# 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 June 30, 2023**

**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**

FreddieMac

## Federal Home Loan Mortgage Corporation

*(Exact name of registrant as specified in its charter)*

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| None | N/A | N/A |

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

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

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

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

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

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

As of July 11, 2023, there were 650,059,553 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 that 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* MD&A - Forward-Looking Statements *section of this Form 10-Q and the* Introduction *and* Risk Factors *sections of our Annual Report on Form 10-K for the year ended December 31, 2022, or 2022 Annual Report.*

*Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the* Glossary *of our 2022 Annual Report.*

*You should read the following* MD&A *in conjunction with our 2022 Annual Report and our condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2023 included in* Financial Statements*.*

## INTRODUCTION

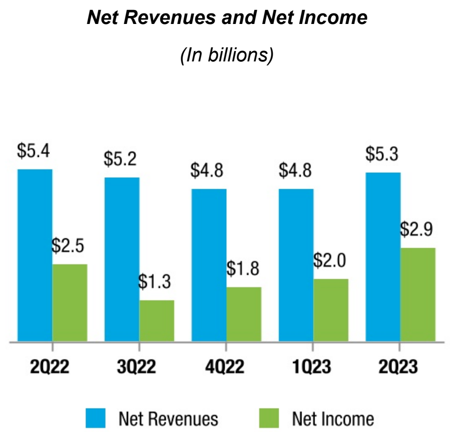
Freddie Mac is a GSE chartered by Congress in 1970, with a mission to provide liquidity, stability, and affordability to the U.S. housing market. We do this primarily by purchasing single-family and multifamily residential mortgage loans originated by lenders. In most instances, we package these loans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

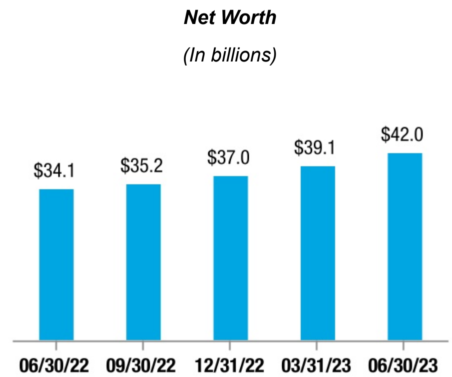
We support the U.S. housing market and the overall economy by enabling America's families to access mortgage loan funding with better terms and by providing consistent liquidity to the single-family and multifamily mortgage markets. We have helped many distressed borrowers keep their homes or avoid foreclosure and have helped many distressed renters avoid eviction.

Since September 2008, we have been operating in conservatorship, with FHFA as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. Our future is uncertain, and the conservatorship has no specified termination date. We do not know what changes may occur to our business model during or following conservatorship, including whether we will continue to exist. In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury, under which we issued Treasury both senior preferred stock and a warrant to purchase common stock. Our Purchase Agreement with Treasury is critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities. For additional information on the conservatorship and related matters and the Purchase Agreement, see our 2022 Annual Report.

# Business Results

## Consolidated Financial Results

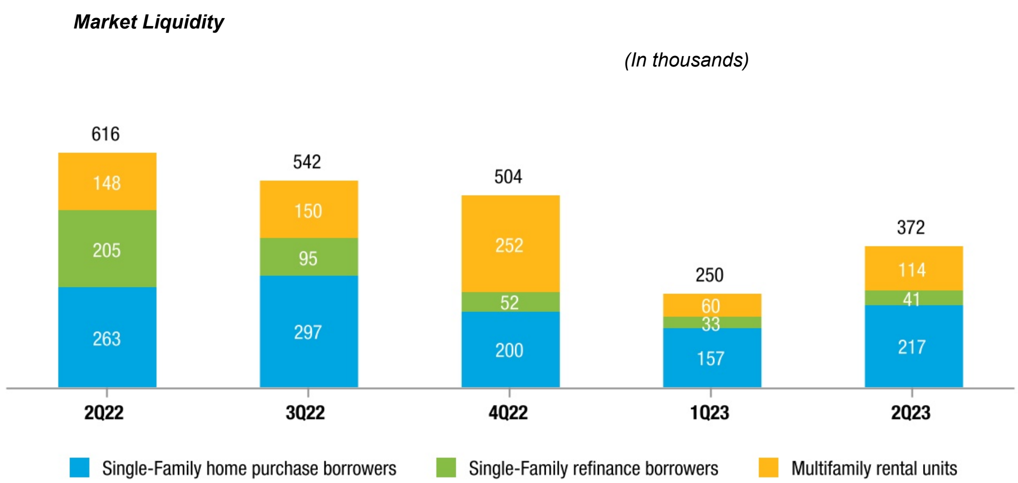



***Key Drivers:***

- Net income was $2.9 billion, an increase of 20% year-over-year, with the increase primarily driven by a credit reserve release in Single-Family.
- Net revenues were $5.3 billion, a decrease of 1% year-over-year, as lower net interest income was partially offset by an increase in non-interest income.
- Net worth was $42.0 billion as of June 30, 2023, up from $39.1 billion as of March 31, 2023 and $34.1 billion as of June 30, 2022. The quarterly increases in net worth have been, or will be, added to the aggregate liquidation preference of the senior preferred stock. The liquidation preference of the senior preferred stock was $111.7 billion on June 30, 2023, and will increase to $114.6 billion on September 30, 2023 based on the increase in net worth in 2Q 2023.

## Market Liquidity

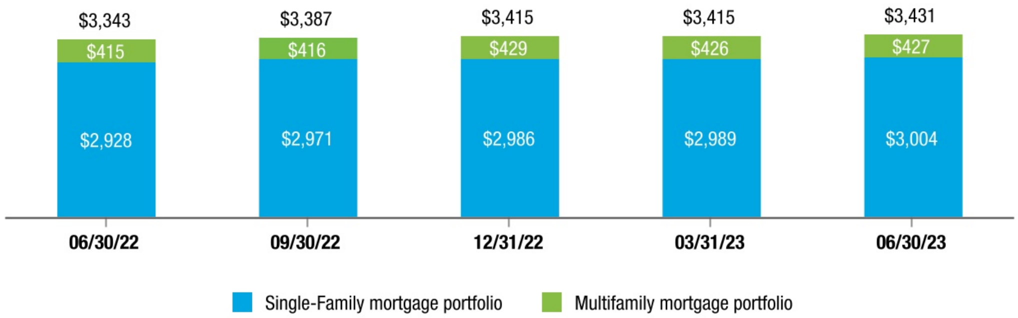



We support the U.S. housing market by executing our mission to provide liquidity and help maintain credit availability for new and refinanced single-family mortgages as well as for rental housing. We provided $96 billion in liquidity to the mortgage market in 2Q 2023, which enabled the financing of 372,000 home purchases, refinancings, and rental units.

## Mortgage Portfolio Balances

***Mortgage Portfolio***

*(UPB in billions)*



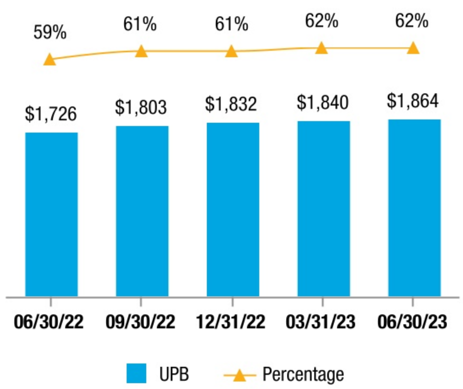

***Key Drivers:***

- Our mortgage portfolio increased 3% year-over-year to $3.4 trillion at June 30, 2023.
  - Our Single-Family mortgage portfolio was $3.0 trillion at June 30, 2023, up 3% year-over-year, as portfolio growth has moderated in recent periods due to the slowdown in new business activity as both home purchase activity and refinance activity slowed due to higher mortgage interest rates.
  - Our Multifamily mortgage portfolio was $427 billion at June 30, 2023, up 3% year-over-year, as portfolio growth has moderated in recent periods due to a slowdown in new business activity due to higher mortgage interest rates.

## Credit Risk Transfer

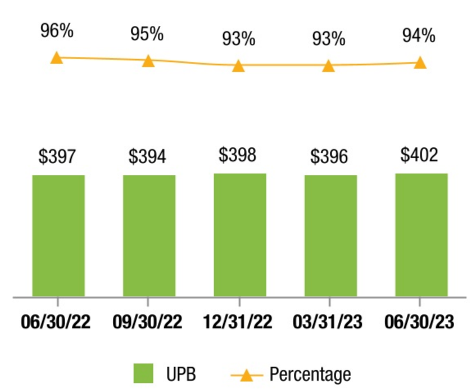
***Single-Family Mortgage Portfolio with Credit Enhancement***

*(UPB in billions)*




***Multifamily Mortgage Portfolio with Credit Enhancement***

*(UPB in billions)*



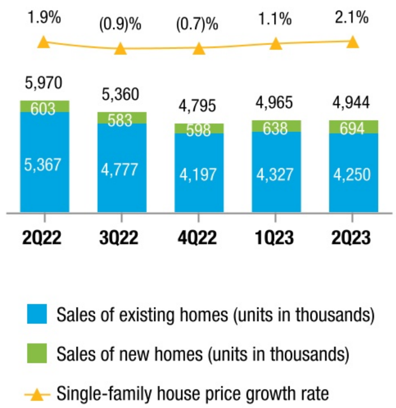

In addition to transferring interest-rate and liquidity risk to third-party investors through our securitization activities, we engage in various credit enhancement arrangements to reduce our credit risk exposure. We transfer a portion of the credit risk, primarily on recently acquired loans, through our CRT programs. We also reduce our credit risk exposure through other credit enhancement arrangements, mainly primary mortgage insurance. See MD&A - Risk Management – *Credit Risk* for additional information on our credit enhancements and CRT programs.

# HOUSING AND MORTGAGE MARKET CONDITIONS

The following charts present certain housing and mortgage market indicators that can significantly affect our business and financial results. Certain market and macroeconomic prior period data have been updated to reflect revised historical data. For additional information on the effect of these indicators on our business and financial results, see MD&A – Consolidated Results of Operations and MD&A – Our Business Segments.

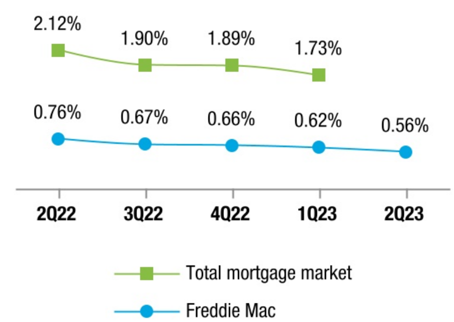
## Single-Family

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



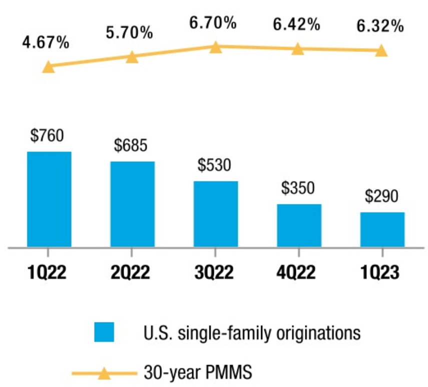

Sources: National Association of Realtors, U.S. Census Bureau, and Freddie Mac House Price Index.

***Single-Family Serious Delinquency Rates***




Source: Freddie Mac and National Delinquency Survey from the Mortgage Bankers Association. 2Q 2023 total mortgage market rate is not yet available.

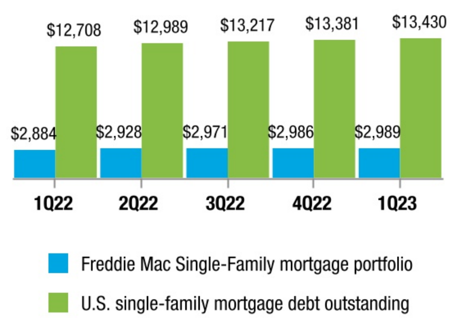
***U.S. Single-Family Mortgage Originations***




*(UPB in billions)*
Source: Freddie Mac and Inside Mortgage Finance. 2Q 2023 U.S. single-family mortgage originations data is not yet available.

***Single-Family Mortgage Debt Outstanding***

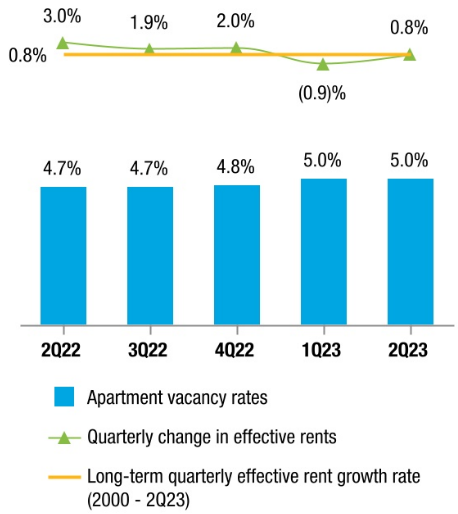
*(UPB in billions)*




Source: Freddie Mac and Federal Reserve Financial Accounts of the United States of America. 2Q 2023 U.S. single-family mortgage debt outstanding data is not yet available.

