 7, 2008, relating to Treasury's purchase of senior preferred stock and warrant, which was subsequently amended and restated on September 26, 2008 and further amended on May 6, 2009, December 24, 2009, August 17, 2012, December 21, 2017, September 27, 2019, January 14, 2021, and September 14, 2021.

- **Regulatory Capital Elements** - Common Equity Tier 1 (CET1) Capital, Tier 1 Capital, and Adjusted Total Capital.
- **REO** - Real Estate Owned - Real estate which Freddie Mac has acquired through a foreclosure sale or through a deed in lieu of foreclosure.
- **RWA** - Risk-Weighted Assets.
- **SCR Debt Note** - Structured Credit Risk debt note - A debt security where the principal balance is subject to the performance of a reference pool of Multifamily loans guaranteed by Freddie Mac.
- **SCR Trust Note** - Structured Credit Risk Trust note - A debt security issued by a nonconsolidated trust where the principal balance is linked to the credit performance of a reference pool of Multifamily loans owned or guaranteed by Freddie Mac. The Enterprise makes payments to the trust to support payment of the interest due on the notes, and it receives payments from the trust as a result of defined credit events on the reference pool.
- **SEC** - U.S. Securities and Exchange Commission.
- **Seriously Delinquent or SDQ** - Single-Family loans that are three monthly payments or more past due or in the process of foreclosure as reported to Freddie Mac by its servicers. Multifamily loans that are two monthly payments or more past due or in the process of foreclosure as reported to Freddie Mac. Unless stated otherwise, SDQ rates presented in this report refer to gross SDQ rates before consideration of credit enhancements.
- **SPE** - Special Purpose Entity.
- **Senior Preferred Stock (SPS)** - The shares of Variable Liquidation Preference Senior Preferred Stock issued to Treasury under the Purchase Agreement.
- **SSFA** - Simplified Supervisory Formula Approach.
- **STACR Debt Note** - Structured Agency Credit Risk debt note - A Freddie Mac issued debt security where the principal balance is linked to the credit performance of a reference pool of Single-Family loans owned or guaranteed by the Enterprise.
- **STACR Trust Note** - Structured Agency Credit Risk Trust note - A debt security issued by a nonconsolidated trust where the principal balance is linked to the credit performance of a reference pool of Single-Family loans owned or guaranteed by Freddie Mac. The Enterprise makes payments to the trust to support payment of the interest due on the notes, and it receives payments from the trust as a result of defined credit events on the reference pool.
- **Statutory Capital Elements** - Total Capital and Core Capital.
- **Swaption** - An option contract to enter into an interest-rate swap. In exchange for an option premium, a buyer obtains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date.
- **UPB** - Unpaid Principal Balance - Loan UPB amounts in this report have not been reduced by charge-offs recognized prior to the loan being subject to a foreclosure sale, deed in lieu of foreclosure, or short sale transaction.
- **VIEs -** Variable Interest Entity - A VIE is an entity that has a total equity investment at risk that is not sufficient to finance its activities without additional subordinated financial support provided by another party, or where the group of equity holders does not have: (1) the ability to make significant decisions about the entity's activities; (2) the obligation to absorb the entity's expected losses; or (3) the right to receive the entity's expected residual returns.
- **YTD** - Year-to-Date.