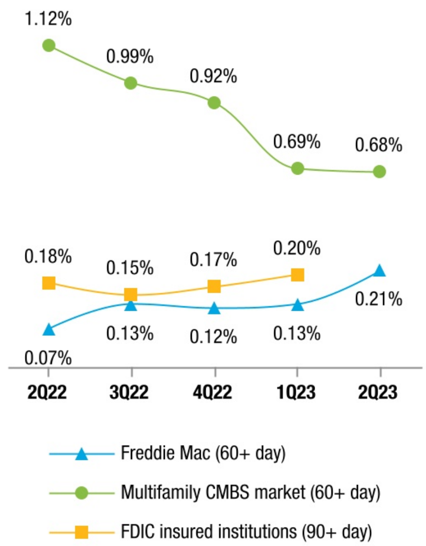
# Multifamily

***Apartment Vacancy Rates and Change in Effective Rents***



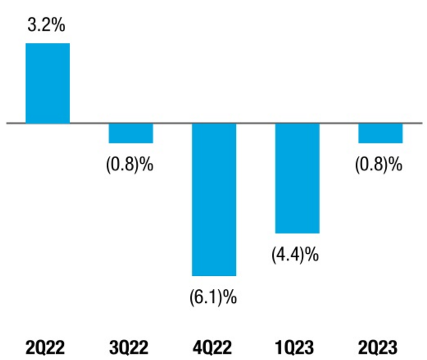

Source: Reis.

***Multifamily Delinquency Rates***




Source: Freddie Mac, FDIC Quarterly Banking Profile, Intex Solutions, Inc., and Wells Fargo Securities (Multifamily CMBS market, excluding REOs). The 2Q 2023 delinquency rate for FDIC insured institutions is not yet available.

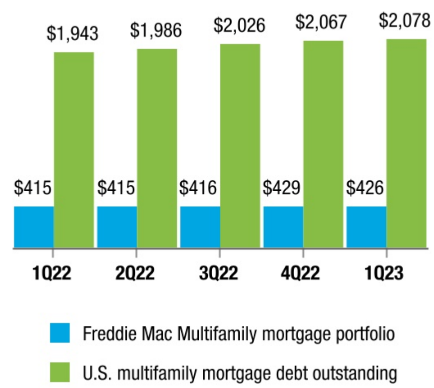
***Multifamily Property Price Growth Rate***




Source: Real Capital Analytics Commercial Property Price Index (RCA CPPI).

***Multifamily Mortgage Debt Outstanding***

*(UPB in billions)*




Source: Freddie Mac and Federal Reserve Financial Accounts of the United States of America. 2Q 2023 U.S. multifamily mortgage debt outstanding data is not yet available.

# CONSOLIDATED RESULTS OF OPERATIONS

The discussion of our consolidated results of operations should be read in conjunction with our condensed consolidated financial statements and accompanying notes. Our financial results and business volumes could be negatively affected by adverse changes in the housing market or economic conditions, including volatility and stress within the banking sector and the measures governments and financial services companies take in response. Stress in U.S. regional banks could drive elevated counterparty credit risk and indirect risk due to financing or banking relationships that our counterparties have with the affected banking organizations. We could also experience declines in the liquidity in the markets for our securities as a result of any such adverse changes or regulatory responses to adverse changes. See Risk Factors in our 2022 Annual Report for additional information.

The table below compares our summarized consolidated results of operations.

**Table 1 - Summary of Consolidated Statements of Income and Comprehensive Income**

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | 2Q 2023 | 2Q 2022 | $ | % | YTD 2023 | YTD 2022 | $ | % |
| Net interest income | $4,523 | $4,759 | ($236) | (5)% | $9,024 | $8,863 | $161 | 2 % |
| Non-interest income | 816 | 645 | 171 | 27 | 1,142 | 2,387 | (1,245) | (52) |
| **Net revenues** | **5,339** | **5,404** | **(65)** | **(1)** | **10,166** | **11,250** | **(1,084)** | **(10)** |
| (Provision) benefit for credit losses | 537 | (307) | 844 | 275 | 142 | 530 | (388) | (73) |
| Non-interest expense | (2,204) | (2,020) | (184) | (9) | (4,136) | (3,952) | (184) | (5) |
| **Income before income tax expense** | **3,672** | **3,077** | **595** | **19** | **6,172** | **7,828** | **(1,656)** | **(21)** |
| Income tax expense | (728) | (624) | (104) | (17) | (1,233) | (1,577) | 344 | 22 |
| **Net income** | **2,944** | **2,453** | **491** | **20** | **4,939** | **6,251** | **(1,312)** | **(21)** |
| Other comprehensive income (loss), net of taxes and reclassification adjustments | (54) | (66) | 12 | 18 | — | (186) | 186 | 100 |
| **Comprehensive income** | **$2,890** | **$2,387** | **$503** | **21 %** | **$4,939** | **$6,065** | **($1,126)** | **(19)%** |

# Net Revenues

## Net Interest Income

The table below presents the components of net interest income.

**Table 2 - Components of Net Interest Income**

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | 2Q 2023 | 2Q 2022 | $ | % | YTD 2023 | YTD 2022 | $ | % |
| Guarantee net interest income: | | | | | | | | |
| Contractual net interest income | $3,658 | $3,468 | $190 | 5 % | $7,324 | $6,802 | $522 | 8 % |
| Deferred fee income | 232 | 944 | (712) | (75) | 439 | 1,986 | (1,547) | (78) |
| **Total guarantee net interest income** | **3,890** | **4,412** | **(522)** | **(12)** | **7,763** | **8,788** | **(1,025)** | **(12)** |
| Investments net interest income | 1,611 | 693 | 918 | 132 | 3,043 | 1,272 | 1,771 | 139 |
| Impact on net interest income from hedge accounting | (978) | (346) | (632) | (183) | (1,782) | (1,197) | (585) | (49) |
| **Net interest income** | **$4,523** | **$4,759** | **($236)** | **(5)%** | **$9,024** | **$8,863** | **$161** | **2 %** |

***Key Drivers:***

- **Guarantee net interest income**
  - **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022** - Decreased primarily due to a decline in deferred fee income due to slower prepayments driven by higher mortgage interest rates, partially offset by continued mortgage portfolio growth and higher average portfolio guarantee fee rates.
- **Investments net interest income**
  - **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022** - Increased primarily due to higher returns on securities purchased under agreements to resell as a result of higher short-term interest rates.

- **Impact on net interest income from hedge accounting**
  - **2Q 2023 vs. 2Q 2022** - Expense increased primarily due to higher interest expense on derivatives in hedge relationships as a result of higher interest rates.
  - **YTD 2023 vs. YTD 2022** - Expense increased primarily due to higher interest expense on derivatives in hedge relationships as a result of higher interest rates, partially offset by a favorable change in the earnings mismatch on qualifying fair value hedge relationships in 1Q 2023.

## Net Interest Yield Analysis

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

**Table 3 - Analysis of Net Interest Yield**

| | 2Q 2023 | | | 2Q 2022 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Average Balance | Interest Income (Expense) | Average Rate | Average Balance | Interest Income (Expense) | Average Rate |
| Interest-earning assets: | | | | | | |
| Cash and cash equivalents | $13,572 | $135 | 3.93 % | $14,628 | $16 | 0.42 % |
| Securities purchased under agreements to resell | 127,016 | 1,622 | 5.11 | 97,150 | 186 | 0.77 |
| Investment securities | 39,617 | 363 | 3.67 | 50,655 | 464 | 3.66 |
| Mortgage loans(1) | 3,047,556 | 23,598 | 3.10 | 2,953,930 | 19,324 | 2.62 |
| Other assets | 2,749 | 37 | 5.40 | 4,250 | 18 | 1.71 |
| **Total interest-earning assets** | **3,230,510** | **25,755** | **3.19** | **3,120,613** | **20,008** | **2.56** |
| Interest-bearing liabilities: | | | | | | |
| Debt of consolidated trusts | 2,984,057 | (18,608) | (2.49) | 2,903,912 | (14,595) | (2.01) |
| Debt of Freddie Mac | 201,432 | (2,624) | (5.21) | 174,018 | (654) | (1.50) |
| **Total interest-bearing liabilities** | **3,185,489** | **(21,232)** | **(2.67)** | **3,077,930** | **(15,249)** | **(1.98)** |
| Impact of net non-interest-bearing funding | 45,021 | — | 0.04 | 42,683 | — | 0.03 |
| **Total funding of interest-earning assets** | **3,230,510** | **(21,232)** | **(2.63)** | **3,120,613** | **(15,249)** | **(1.95)** |
| **Net interest income/yield** | | **$4,523** | **0.56 %** | | **$4,759** | **0.61 %** |

(1) Loan fees included in net interest income were $0.3 billion and $0.4 billion during 2Q 2023 and 2Q 2022, respectively.

| | YTD 2023 | | | YTD 2022 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Average Balance | Interest Income (Expense) | Average Rate | Average Balance | Interest Income (Expense) | Average Rate |
| Interest-earning assets: | | | | | | |
| Cash and cash equivalents | $13,665 | $256 | 3.72 % | $15,230 | $19 | 0.24 % |
| Securities purchased under agreements to resell | 117,266 | 2,842 | 4.85 | 92,913 | 209 | 0.45 |
| Investment securities | 38,871 | 679 | 3.49 | 50,514 | 848 | 3.36 |
| Mortgage loans(1) | 3,044,843 | 46,902 | 3.08 | 2,927,495 | 36,634 | 2.50 |
| Other assets | 2,339 | 63 | 5.36 | 4,892 | 38 | 1.53 |
| **Total interest-earning assets** | **3,216,984** | **50,742** | **3.15** | **3,091,044** | **37,748** | **2.44** |
| Interest-bearing liabilities: | | | | | | |
| Debt of consolidated trusts | 2,979,737 | (36,869) | (2.47) | 2,870,198 | (27,844) | (1.94) |
| Debt of Freddie Mac | 194,516 | (4,849) | (4.98) | 178,299 | (1,041) | (1.17) |
| **Total interest-bearing liabilities** | **3,174,253** | **(41,718)** | **(2.63)** | **3,048,497** | **(28,885)** | **(1.89)** |
| Impact of net non-interest-bearing funding | 42,731 | — | 0.03 | 42,547 | — | 0.03 |
| **Total funding of interest-earning assets** | **3,216,984** | **(41,718)** | **(2.60)** | **3,091,044** | **(28,885)** | **(1.86)** |
| **Net interest income/yield** | | **$9,024** | **0.55 %** | | **$8,863** | **0.58 %** |

(1) Loan fees included in net interest income were $0.6 billion and $0.9 billion during YTD 2023 and YTD 2022, respectively.

## Non-Interest Income

The table below presents the components of non-interest income.

**Table 4 - Components of Non-Interest Income**

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | 2Q 2023 | 2Q 2022 | $ | % | YTD 2023 | YTD 2022 | $ | % |
| Guarantee income: | | | | | | | | |
| Contractual guarantee fees | 323 | $322 | $1 | — % | $647 | $640 | $7 | 1 % |
| Guarantee obligation amortization | 286 | 306 | (20) | (7) | 565 | 605 | (40) | (7) |
| Guarantee asset fair value changes | (300) | (423) | 123 | 29 | (437) | (970) | 533 | 55 |
| **Total guarantee income** | **309** | **205** | **104** | **51** | **775** | **275** | **500** | **182** |
| Investment gains, net: | | | | | | | | |
| Single-Family | (4) | 232 | (236) | (102) | (183) | 1,484 | (1,667) | (112) |
| Multifamily | 415 | 89 | 326 | 366 | 369 | 350 | 19 | 5 |
| **Total investment gains, net** | **411** | **321** | **90** | **28** | **186** | **1,834** | **(1,648)** | **(90)** |
| **Other income** | **96** | **119** | **(23)** | **(19)** | **181** | **278** | **(97)** | **(35)** |
| **Non-interest income** | **$816** | **$645** | **$171** | **27 %** | **$1,142** | **$2,387** | **($1,245)** | **(52)%** |

***Key Drivers:***

- **Guarantee income**
  - **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022** - Increased primarily due to lower fair value losses on guarantee assets as a result of smaller interest rate increases.
- **Investment gains, net**
  - **2Q 2023 vs. 2Q 2022** - Net investment gains increased primarily due to fair value gains from interest-rate risk management activities in Multifamily.
  - **YTD 2023 vs. YTD 2022** - Net investment gains declined from elevated levels in YTD 2022, which were driven by spread-related gains on commitments to hedge the Single-Family securitization pipeline during that period.

## (Provision) Benefit for Credit Losses

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

**Table 5 - (Provision) Benefit for Credit Losses**

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | 2Q 2023 | 2Q 2022 | $ | % | YTD 2023 | YTD 2022 | $ | % |
| Single-Family | $638 | ($298) | $936 | 314 % | $320 | $533 | ($213) | (40)% |
| Multifamily | (101) | (9) | (92) | (1,022) | (178) | (3) | (175) | (5,833) |
| **(Provision) benefit for credit losses** | **$537** | **($307)** | **$844** | **275 %** | **$142** | **$530** | **($388)** | **(73)%** |

***Key Drivers:***

- **2Q 2023 vs. 2Q 2022** - The benefit for credit losses for 2Q 2023 was primarily driven by a credit reserve release in Single-Family due to improvements in observed and forecasted house price appreciation, partially offset by a credit reserve build in Multifamily due to deterioration in forecasted multifamily market conditions and current loan performance. The provision for credit losses for 2Q 2022 was primarily driven by a credit reserve build in Single-Family due to portfolio growth and deterioration in forecasted economic conditions.
- **YTD 2023 vs. YTD 2022** - The benefit for credit losses for YTD 2023 was primarily driven by a credit reserve release in Single-Family due to improvements in forecasted house price appreciation, partially offset by a credit reserve build in Multifamily due to increased uncertainty in forecasted economic conditions and multifamily market conditions as well as deterioration in loan performance. The benefit for credit losses for YTD 2022 was primarily driven by a credit reserve release in Single-Family due to improvements in observed house price appreciation.

# Non-Interest Expense

The table below presents the components of non-interest expense.

**Table 6 - Components of Non-Interest Expense**

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | 2Q 2023 | 2Q 2022 | $ | % | YTD 2023 | YTD 2022 | $ | % |
| Salaries and employee benefits | ($405) | ($376) | ($29) | (8)% | ($779) | ($732) | ($47) | (6)% |
| Credit enhancement expense | (590) | (558) | (32) | (6) | (1,120) | (1,017) | (103) | (10) |
| Benefit for (decrease in) credit enhancement recoveries | (108) | (1) | (107) | (10,700) | (59) | (18) | (41) | (228) |
| Legislative assessments expense: | | | | | | | | |
| Legislated guarantee fees expense | (710) | (684) | (26) | (4) | (1,418) | (1,350) | (68) | (5) |
| Affordable housing funds allocation | (41) | (64) | 23 | 36 | (68) | (157) | 89 | 57 |
| **Total legislative assessments expense** | **(751)** | **(748)** | **(3)** | **—** | **(1,486)** | **(1,507)** | **21** | **1** |
| Other expense | (350) | (337) | (13) | (4) | (692) | (678) | (14) | (2) |
| **Non-interest expense** | **($2,204)** | **($2,020)** | **($184)** | **(9)%** | **($4,136)** | **($3,952)** | **($184)** | **(5)%** |

***Key Drivers:***

- **Credit enhancement expense**
  - **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022** - Increased primarily due to a higher volume of outstanding cumulative CRT transactions.
- **Benefit for (decrease in) credit enhancement recoveries**
  - **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022** - Decreased primarily due to a decrease in expected credit losses on covered loans.
- **Legislative assessments expense**
  - **2Q 2023 vs. 2Q 2022** - Increased primarily due to higher legislated guarantee fees expense due to growth in our Single-Family mortgage portfolio, partially offset by lower affordable housing funds allocation as a result of lower Single-Family new business activity.
  - **YTD 2023 vs. YTD 2022** - Decreased primarily due to lower affordable housing funds allocation as a result of lower Single-Family new business activity, partially offset by higher legislated guarantee fees expense due to growth in our Single-Family mortgage portfolio.

# CONSOLIDATED BALANCE SHEETS ANALYSIS

The table below compares our summarized condensed consolidated balance sheets.

**Table 7 - Summarized Condensed Consolidated Balance Sheets**

| | | | Change | |
|---|---|---|---|---|
| (Dollars in millions) | June 30, 2023 | December 31, 2022 | $ | % |
| Assets: | | | | |
| Cash and cash equivalents | $5,514 | $6,360 | ($846) | (13)% |
| Securities purchased under agreements to resell | 112,386 | 87,295 | 25,091 | 29 |
| Investment securities, at fair value | 41,629 | 38,701 | 2,928 | 8 |
| Mortgage loans held-for-sale | 11,695 | 12,197 | (502) | (4) |
| Mortgage loans held-for-investment | 3,042,604 | 3,022,318 | 20,286 | 1 |
| Accrued interest receivable, net | 9,081 | 8,529 | 552 | 6 |
| Deferred tax assets, net | 5,237 | 5,777 | (540) | (9) |
| Other assets | 22,810 | 27,156 | (4,346) | (16) |
| **Total assets** | **$3,250,956** | **$3,208,333** | **$42,623** | **1 %** |
| Liabilities and Equity: | | | | |
| Liabilities: | | | | |
| Accrued interest payable | $8,049 | $7,309 | $740 | 10 % |
| Debt | 3,189,086 | 3,145,832 | 43,254 | 1 |
| Other liabilities | 11,864 | 18,174 | (6,310) | (35) |
| **Total liabilities** | **3,208,999** | **3,171,315** | **37,684** | **1** |
| **Total equity** | **41,957** | **37,018** | **4,939** | **13** |
| **Total liabilities and equity** | **$3,250,956** | **$3,208,333** | **$42,623** | **1 %** |

***Key Drivers:***

As of June 30, 2023 compared to December 31, 2022:

- **Securities purchased under agreements to resell** increased to provide additional liquidity due to the uncertainty created by the debate about increasing the federal debt ceiling.
- **Mortgage loans held-for-investment** increased primarily due to growth in our Single-Family mortgage portfolio.
- **Other assets** decreased primarily due to a decline in receivables related to U.S. Treasury securities sold but not yet settled.
- **Debt** increased due to new debt issuances to provide additional liquidity due to the uncertainty created by the debate about increasing the federal debt ceiling, as well as an increase in debt of consolidated trusts driven by growth in our Single-Family mortgage portfolio.
- **Other liabilities** decreased primarily due to a decline in payables related to U.S. Treasury securities purchased but not yet settled.

# OUR PORTFOLIOS

## Mortgage Portfolio

The table below presents the UPB of our mortgage portfolio by segment.

**Table 8 - Mortgage Portfolio**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| Mortgage loans held-for-investment: | | | | | | |
| By consolidated trusts | $2,925,576 | $39,443 | $2,965,019 | $2,907,999 | $30,574 | $2,938,573 |
| By Freddie Mac | 35,883 | 11,866 | 47,749 | 33,506 | 17,805 | 51,311 |
| **Total mortgage loans held-for-investment** | **2,961,459** | **51,309** | **3,012,768** | **2,941,505** | **48,379** | **2,989,884** |
| Mortgage loans held-for-sale | 3,231 | 9,319 | 12,550 | 3,564 | 9,544 | 13,108 |
| **Total mortgage loans** | **2,964,690** | **60,628** | **3,025,318** | **2,945,069** | **57,923** | **3,002,992** |
| Mortgage-related guarantees: | | | | | | |
| Mortgage loans held by nonconsolidated trusts | 30,475 | 355,723 | 386,198 | 31,500 | 360,869 | 392,369 |
| Other mortgage-related guarantees | 9,079 | 10,847 | 19,926 | 9,476 | 10,510 | 19,986 |
| **Total mortgage-related guarantees** | **39,554** | **366,570** | **406,124** | **40,976** | **371,379** | **412,355** |
| **Total mortgage portfolio** | **$3,004,244** | **$427,198** | **$3,431,442** | **$2,986,045** | **$429,302** | **$3,415,347** |
| Guaranteed mortgage-related securities: | | | | | | |
| Issued by consolidated trusts | $2,938,070 | $39,444 | $2,977,514 | $2,916,038 | $30,813 | $2,946,851 |
| Issued by nonconsolidated trusts | 24,828 | 315,542 | 340,370 | 25,772 | 319,117 | 344,889 |
| **Total guaranteed mortgage-related securities** | **$2,962,898** | **$354,986** | **$3,317,884** | **$2,941,810** | **$349,930** | **$3,291,740** |

## Investments Portfolio

Our investments portfolio consists of our mortgage-related investments portfolio and our other investments portfolio.

### Mortgage-Related Investments Portfolio

The Purchase Agreement limits the size of our mortgage-related investments portfolio to a maximum amount of $225 billion. The calculation of mortgage assets subject to the Purchase Agreement cap includes the UPB of mortgage assets and 10% of the notional value of interest-only securities. We are also subject to additional limitations on the size and composition of our mortgage-related investments portfolio pursuant to FHFA guidance. For additional information on the restrictions on our mortgage-related investments portfolio, see the MD&A - Conservatorship and Related Matters section in our 2022 Annual Report.

The table below presents the details of our mortgage-related investments portfolio.

**Table 9 - Mortgage-Related Investments Portfolio**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| Unsecuritized mortgage loans: | | | | | | |
| Securitization pipeline and other loans | $10,888 | $21,185 | $32,073 | $10,093 | $27,349 | $37,442 |
| Seasoned loans | 28,226 | — | 28,226 | 26,977 | — | 26,977 |
| **Total unsecuritized mortgage loans** | **39,114** | **21,185** | **60,299** | **37,070** | **27,349** | **64,419** |
| Mortgage-related securities: | | | | | | |
| Investment securities | 4,815 | 5,835 | 10,650 | 3,440 | 6,396 | 9,836 |
| Debt of consolidated trusts | 16,327 | 811 | 17,138 | 17,939 | 536 | 18,475 |
| **Total mortgage-related securities** | **21,142** | **6,646** | **27,788** | **21,379** | **6,932** | **28,311** |
| **Mortgage-related investments portfolio** | **$60,256** | **$27,831** | **$88,087** | **$58,449** | **$34,281** | **$92,730** |
| 10% of notional amount of interest-only securities | | | $22,994 | | | $21,758 |
| Mortgage-related investments portfolio for purposes of Purchase Agreement cap | | | 111,081 | | | 114,488 |

## Other Investments Portfolio

The table below presents the details of our other investments portfolio.

**Table 10 - Other Investments Portfolio**

| | June 30, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions) | Liquidity and Contingency Operating Portfolio | Custodial Account | Other | Total Other Investments Portfolio (1) | Liquidity and Contingency Operating Portfolio | Custodial Account | Other | Total Other Investments Portfolio (1) |
| Cash and cash equivalents | $4,721 | $700 | $93 | $5,514 | $5,652 | $611 | $97 | $6,360 |
| Securities purchased under agreements to resell | 109,307 | 11,265 | 982 | 121,554 | 88,499 | 9,703 | 1,084 | 99,286 |
| Non-mortgage-related securities | 19,310 | — | 6,121 | 25,431 | 20,188 | — | 3,645 | 23,833 |
| Other assets | — | — | 6,133 | 6,133 | — | — | 4,565 | 4,565 |
| **Other investments portfolio** | **$133,338** | **$11,965** | **$13,329** | **$158,632** | **$114,339** | **$10,314** | **$9,391** | **$134,044** |

(1) Represents carrying value.

# OUR BUSINESS SEGMENTS

As shown in the table below, we have two reportable segments, which are based on the way we manage our business.

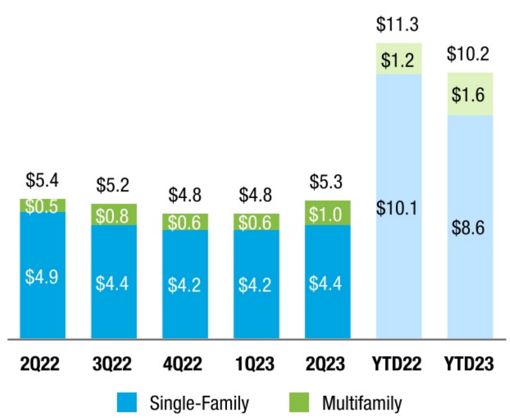
| Segment | Description |
|---|---|
| **Single-Family** | Reflects results from our purchase, securitization, and guarantee of single-family loans, our investments in single-family loans and mortgage-related securities, the management of Single-Family mortgage credit risk and market risk, and any results of our treasury function that are not allocated to each segment. |
| **Multifamily** | Reflects results from our purchase, securitization, and guarantee of multifamily loans, our investments in multifamily loans and mortgage-related securities, and the management of Multifamily mortgage credit risk and market risk. |

## Segment Net Revenues and Net Income

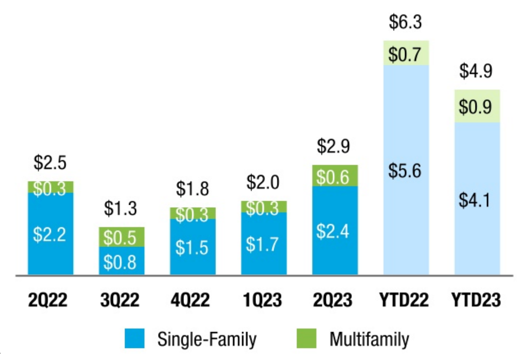
The charts below show our net revenues and net income by segment.

***Segment Net Revenues***

*(In billions)*




***Segment Net Income***




*(In billions)*

# Single-Family

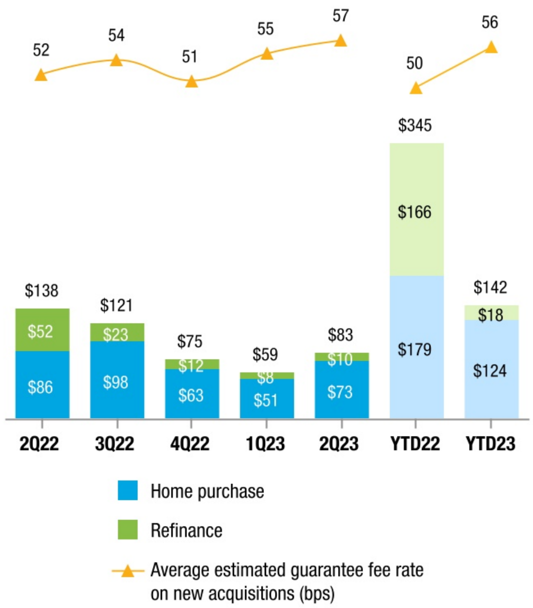
## Business Results

The charts, tables, and related discussion below present the business results of our Single-Family segment.

## New Business Activity

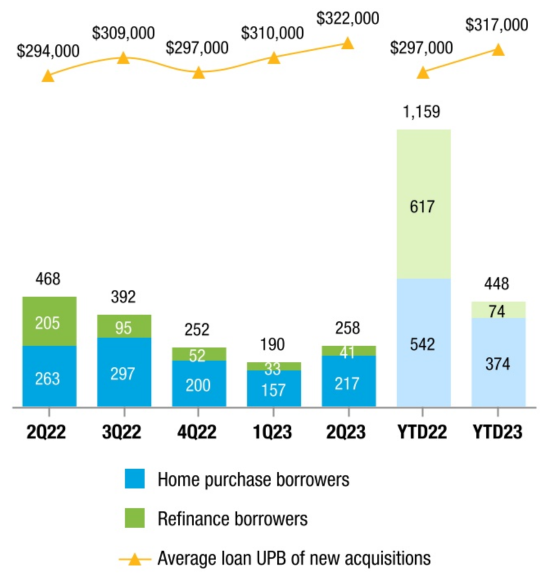
**UPB of Single-Family Loan Purchases and Guarantees by Loan Purpose and Average Estimated Guarantee Fee Rate[1] on New Acquisitions**

*(UPB in billions)*




**Number of Families Helped to Own a Home and Average Loan UPB of New Acquisitions**

*(Loan count in thousands)*



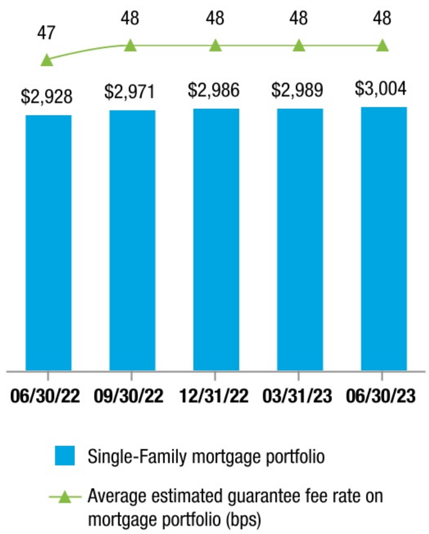

(1) Estimated guarantee fee rate calculation excludes the legislated guarantee fees and includes deferred fees recognized over the estimated life of the related loans.

- **2Q 2023 vs. 2Q 2022 and YTD 2023 vs YTD 2022**
  - Our loan purchase and guarantee activity slowed due to higher mortgage interest rates. We expect volume for the remainder of the year to be lower than 2022 due in part to higher mortgage interest rates.
  - The average loan size of new acquisitions increased due to a higher conforming loan limit and house price appreciation in recent quarters.
  - The average estimated guarantee fee rate on new acquisitions increased primarily due to higher contractual guarantee fees and faster expected credit fee recognition driven by higher estimated prepayments on new acquisitions. This increase was partially offset by a shift in the business mix of new acquisitions.

For additional information on credit fee changes, see the MD&A - Regulation and Supervision section in this Form 10-Q and our 2022 Annual Report.

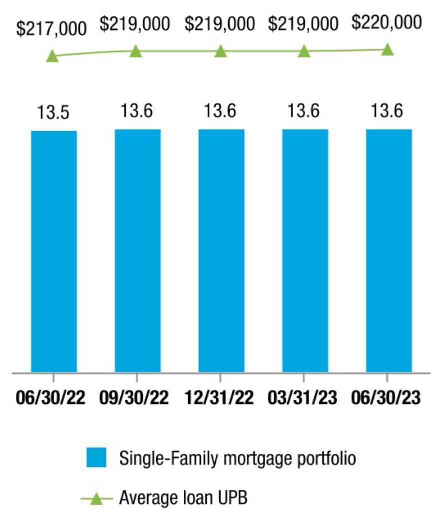
## Single-Family Mortgage Portfolio

***Single-Family Mortgage Portfolio and Average Estimated Guarantee Fee Rate[(1)] on Mortgage Portfolio***




***Single-Family Mortgage Loans***

*(Loan count in millions)*




*(UPB in billions)*

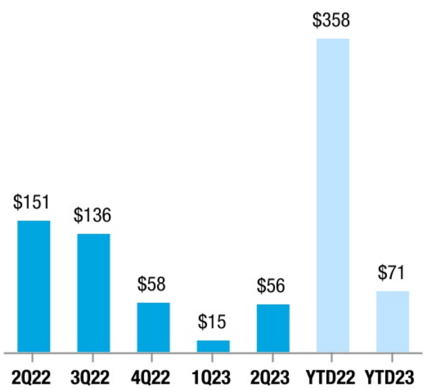
(1) Estimated guarantee fee rate is calculated as of acquisition and excludes the legislated guarantee fees. Estimated guarantee fee rate calculation also excludes certain loans, the majority of which are held by VIEs that we do not consolidate. The UPB of these excluded loans was $42 billion as of June 30, 2023.

- Our Single-Family mortgage portfolio was $3.0 trillion at June 30, 2023, up 3% year-over-year, as portfolio growth has moderated in recent periods due to the slowdown in new business activity as both home purchase activity and refinance activity slowed due to higher mortgage interest rates.
- The average estimated guarantee fee rate on our Single-Family mortgage portfolio increased year-over-year as older vintages with lower estimated guarantee fee rates were replaced by acquisitions of new loans with higher estimated guarantee fee rates.

## CRT Activities

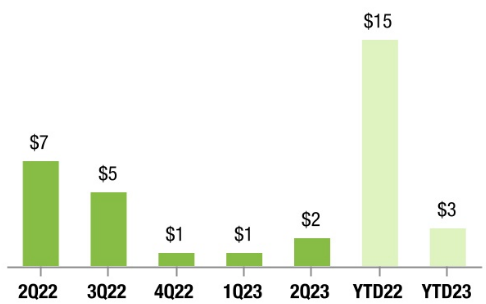
We transfer credit risk on a portion of our Single-Family mortgage portfolio to the private market, reducing the risk of future losses to us when borrowers default. The charts below show the issuance amounts associated with CRT transactions for loans in our Single-Family mortgage portfolio.

***UPB Covered by New CRT Issuance***




*(In billions)*

***New CRT Issuance Maximum Coverage***




*(In billions)*

- **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022**
  - The UPB of mortgage loans covered by CRT transactions and related maximum coverage issued during 2Q 2023 and YTD 2023 decreased compared to 2Q 2022 and YTD 2022 due to a decrease in loan acquisition activity in recent quarters and changes in business strategy and market conditions.
  - The percentage of our Single-Family acquisitions that were loans in the targeted population for our CRT transactions (primarily 30-year fixed rate loans with LTV ratios between 60% and 97%) increased to 82% during both 2Q 2023 and YTD 2023, from 73% and 70% during 2Q 2022 and YTD 2022, respectively, primarily driven by an increase in the percentage of recently acquired loans with original LTV ratios above 60% and an increase in the percentage of 30-year loan acquisitions. We expect to include a subset of this targeted population in our future CRT transactions.

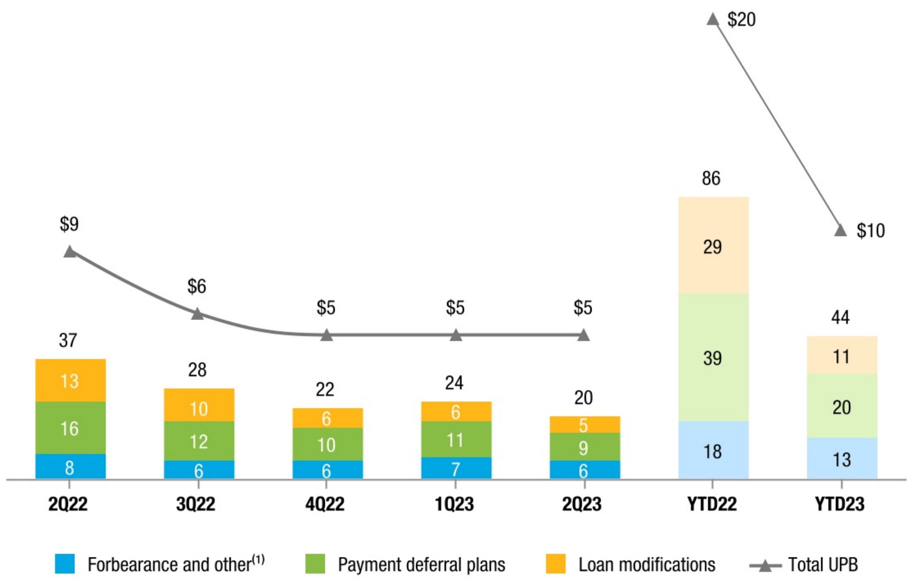
See MD&A - Risk Management - *Single-Family Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors* for additional information on our CRT activities and other credit enhancements.

## Loss Mitigation Activities

The following chart provides details about the single-family loan workout activities that were completed during the periods presented.

***Completed Loan Workout Activity***

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




(1) The forbearance data is limited to loans in forbearance that are past due based on the loans' original contractual terms and excludes both loans for which we do not control servicing and loans included in certain legacy transactions, as the forbearance data for such loans is either not reported to us by the servicers or is otherwise not readily available to us. Other includes repayment plans and foreclosure alternatives.

- Completed loan workout activity includes forbearance plans where borrowers fully reinstated the loan to current status during or at the end of the forbearance period, payment deferral plans, loan modifications, successfully completed repayment plans, short sales, and deeds in lieu of foreclosure. Completed loan workout activity excludes active loss mitigation activity that was ongoing and had not been completed as of the end of the period, such as forbearance plans that had been initiated but not completed and trial period modifications. There were approximately 22,000 loans in active forbearance plans and approximately 13,000 loans in other active loss mitigation activity as of June 30, 2023.
- **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022** - Our loan workout activity decreased as the seriously delinquent loan population continued to decline.

# Financial Results

The table below presents the results of operations for our Single-Family segment. See Note 11 for additional information about segment financial results.

**Table 11 - Single-Family Segment Financial Results**

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | 2Q 2023 | 2Q 2022 | $ | % | YTD 2023 | YTD 2022 | $ | % |
| Net interest income | $4,295 | $4,535 | ($240) | (5)% | $8,591 | $8,341 | $250 | 3 % |
| Non-interest income | 65 | 336 | (271) | (81) | (28) | 1,744 | (1,772) | (102) |
| **Net revenues** | **4,360** | **4,871** | **(511)** | **(10)** | **8,563** | **10,085** | **(1,522)** | **(15)** |
| (Provision) benefit for credit losses | 638 | (298) | 936 | 314 | 320 | 533 | (213) | (40) |
| Non-interest expense | (2,028) | (1,854) | (174) | (9) | (3,811) | (3,632) | (179) | (5) |
| **Income before Income tax expense** | **2,970** | **2,719** | **251** | **9** | **5,072** | **6,986** | **(1,914)** | **(27)** |
| Income tax expense | (589) | (551) | (38) | (7) | (1,014) | (1,407) | 393 | 28 |
| **Net income** | **2,381** | **2,168** | **213** | **10** | **4,058** | **5,579** | **(1,521)** | **(27)** |
| Other comprehensive income (loss), net of taxes and reclassification adjustments | 2 | 5 | (3) | (60) | 1 | (7) | 8 | 114 |
| **Comprehensive income** | **$2,383** | **$2,173** | **$210** | **10 %** | **$4,059** | **$5,572** | **($1,513)** | **(27)%** |

***Key Business Drivers:***

- **2Q 2023 vs. 2Q 2022**
  - Net income of $2.4 billion, up 10% year-over-year.
    - Net revenues were $4.4 billion, down 10% year-over-year. Net interest income was $4.3 billion, down 5% year-over-year, primarily driven by lower deferred fee income due to slower prepayments as a result of higher mortgage interest rates.
    - The benefit for credit losses was $0.6 billion for 2Q 2023, primarily driven by a credit reserve release due to improvements in observed and forecasted house price appreciation. The provision for credit losses of $0.3 billion for 2Q 2022 was primarily driven by a credit reserve build due to portfolio growth and deterioration in forecasted economic conditions.
- **YTD 2023 vs. YTD 2022**
  - Net income of $4.1 billion, down 27% year-over-year.
    - Net revenues were $8.6 billion, down 15% year-over-year.
      - Net interest income was $8.6 billion for YTD 2023, up 3% year-over-year, primarily driven by mortgage portfolio growth, higher average portfolio guarantee fee rates, and higher investments net interest income due to higher interest rates. These increases were partially offset by lower deferred fee income due to slower prepayments as a result of higher mortgage interest rates.
      - Non-interest income of $1.7 billion for YTD 2022 was primarily driven by spread-related gains on commitments to hedge the securitization pipeline during that period.
    - The benefit for credit losses was $0.3 billion and $0.5 billion for YTD 2023 and YTD 2022, respectively. The benefit for credit losses for YTD 2023 was primarily driven by a credit reserve release due to improvements in forecasted house price appreciation. The benefit for credit losses for YTD 2022 was primarily driven by a credit reserve release due to improvements in observed house price appreciation.

# Multifamily

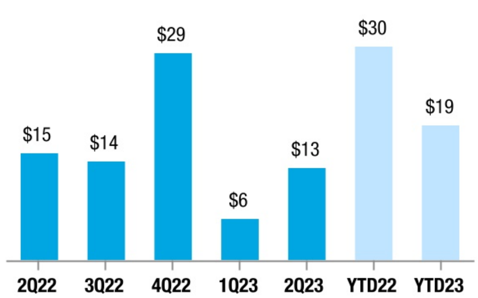
## Business Results

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

### New Business Activity

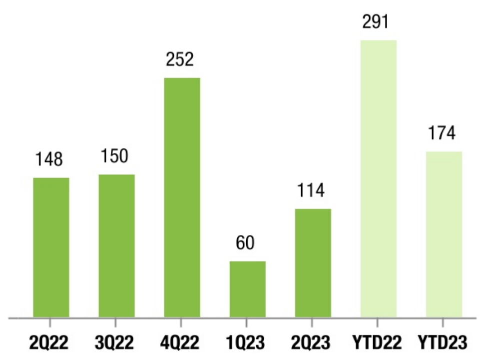
**_New Business Activity_**

*(In billions)*




**_Total Number of Rental Units Financed_**[1]

*(In thousands)*



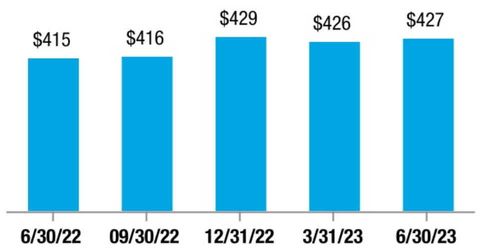

(1) Includes rental units financed by supplemental loans.

- As of June 30, 2023, the Multifamily new business activity was $19 billion, down 37% year-over-year, as our new business activity was lower as higher mortgage interest rates and greater market uncertainty have reduced demand for multifamily financing. Approximately 66% of this activity, based on UPB, was mission-driven, affordable housing.
- Our index lock agreements and outstanding commitments to purchase or guarantee multifamily assets were $17.1 billion and $19.4 billion as of June 30, 2023 and June 30, 2022, respectively.

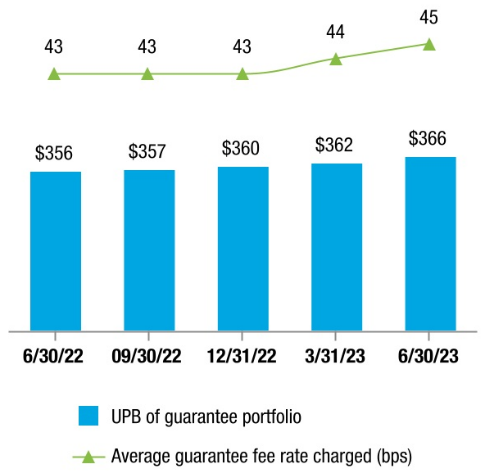
## Multifamily Mortgage Portfolio and Guarantee Portfolio

***Mortgage Portfolio***

*(In billions)*




***Guarantee Portfolio***



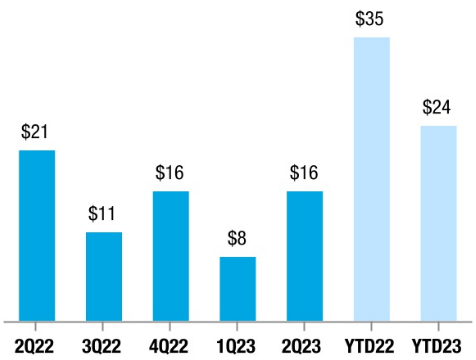

*(In billions)*

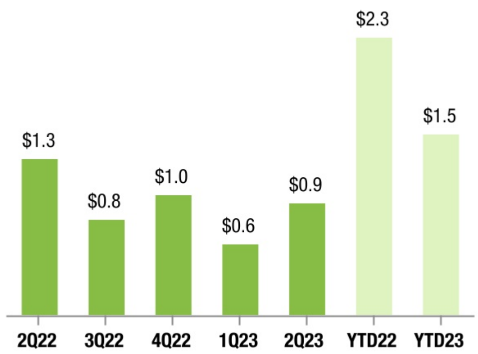
- Our Multifamily mortgage portfolio was $427 billion at June 30, 2023, up 3% year-over-year, as portfolio growth has moderated in recent periods due to the slowdown in new business activity. Our guarantee portfolio was $366 billion at June 30, 2023, up 3% year-over-year, as our new securitization activities outpaced payoffs.
- In addition to our Multifamily mortgage portfolio, we have investments in LIHTC fund partnerships with carrying values totaling $3.0 billion and $2.8 billion as of June 30, 2023 and December 31, 2022, respectively.

## CRT Activities

***UPB Covered by New CRT Issuance New CRT Issuance Maximum Coverage***

*(In billions) (In billions)*




- **2Q 2023 vs. 2Q 2022 and YTD 2023 vs. YTD 2022**
  - The UPB of mortgage loans covered by new CRT transactions and the maximum coverage decreased primarily due to fewer securitizations with subordination as a result of a smaller average held-for-sale securitization pipeline.

See MD&A - Risk Management - *Multifamily Mortgage Credit Risk - Transferring Credit Risk to Third-Party Investors* for more information on risk transfer transactions and credit enhancements on our Multifamily mortgage portfolio.

## Financial Results

The table below presents the results of operations for our Multifamily segment. See Note 11 for additional information about segment financial results.

**Table 12 - Multifamily Segment Financial Results**

| (Dollars in millions) | 2Q 2023 | 2Q 2022 | Change $ | Change % | YTD 2023 | YTD 2022 | Change $ | Change % |
|---|---|---|---|---|---|---|---|---|
| Net interest income | $228 | $224 | $4 | 2 % | $433 | $522 | ($89) | (17)% |
| Non-interest income | 751 | 309 | 442 | 143 | 1,170 | 643 | 527 | 82 |
| **Net revenues** | **979** | **533** | **446** | **84** | **1,603** | **1,165** | **438** | **38** |
| (Provision) benefit for credit losses | (101) | (9) | (92) | (1,022) | (178) | (3) | (175) | (5,833) |
| Non-interest expense | (176) | (166) | (10) | (6) | (325) | (320) | (5) | (2) |
| **Income before income tax expense** | **702** | **358** | **344** | **96** | **1,100** | **842** | **258** | **31** |
| Income tax expense | (139) | (73) | (66) | (90) | (219) | (170) | (49) | (29) |
| **Net income** | **563** | **285** | **278** | **98** | **881** | **672** | **209** | **31** |
| Other comprehensive income (loss), net of taxes and reclassification adjustments | (56) | (71) | 15 | 21 | (1) | (179) | 178 | 99 |
| **Comprehensive income** | **$507** | **$214** | **$293** | **137 %** | **$880** | **$493** | **$387** | **78 %** |

***Key Business Drivers:***

- **2Q 2023 vs. 2Q 2022**
  - Net income of $0.6 billion, up 98% year-over-year.
    - Net revenues were $1.0 billion, up 84% year-over-year.
      - Non-interest income was $0.8 billion, up 143% year-over-year, driven by higher guarantee income and higher net investment gains. Guarantee income increased primarily due to lower fair value losses on guarantee assets as a result of smaller interest rate increases. Net investment gains increased primarily due to fair value gains from interest-rate risk management activities.
    - Provision for credit losses was $0.1 billion for 2Q 2023, driven by a credit reserve build due to deterioration in forecasted multifamily market conditions and current loan performance.

- **YTD 2023 vs. YTD 2022**
  - Net income of $0.9 billion, up 31% year-over-year.
    - Net revenues were $1.6 billion, up 38% year-over-year.
      - Net interest income was $0.4 billion, down 17% year-over-year, primarily due to lower prepayment income driven by higher mortgage interest rates.
      - Non-interest income was $1.2 billion, up 82% year-over-year, driven by higher guarantee income and higher net investment gains. Guarantee income increased primarily due to lower fair value losses on guarantee assets as a result of smaller interest rate increases. Net investment gains increased primarily due to fair value gains from interest rate risk management activities.
    - Provision for credit losses was $0.2 billion for YTD 2023, driven by a credit reserve build due to increased uncertainty in forecasted economic conditions and multifamily market conditions as well as deterioration in loan performance.

# RISK MANAGEMENT

To achieve our mission, we take risks as an integral part of our business activities. We are exposed to the following key types of risk: credit risk, market risk, liquidity risk, operational risk, compliance risk, legal risk, strategic risk, and reputation risk.

## Credit Risk

### Allowance for Credit Losses

The tables below present a summary of the changes in our allowance for credit losses and key allowance for credit losses ratios.

**Table 13 - Allowance for Credit Losses Activity**

| | 2Q 2023 | | | 2Q 2022 | | | YTD 2023 | | | YTD 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| **Allowance for credit losses:** | | | | | | | | | | | | |
| Beginning balance | $8,097 | $224 | $8,321 | $4,849 | $72 | $4,921 | $7,746 | $147 | $7,893 | $5,440 | $78 | $5,518 |
| Provision (benefit) for credit losses | (638) | 101 | (537) | 298 | 9 | 307 | (320) | 178 | (142) | (533) | 3 | (530) |
| Charge-offs | (111) | — | (111) | (107) | — | (107) | (201) | — | (201) | (280) | — | (280) |
| Recoveries collected | 29 | — | 29 | 43 | — | 43 | 61 | — | 61 | 95 | — | 95 |
| Net charge-offs | (82) | — | (82) | (64) | — | (64) | (140) | — | (140) | (185) | — | (185) |
| Other(1) | 80 | — | 80 | 259 | — | 259 | 171 | — | 171 | 620 | — | 620 |
| **Ending balance** | **$7,457** | **$325** | **$7,782** | **$5,342** | **$81** | **$5,423** | **$7,457** | **$325** | **$7,782** | **$5,342** | **$81** | **$5,423** |
| Average loans outstanding during the period(2) | $2,991,397 | $48,309 | $3,039,706 | $2,917,015 | $29,805 | $2,946,820 | $2,988,562 | $48,029 | $3,036,591 | $2,892,734 | $28,942 | $2,921,676 |
| Net charge-offs to average loans outstanding | — % | — % | — % | — % | — % | — % | — % | — % | — % | 0.01 % | — % | 0.01 % |
| **Components of ending balance of allowance for credit losses:** | | | | | | | | | | | | |
| Mortgage loans held-for-investment | $7,088 | $251 | $7,339 | $4,904 | $35 | $4,939 | | | | | | |
| Other(3) | 369 | 74 | 443 | 438 | 46 | 484 | | | | | | |
| **Total ending balance** | **$7,457** | **$325** | **$7,782** | **$5,342** | **$81** | **$5,423** | | | | | | |

(1) Primarily includes capitalization of past due interest related to non-accrual loans that received payment deferral plans and loan modifications.

(2) Based on amortized cost basis of held-for-investment loans for which we have not elected the fair value option.

(3) Includes allowance for credit losses related to advances of pre-foreclosure costs, accrued interest receivable on mortgage loans, and off-balance sheet credit exposures.

**Table 14 - Allowance for Credit Losses Ratios**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| **Allowance for credit losses ratios:** | | | | | | |
| Allowance for credit losses[1] to total loans outstanding | 0.24 % | 0.50 % | 0.24 % | 0.25 % | 0.16 % | 0.24 % |
| Non-accrual loans to total loans outstanding | 0.43 | 0.11 | 0.42 | 0.34 | 0.09 | 0.33 |
| Allowance for credit losses to non-accrual loans | 55.15 | 448.21 | 56.86 | 72.45 | 183.33 | 72.91 |
| **Balances:** | | | | | | |
| Allowance for credit losses on mortgage loans held-for-investment | $7,088 | $251 | $7,339 | $7,314 | $77 | $7,391 |
| Total loans outstanding[2] | 2,998,784 | 49,800 | 3,048,584 | 2,981,401 | 47,094 | 3,028,495 |
| Non-accrual loans[2] | 12,852 | 56 | 12,908 | 10,095 | 42 | 10,137 |

(1) Represents allowance for credit losses on held-for-investment loans for which we have not elected the fair value option.

(2) Based on amortized cost basis of held-for-investment loans for which we have not elected the fair value option.

The ratio of allowance for credit losses to non-accrual loans decreased as of June 30, 2023 compared to December 31, 2022, primarily driven by a credit reserve release in Single-Family due to improvements in forecasted house price appreciation.

# Single-Family Mortgage Credit Risk

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

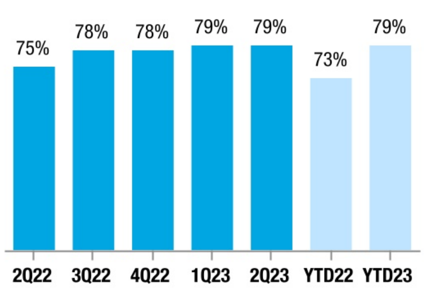
***Loan Purchase Credit Characteristics***

We monitor and evaluate market conditions that could affect the credit quality of our single-family loan purchases. Additionally, when managing our new acquisitions, we consider our risk limits and guidance from FHFA and capital requirements under the ERCF. This may affect the volume and characteristics of our loan acquisitions.

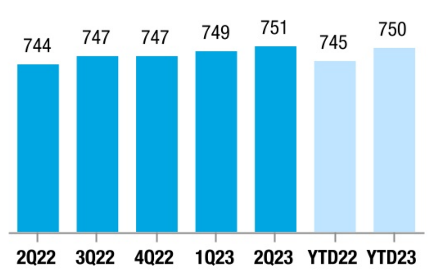
The charts below show the credit profile of the single-family loans we purchased or guaranteed. The average original LTV increased year-over-year due to the increase in the percentage of loan acquisitions related to home purchases as home purchase loans typically have higher LTV ratios than refinance loans. The percentage of loans with a DTI ratio greater than 45% also increased year-over-year due to changes in market conditions, such as increasing house prices and higher mortgage interest rates in recent quarters, and changes in our purchase guidelines in support of mission-driven activities.

We have observed an increase in serious delinquency rates on certain recently acquired loans. We have updated our purchase guidelines on refinance loans with certain higher risk characteristics that are designed to partially balance our credit risk exposure while supporting affordable housing in a responsible manner.

***Weighted Average Original LTV Ratio***




***Weighted Average Original Credit Score[1]***




(1) Weighted average original credit score is generally based on three credit bureaus (Equifax, Experian, and TransUnion).

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

**Table 15 - Single-Family New Business Activity**

| | 2Q 2023 | | 2Q 2022 | | YTD 2023 | | YTD 2022 | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| 20- and 30-year or more, amortizing fixed-rate | $78,730 | 95 % | $124,910 | 91 % | $134,199 | 95 % | $306,887 | 89 % |
| 15-year or less, amortizing fixed-rate | 3,038 | 4 | 11,084 | 8 | 5,252 | 4 | 34,568 | 10 |
| Adjustable-rate | 1,082 | 1 | 1,671 | 1 | 2,364 | 1 | 3,298 | 1 |
| **Total** | **$82,850** | **100 %** | **$137,665** | **100 %** | **$141,815** | **100 %** | **$344,753** | **100 %** |
| **Percentage of purchases** | | | | | | | | |
| DTI ratio > 45% | | 26 % | | 17 % | | 25 % | | 16 % |
| Original LTV ratio > 90% | | 27 | | 19 | | 27 | | 16 |
| Transaction type: | | | | | | | | |
| Cash window | | 30 | | 30 | | 29 | | 27 |
| Guarantor swap | | 70 | | 70 | | 71 | | 73 |
| Property type: | | | | | | | | |
| Detached single-family houses and townhouses | | 91 | | 92 | | 91 | | 93 |
| Condominium or co-op | | 9 | | 8 | | 9 | | 7 |
| Occupancy type: | | | | | | | | |
| Primary residence | | 92 | | 90 | | 92 | | 89 |
| Second home | | 2 | | 2 | | 2 | | 4 |
| Investment property | | 6 | | 8 | | 6 | | 7 |
| Loan purpose: | | | | | | | | |
| Purchase | | 88 | | 62 | | 87 | | 52 |
| Cash-out refinance | | 8 | | 28 | | 9 | | 31 |
| Other refinance | | 4 | | 10 | | 4 | | 17 |

## Transferring Credit Risk to Third-Party Investors

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

***Single-Family Mortgage Portfolio CRT Issuance***

The table below provides the UPB of the mortgage loans covered by CRT transactions issued during the periods presented as well as the maximum coverage provided by those transactions.

**Table 16 - Single-Family Mortgage Portfolio CRT Issuance**

| | 2Q 2023 | | 2Q 2022 | |
|---|---|---|---|---|
| (In millions) | UPB[1] | Maximum Coverage[2] | UPB[1] | Maximum Coverage[2] |
| STACR | $48,444 | $1,591 | $111,412 | $4,783 |
| ACIS | 7,593 | 293 | 37,700 | 1,489 |
| Other | 74 | 74 | 1,551 | 248 |
| **Total CRT issuance** | **$56,111** | **$1,958** | **$150,663** | **$6,520** |

Referenced footnotes are included after the year-to-date table.

| | YTD 2023 | | YTD 2022 | |
|---|---|---|---|---|
| (In millions) | UPB(1) | Maximum Coverage(2) | UPB(1) | Maximum Coverage(2) |
| STACR | $63,331 | $2,202 | $234,974 | $9,871 |
| ACIS | 7,593 | 293 | 121,691 | 4,715 |
| Other | 120 | 120 | 1,697 | 394 |
| **Total CRT issuance** | **$71,044** | **$2,615** | **$358,362** | **$14,980** |

(1) Represents the UPB of the assets included in the associated reference pool or securitization trust, as applicable.

(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.

***Single-Family Mortgage Portfolio Credit Enhancement Coverage Outstanding***

The table below provides information on the UPB and maximum coverage associated with credit-enhanced loans in our Single-Family mortgage portfolio.

**Table 17 - Single-Family Mortgage Portfolio Credit Enhancement Coverage Outstanding**

| | June 30, 2023 | | |
|---|---|---|---|
| (Dollars in millions) | UPB(1) | % of Portfolio | Maximum Coverage(2) |
| Primary mortgage insurance(3) | $624,103 | 21 % | $160,625 |
| STACR | 1,209,492 | 40 | 34,255 |
| ACIS | 862,924 | 29 | 18,561 |
| Other | 40,380 | 1 | 11,097 |
| Less: UPB with multiple credit enhancements and other reconciling items(4) | (873,061) | (29) | — |
| **Single-Family mortgage portfolio - credit-enhanced** | **1,863,838** | **62** | **224,538** |
| Single-Family mortgage portfolio - non-credit-enhanced | 1,140,406 | 38 | N/A |
| **Total** | **$3,004,244** | **100 %** | **$224,538** |

| | December 31, 2022 | | |
|---|---|---|---|
| (Dollars in millions) | UPB(1) | % of Portfolio | Maximum Coverage(2) |
| Primary mortgage insurance(3) | $609,123 | 21 % | $155,022 |
| STACR | 1,188,017 | 40 | 35,111 |
| ACIS | 938,409 | 31 | 19,774 |
| Other | 41,572 | 1 | 11,105 |
| Less: UPB with multiple credit enhancements and other reconciling items(4) | (945,062) | (32) | — |
| **Single-Family mortgage portfolio - credit-enhanced** | **1,832,059** | **61** | **221,012** |
| Single-Family mortgage portfolio - non-credit-enhanced | 1,153,986 | 39 | N/A |
| **Total** | **$2,986,045** | **100 %** | **$221,012** |

(1) Represents the current UPB of the assets included in the associated reference pool or securitization trust, as applicable.

(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.

(3) Amounts exclude certain loans for which we do not control servicing, as the coverage information for these loans is not readily available to us.

(4) Other reconciling items primarily include timing differences in reporting cycles between the UPB of certain CRT transactions and the UPB of the underlying loans.

***Credit Enhancement Coverage Characteristics***

The table below provides the serious delinquency rates for the credit-enhanced and non-credit-enhanced loans in our Single-Family mortgage portfolio. The credit-enhanced categories are not mutually exclusive as a single loan may be covered by both primary mortgage insurance and other credit enhancements.

**Table 18 - Serious Delinquency Rates for Credit-Enhanced and Non-Credit-Enhanced Loans in Our Single-Family Mortgage Portfolio**

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| (% of portfolio based on UPB)(1) | % of Portfolio(2) | SDQ Rate | % of Portfolio(2) | SDQ Rate |
| Credit-enhanced: | | | | |
| Primary mortgage insurance | 21 % | 0.91 % | 21 % | 1.05 % |
| CRT and other | 56 | 0.58 | 56 | 0.68 |
| Non-credit-enhanced | 38 | 0.48 | 39 | 0.57 |
| **Total** | **N/A** | **0.56** | **N/A** | **0.66** |

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

(2) Percentages do not total to 100% as a single loan may be included in multiple line items.

***Credit Enhancement Recoveries***

Our expected recovery receivable from freestanding credit enhancements, net of allowance, was $0.3 billion and $0.4 billion as of June 30, 2023 and December 31, 2022, respectively.

## Monitoring Loan Performance and Characteristics

We review loan performance, including delinquency statistics and related loan characteristics, in conjunction with housing market and economic conditions, to assess credit risk when estimating our allowance for credit losses. We also use this information to determine if our pricing and eligibility standards reflect the risk associated with the loans we purchase and guarantee.

***Loan Characteristics***

The table below contains details of the characteristics of the loans in our Single-Family mortgage portfolio.

**Table 19 - Credit Quality Characteristics of Our Single-Family Mortgage Portfolio**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| (Dollars in millions) | UPB | Original Credit Score (1) | Current Credit Score(1)(2) | Original LTV Ratio | Current LTV Ratio |
| Single-Family mortgage portfolio year of origination: | | | | | |
| 2023 | $114,995 | 750 | 748 | 79 % | 78 % |
| 2022 | 447,722 | 745 | 746 | 76 | 72 |
| 2021 | 1,019,158 | 752 | 757 | 71 | 57 |
| 2020 | 747,307 | 761 | 768 | 71 | 49 |
| 2019 | 125,312 | 746 | 753 | 76 | 48 |
| 2018 and prior | 549,750 | 737 | 751 | 75 | 34 |
| **Total** | **$3,004,244** | **750** | **756** | **73** | **54** |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| (Dollars in millions) | UPB | Original Credit Score (1) | Current Credit Score(1)(2) | Original LTV Ratio | Current LTV Ratio |
| Single-Family mortgage portfolio year of origination: | | | | | |
| 2022 | $438,339 | 745 | 742 | 76 % | 74 % |
| 2021 | 1,054,844 | 752 | 758 | 71 | 59 |
| 2020 | 776,425 | 761 | 766 | 71 | 51 |
| 2019 | 131,637 | 746 | 752 | 76 | 50 |
| 2018 | 52,921 | 736 | 736 | 76 | 47 |
| 2017 and prior | 531,879 | 737 | 752 | 75 | 34 |
| **Total** | **$2,986,045** | **750** | **756** | **73** | **54** |

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

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

The following table presents the combination of credit score and CLTV ratio attributes of loans in our Single-Family mortgage portfolio.

**Table 20 - Single-Family Mortgage Portfolio Attribute Combinations[1]**

| | June 30, 2023 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CLTV ≤ 60 | | CLTV > 60 to 80 | | CLTV > 80 to 90 | | CLTV > 90 to 100 | | CLTV > 100 | | All Loans | |
| Original credit score | % of Portfolio | SDQ Rate | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate |
| 740 and above < 620 | 42 % | 0.17 % | 17 % | 0.23 % | 4 % | 0.27 % | 2 % | 0.23 % | — % | NM | 65 % | 0.19 % |
| 700 to 739 | 13 | 0.56 | 6 | 0.72 | 1 | 0.75 | 1 | 0.57 | — | NM | 21 | 0.61 |
| 680 to 699 | 4 | 0.93 | 2 | 1.27 | — | NM | — | NM | — | NM | 6 | 1.03 |
| 660 to 679 | 3 | 1.36 | 1 | 1.76 | — | NM | — | NM | — | NM | 4 | 1.46 |
| 620 to 659 | 2 | 2.07 | 1 | 2.81 | — | NM | — | NM | — | NM | 3 | 2.21 |
| Less than 620 | 1 | 4.77 | — | NM | — | NM | — | NM | — | NM | 1 | 5.19 |
| **Total** | **65 %** | **0.53** | **27 %** | **0.63** | **5 %** | **0.64** | **3 %** | **0.48** | **— %** | **NM** | **100 %** | **0.56** |

| | December 31, 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CLTV ≤ 60 | | CLTV > 60 to 80 | | CLTV > 80 to 90 | | CLTV > 90 to 100 | | CLTV > 100 | | All Loans | |
| Original credit score | % of Portfolio | SDQ Rate | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate[2] | % of Portfolio | SDQ Rate |
| 740 and above | 40 % | 0.22 % | 18 % | 0.25 % | 4 % | 0.23 % | 2 % | 0.16 % | — % | NM | 64 % | 0.23 % |
| 700 to 739 | 12 | 0.70 | 6 | 0.75 | 2 | 0.72 | 1 | 0.38 | — | NM | 21 | 0.71 |
| 680 to 699 | 5 | 1.16 | 2 | 1.28 | — | NM | — | NM | — | NM | 7 | 1.18 |
| 660 to 679 | 3 | 1.65 | 1 | 1.77 | — | NM | — | NM | — | NM | 4 | 1.68 |
| 620 to 659 | 2 | 2.46 | 1 | 2.78 | — | NM | — | NM | — | NM | 3 | 2.54 |
| Less than 620 | 1 | 5.97 | — | NM | — | NM | — | NM | — | NM | 1 | 6.52 |
| **Total** | **63 %** | **0.66** | **28 %** | **0.67** | **6 %** | **0.60** | **3 %** | **0.37** | **— %** | **NM** | **100 %** | **0.66** |

(1) Excludes loans underlying certain securitization products for which original credit score is not available.

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

***Geographic Concentrations***

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

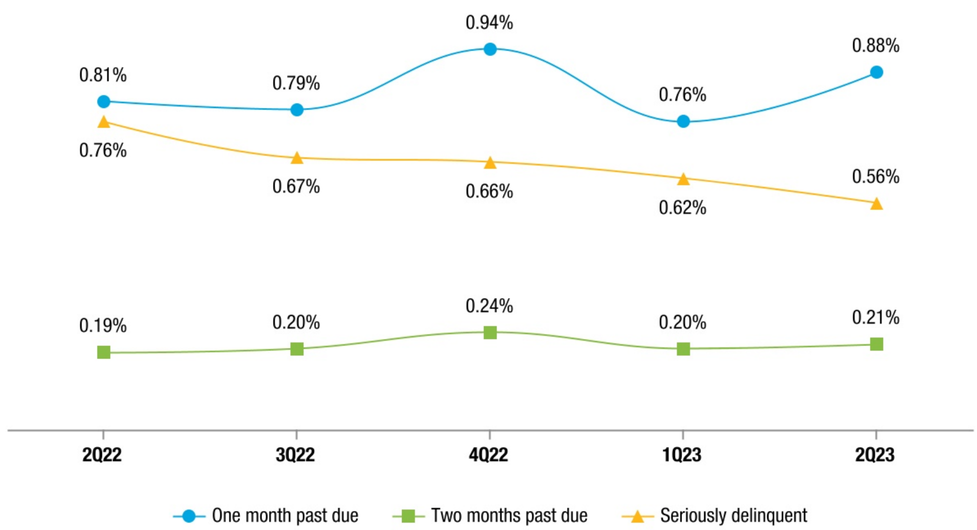
See Note 12 for more information about the geographic distribution of our Single-Family mortgage portfolio.

***Delinquency Rates***

We report Single-Family delinquency rates based on the number of loans in our Single-Family mortgage portfolio that are past due as reported to us by our servicers as a percentage of the total number of loans in our Single-Family mortgage portfolio.

The chart below shows the delinquency rates of mortgage loans in our Single-Family mortgage portfolio.

***Single-Family Delinquency Rates***



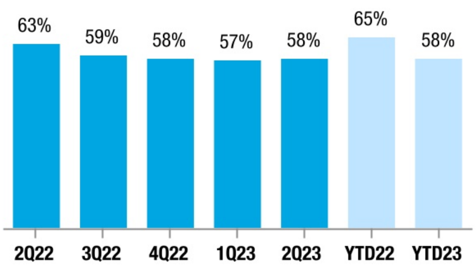

Our Single-Family serious delinquency rate has declined below pre-pandemic levels to 0.56% as of June 30, 2023, compared to 0.76% as of June 30, 2022. See Note 3 for additional information on the payment status of our single-family mortgage loans.

# Multifamily Mortgage Credit Risk

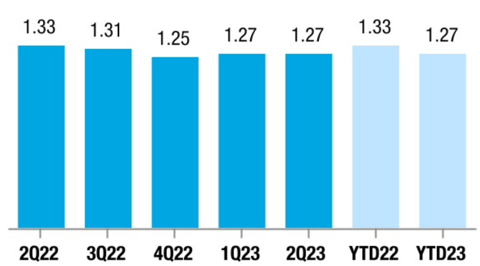
## Maintaining Policies and Procedures for New Business Activity, Including Prudent Underwriting Standards

Our underwriting standards focus on the LTV ratio and DSCR, which estimates a borrower's ability to repay the loan using the secured property's cash flows, after expenses. The charts below provide the weighted average original LTV and DSCR for our new business activity for the periods presented.

***Weighted Average Original LTV Ratio***




***Weighted Average Original DSCR***




## Transferring Credit Risk to Third-Party Investors

To reduce our credit risk exposure, we engage in a variety of CRT activities; however, securitizations remain our principal credit risk transfer mechanism. Through securitizations (i.e., subordination), we have transferred a substantial amount of the expected and stressed credit risk on the Multifamily mortgage portfolio, thereby reducing our overall credit risk exposure and required capital.

***Multifamily Mortgage Portfolio CRT Issuance***

The table below provides the UPB of the mortgage loans covered by CRT transactions issued during the periods presented as well as the maximum coverage provided by those transactions.

**Table 21 - Multifamily Mortgage Portfolio CRT Issuance**

| | 2Q 2023 | | 2Q 2022 | | YTD 2023 | | YTD 2022 | |
|---|---|---|---|---|---|---|---|---|
| (In millions) | UPB[1] | Maximum Coverage[2] | UPB[1] | Maximum Coverage[2] | UPB[1] | Maximum Coverage[2] | UPB[1] | Maximum Coverage[2] |
| Subordination | $8,626 | $610 | $14,781 | $940 | $14,775 | $1,035 | $28,886 | $1,914 |
| SCR | 7,636 | 102 | 5,982 | 141 | 8,802 | 207 | 5,982 | 141 |
| MCIP | 7,636 | 188 | 5,982 | 200 | 7,636 | 188 | 5,982 | 200 |
| Lender risk-sharing | 321 | 32 | 214 | 26 | 560 | 80 | 214 | 26 |
| Less: UPB with more than one type of CRT | (7,636) | — | (5,982) | — | (7,636) | — | (5,982) | — |
| **Total CRT issuance** | **$16,583** | **$932** | **$20,977** | **$1,307** | **$24,137** | **$1,510** | **$35,082** | **$2,281** |

(1) Represents the UPB of the assets included in the associated reference pool or securitization trust, as applicable.

(2) For subordination, represents the UPB of the securities that are held by third parties at issuance and are subordinate to the securities we guarantee. For SCR transactions, represents the UPB of securities held by third parties at issuance. For MCIP transactions, represents the aggregate limit of insurance purchased from third parties at issuance. For lender risk-sharing, represents the amount of loss recovery that is available subject to the terms of counterparty agreements at issuance.

***Multifamily Mortgage Portfolio Credit Enhancement Coverage Outstanding***

While we obtain various forms of credit protection in connection with the acquisition, guarantee, and/or securitization of a loan or group of loans, our principal credit enhancement type is subordination, which is created through our senior subordinate securitization transactions. As of June 30, 2023 and December 31, 2022, our maximum coverage provided by subordination in nonconsolidated VIEs was $40.2 billion and $41.7 billion, respectively.

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

**Table 22 - Credit-Enhanced and Non-Credit-Enhanced Loans Underlying Our Multifamily Mortgage Portfolio**

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| (Dollars in millions) | UPB | Delinquency Rate | UPB | Delinquency Rate |
| Credit-enhanced: | | | | |
| Subordination | $353,800 | 0.21 % | $358,813 | 0.12 % |
| Other | 47,762 | 0.26 | 38,870 | 0.12 |
| **Total credit-enhanced** | **401,562** | **0.22** | **397,683** | **0.12** |
| Non-credit-enhanced | 25,636 | 0.16 | 31,619 | 0.08 |
| **Total** | **$427,198** | **0.21** | **$429,302** | **0.12** |

The Multifamily delinquency rate increased to 0.21% at June 30, 2023, primarily driven by an increase in delinquent loans in our senior housing loan portfolio. 95% of the delinquent loans in the Multifamily mortgage portfolio have credit enhancement coverage while 94% of all loans in the Multifamily mortgage portfolio have credit enhancement coverage.

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

**Table 23 - Credit Quality of Our Multifamily Mortgage Portfolio Without Credit Enhancement**

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| (Dollars in millions) | UPB | Delinquency Rate | UPB | Delinquency Rate |
| Mortgage loans held-for-sale | $8,317 | — % | $9,138 | 0.29 % |
| Mortgage loans held-for-investment: | | | | |
| Held by Freddie Mac | 10,219 | 0.28 | 15,468 | — |
| Held by consolidated trusts | 4,845 | 0.27 | 4,665 | — |
| Other mortgage-related guarantees | 2,255 | — | 2,348 | — |
| **Total** | **$25,636** | **0.16** | **$31,619** | **0.08** |

# 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. Market risk can adversely affect future cash flows, or economic value, as well as earnings and net worth. The primary sources of interest-rate risk are our investments in mortgage-related assets, the debt we issue to fund these assets, and our Single-Family guarantees.

### Interest-Rate Risk

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

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

**Table 24 - PVS-YC and PVS-L Results Assuming Shifts of the Yield Curve**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | 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 yield curve, (gains) losses on:**(1) | | | | | | |
| Assets: | | | | | | |
| Investments | $381 | $3,170 | $6,225 | $362 | ($3,131) | ($6,340) |
| Guarantees(2) | (77) | (493) | (947) | (93) | 512 | 1,090 |
| **Total assets** | **304** | **2,677** | **5,278** | **269** | **(2,619)** | **(5,250)** |
| Liabilities | 87 | (1,802) | (3,635) | 68 | 1,958 | 3,912 |
| Derivatives | (389) | (895) | (1,749) | (336) | 648 | 1,278 |
| **Total** | **$2** | **($20)** | **($106)** | **$1** | **($13)** | **($60)** |
| **PVS** | **$2** | **$—** | **$—** | **$1** | **$—** | **$—** |

(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 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 guarantees, which include buy-ups, float, and upfront fees (including buy-downs).

**Table 25 - Duration Gap and PVS Results**

| | 2Q 2023 | | | 2Q 2022 | | |
|---|---|---|---|---|---|---|
| (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 | $2 | $5 | (0.1) | $7 | $6 |
| Minimum | (0.1) | — | — | (0.4) | — | — |
| Maximum | 0.3 | 6 | 31 | 0.1 | 18 | 29 |
| Standard deviation | 0.1 | 2 | 9 | 0.1 | 5 | 9 |

| | YTD 2023 | | | YTD 2022 | | |
|---|---|---|---|---|---|---|
| (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 | — | $2 | $4 | — | $8 | $8 |
| Minimum | (0.2) | — | — | (0.4) | — | — |
| Maximum | 0.3 | 9 | 31 | 0.4 | 18 | 77 |
| Standard deviation | 0.1 | 2 | 8 | 0.2 | 5 | 15 |

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 yield curve for the periods presented, would have been higher if we had not used derivatives.

**Table 26 - PVS-L Results Before Derivatives and After Derivatives**

| | PVS-L (50 bps) | | |
|---|---|---|---|
| **(In millions)** | Before Derivatives | After Derivatives | Effect of Derivatives |
| June 30, 2023 | 874 | — | (874) |
| December 31, 2022(1) | 645 | — | (645) |

(1) Before derivatives, our adverse PVS-L rate movement was -50 whereas after derivatives our adverse PVS-L rate movement was +50 bps.

# Earnings Sensitivity to Market Risk

The accounting treatment for our financial assets and liabilities (i.e., some are measured at amortized cost, while others are measured at fair value) creates variability in our GAAP earnings when interest rates and spreads change. We manage this variability of GAAP earnings, which may not reflect the economics of our business, using fair value hedge accounting. See MD&A - Consolidated Results of Operations and MD&A - Our Business Segments for additional information on the effect of changes in interest rates and market spreads on our financial results.

## Interest Rate-Related Earnings Sensitivity

While we manage our interest-rate risk exposure on an economic basis to a low level as measured by our models, changes in interest rates may still result in significant earnings variability from period to period.

By electing fair value hedge accounting for certain single-family mortgage loans and certain debt instruments, we are able to reduce the potential variability in our earnings attributable to changes in interest rates. See Note 8 for additional information on hedge accounting.

***Earnings Sensitivity to Changes in Interest Rates***

We evaluate a range of interest rate scenarios to determine the sensitivity of our earnings due to changes in interest rates and to determine our fair value hedge accounting strategies. The interest rate scenarios evaluated include parallel shifts in the yield curve in which interest rates increase or decrease by 100 basis points, non-parallel shifts in the yield curve in which long-term interest rates increase or decrease by 100 basis points, and non-parallel shifts in the yield curve in which short-term and medium-term interest rates increase or decrease by 100 basis points. This evaluation identifies the net effect on comprehensive income from changes in fair value attributable to changes in interest rates for financial instruments measured at fair value recognized on our condensed consolidated balance sheets at period end, including the effects of fair value hedge accounting, for each of the identified scenarios. This evaluation does not include the net effect on comprehensive income from interest-rate sensitive items that are not measured at fair value (e.g., amortization of mortgage loan premiums and discounts, changes in fair value of held-for-sale mortgage loans for which we have not elected the fair value option), from changes in our future contractual net interest income due to repricing of our interest-bearing assets and liabilities, or from future new business activities. The before-tax results of this evaluation are shown in the table below.

**Table 27 - Earnings Sensitivity to Changes in Interest Rates**

| (In millions) | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **Interest Rate Scenarios(1)** | | |
| Parallel yield curve shifts: | | |
| +100 basis points | ($44) | $76 |
| -100 basis points | 44 | (76) |
| Non-parallel yield curve shifts - long-term interest rates: | | |
| +100 basis points | 130 | 114 |
| -100 basis points | (130) | (114) |
| Non-parallel yield curve shifts - short-term and medium-term interest rates: | | |
| +100 basis points | (175) | (38) |
| -100 basis points | 175 | 38 |

(1) The earnings sensitivity presented is calculated using the change in interest rates and net effective duration exposure.

The actual effect of changes in interest rates on our comprehensive income in any given period may vary based on a number of factors, including, but not limited to, the composition of our assets and liabilities, the actual changes in interest rates that are realized at different terms along the yield curve, and the effectiveness of our hedge accounting strategies. Even if implemented properly, our hedge accounting programs may not be effective in reducing earnings volatility, and our hedges may fail in any given future period, which could expose us to significant earnings variability in that period.

# LIQUIDITY AND CAPITAL RESOURCES

Our business activities require that we maintain adequate liquidity to meet our financial obligations as they come due and to 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.

## Liquidity

### Primary Sources of Liquidity

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

**Table 28 - Liquidity Sources**

| (In millions) | June 30, 2023[(1)] | December 31, 2022[(1)] | Description |
|---|---|---|---|
| Other Investments Portfolio - Liquidity and Contingency Operating Portfolio | $133,338 | $114,339 | The liquidity and contingency operating portfolio, included within our other investments portfolio, is primarily used for short-term liquidity management. |
| Mortgage Loans and Mortgage-Related Securities | 25,524 | 25,853 | 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

Our other investments portfolio is important to our cash flow, collateral management, asset and liability management, and ability to provide liquidity and stability to the mortgage market.

Our liquidity and contingency operating portfolio primarily includes securities purchased under agreements to resell and non-mortgage-related securities. Our non-mortgage-related securities consist of U.S. Treasury securities and other investments that we could sell to provide us with an additional source of liquidity to fund our business operations. We also maintain non-interest-bearing deposits at the Federal Reserve Bank of New York and interest-bearing deposits at commercial banks. Our interest-bearing deposits at commercial banks totaled $4.6 billion and $5.0 billion as of June 30, 2023 and December 31, 2022, respectively. See MD&A - Our Portfolios - *Investments Portfolio - Other Investments Portfolio* for more information about our other investments portfolio.

### 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 agency securities. See MD&A - Our Portfolios - *Investments Portfolio - Mortgage-Related Investments Portfolio* for more information about our mortgage loans and mortgage-related securities.

# Primary Sources of Funding

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

**Table 29 - Funding Sources**

| (In millions) | June 30, 2023[(1)] | December 31, 2022[(1)] | Description |
|---|---|---|---|
| Debt of Freddie Mac | $181,808 | $166,762 | Debt of Freddie Mac is used to fund our business activities. |
| Debt of Consolidated Trusts | 3,007,278 | 2,979,070 | Debt of consolidated trusts is used primarily to fund our Single-Family guarantee activities. This type of debt is principally repaid by the cash flows of the associated mortgage loans. As a result, our repayment obligation is limited to amounts paid pursuant to our guarantee of principal and interest and to purchase modified or seriously delinquent loans from the trusts. |

(1) Represents the carrying value of debt balances after consideration of offsetting arrangements.

## Debt of Freddie Mac

We issue debt of Freddie Mac to fund our operations. Competition for funding can vary with economic, financial market, and regulatory environments. The amount, type, and term of debt issued is based on a variety of factors and is designed to meet our ongoing cash needs and to comply with our Liquidity Management Framework.

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

**Table 30 - Debt of Freddie Mac Activity**

| | 2Q 2023 | | 2Q 2022 | |
|---|---|---|---|---|
| (Dollars in millions) | Par Value | Average Rate[(1)] | Par Value | Average Rate[(1)] |
| **Short-term:** | | | | |
| Beginning balance | $8,716 | 4.36 % | $3,300 | 0.25 % |
| Issuances | 28,030 | 4.65 | 2,165 | 1.45 |
| Repayments | — | — | — | — |
| Maturities | (25,360) | 4.31 | (2,350) | 0.17 |
| **Ending balance** | **11,386** | **5.08** | **3,115** | **1.14** |
| Securities sold under agreements to repurchase | 9,168 | 4.99 | 9,977 | 1.06 |
| Offsetting arrangements | (9,168) | — | (9,977) | — |
| **Securities sold under agreements to repurchase, net** | **—** | **—** | **—** | **—** |
| **Total short-term debt** | **11,386** | **5.08** | **3,115** | **1.14** |
| **Long-term:** | | | | |
| Beginning balance | 181,384 | 2.51 | 164,876 | 1.21 |
| Issuances | 20,341 | 5.44 | 15,262 | 3.28 |
| Repayments | (4,020) | 5.12 | (71) | 4.36 |
| Maturities | (17,131) | 0.83 | (14,634) | 0.42 |
| **Total long-term debt** | **180,574** | **3.21** | **165,433** | **1.52** |
| **Total debt of Freddie Mac, net** | **$191,960** | **3.32 %** | **$168,548** | **1.52 %** |

Referenced footnote is included after the year-to-date table.

| (Dollars in millions) | YTD 2023 Par Value | YTD 2023 Average Rate[1] | YTD 2022 Par Value | YTD 2022 Average Rate[1] |
|---|---|---|---|---|
| **Short-term:** | | | | |
| Beginning balance | $7,716 | 3.49 % | $— | — % |
| Issuances | 78,769 | 4.35 | 7,718 | 0.51 |
| Repayments | — | — | — | — |
| Maturities | (75,099) | 4.13 | (4,603) | 0.09 |
| **Ending balance** | **11,386** | **5.08** | **3,115** | **1.14** |
| Securities sold under agreements to repurchase | 9,168 | 4.99 | 9,977 | 1.06 |
| Offsetting arrangements | (9,168) | — | (9,977) | — |
| **Securities sold under agreements to repurchase, net** | **—** | **—** | **—** | **—** |
| **Total short-term debt** | **11,386** | **5.08** | **3,115** | **1.14** |
| **Long-term:** | | | | |
| Beginning balance | 170,363 | 2.22 | 181,613 | 1.11 |
| Issuances | 34,533 | 5.40 | 17,072 | 3.17 |
| Repayments | (6,511) | 5.43 | (1,905) | 3.03 |
| Maturities | (17,811) | 0.86 | (31,347) | 0.26 |
| **Total long-term debt** | **180,574** | **3.21** | **165,433** | **1.52** |
| **Total debt of Freddie Mac, net** | **$191,960** | **3.32 %** | **$168,548** | **1.52 %** |

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

Total debt issuance increased in 2Q 2023 compared to 2Q 2022 to provide additional liquidity due to the uncertainty created by the debate about increasing the federal debt ceiling. Total debt issuance during YTD 2023 increased compared to YTD 2022 due to the uncertainty related to the federal debt ceiling as well as to fund upcoming debt maturities and anticipated calls of outstanding debt during 1Q 2023. As of June 30, 2023, our aggregate indebtedness pursuant to the Purchase Agreement was $192.0 billion, which was below the current $270.0 billion debt cap limit. Our aggregate indebtedness calculation primarily includes the par value of short- and long-term debt.

***Maturity and Redemption Dates***

The following table presents the par value of debt of Freddie Mac by contractual maturity date and earliest redemption date. The earliest redemption date refers to the earliest call date for callable debt and the contractual maturity date for all other debt of Freddie Mac.

**Table 31 - Maturity and Redemption Dates**

| (In millions) | As of June 30, 2023 Contractual Maturity Date | As of June 30, 2023 Earliest Redemption Date | As of December 31, 2022 Contractual Maturity Date | As of December 31, 2022 Earliest Redemption Date |
|---|---|---|---|---|
| Debt of Freddie Mac[1]: | | | | |
| 1 year or less | $68,239 | $170,255 | $60,534 | $156,515 |
| 1 year through 2 years | 40,124 | 6,100 | 32,261 | 3,820 |
| 2 years through 3 years | 47,119 | 9,893 | 51,658 | 13,071 |
| 3 years through 4 years | 7,630 | 106 | 5,739 | 212 |
| 4 years through 5 years | 8,783 | 364 | 7,603 | 170 |
| Thereafter | 26,293 | 11,470 | 27,623 | 11,630 |
| STACR and SCR debt[2] | 2,940 | 2,940 | 4,652 | 4,652 |
| **Total debt of Freddie Mac** | **$201,128** | **$201,128** | **$190,070** | **$190,070** |

(1) Includes payables related to securities sold under agreements to repurchase that we offset against receivables related to securities purchased under agreements to resell on our condensed consolidated balance sheets, when such amounts meet the conditions for offsetting in the accounting guidance.

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

## Debt of Consolidated Trusts

The largest component of debt on our condensed consolidated balance sheets is debt of consolidated trusts, which relates to securitization transactions that we consolidate for accounting purposes. We primarily issue this type of debt by securitizing mortgage loans to fund our Single-Family guarantee activities.

The table below shows activity for the debt of consolidated trusts.

**Table 32 - Debt of Consolidated Trusts Activity**

| (In millions) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Beginning balance | $2,938,721 | $2,835,071 | $2,929,567 | $2,732,056 |
| Issuances | 114,546 | 203,919 | 201,567 | 499,166 |
| Repayments and extinguishments | (92,271) | (161,268) | (170,138) | (353,500) |
| **Ending balance** | **2,960,996** | **2,877,722** | **2,960,996** | **2,877,722** |
| Unamortized premiums and discounts | 46,282 | 56,393 | 46,282 | 56,393 |
| **Debt of consolidated trusts** | **$3,007,278** | **$2,934,115** | **$3,007,278** | **$2,934,115** |

## Credit Ratings

On May 25, 2023, Fitch changed our credit rating Outlook from Stable to Negative Watch due to the uncertainty created by the debate about increasing the federal debt ceiling. For additional information on our credit ratings, see MD&A - Liquidity and Capital Resources in our 2022 Annual Report.

## Off-Balance Sheet Arrangements

We enter into certain business arrangements that are not recorded on our condensed consolidated balance sheets or that may be recorded in amounts that differ from the full contractual or notional amount of the transaction that affect our short- and long-term liquidity needs. Our off-balance sheet arrangements primarily consist of guarantees and commitments. See Note 2 and Note 4 for additional information on these transactions. See MD&A - Risk Management - *Credit Risk* for additional information on our credit risk exposure on off-balance sheet arrangements.

## Cash Flows

Cash and cash equivalents (including restricted cash and cash equivalents) increased slightly from $5.3 billion as of June 30, 2022 to $5.5 billion as of June 30, 2023.

# Capital Resources

The table below presents activity related to our net worth.

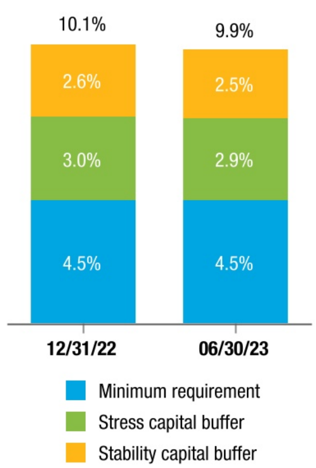
**Table 33 - Net Worth Activity**

| (In millions) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Beginning balance | $39,067 | $31,711 | $37,018 | $28,033 |
| Comprehensive income | 2,890 | 2,387 | 4,939 | 6,065 |
| Capital draw from Treasury | — | — | — | — |
| Senior preferred stock dividends declared | — | — | — | — |
| **Total equity / net worth** | **$41,957** | **$34,098** | **$41,957** | **$34,098** |
| Remaining Treasury funding commitment | $140,162 | $140,162 | $140,162 | $140,162 |
| Aggregate draws under Purchase Agreement | 71,648 | 71,648 | 71,648 | 71,648 |
| Aggregate cash dividends paid to Treasury | 119,680 | 119,680 | 119,680 | 119,680 |
| Liquidation preference of the senior preferred stock | 111,715 | 104,359 | 111,715 | 104,359 |

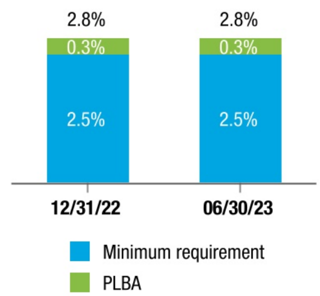
## ERCF

The charts below present the ERCF capital adequacy requirements under the risk-based capital requirement (CET1 capital ratio relative to RWA) and leverage capital requirement (Tier 1 capital ratio relative to ATA).

***Risk-Based Capital Requirement: CET1 Capital Ratio***




***Leverage Capital Requirement: Tier 1 Capital Ratio***



***Capital Metrics***

The table below presents the components of our regulatory capital.

**Table 34 - Regulatory Capital Components**

| (In billions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Total equity** | $42 | $37 |
| Less: | | |
| Senior preferred stock | 73 | 73 |
| Preferred stock | 14 | 14 |
| Common equity | (45) | (50) |
| Less: deferred tax assets arising from temporary differences that exceed 10% of CET1 capital and other regulatory adjustments | 5 | 5 |
| **Common equity Tier 1 capital** | **(50)** | **(55)** |
| Add: Preferred stock | 14 | 14 |
| **Tier 1 capital** | **(36)** | **(41)** |
| Tier 2 capital adjustments | — | — |
| **Adjusted total capital** | **($36)** | **($41)** |

The table below presents the components of our statutory capital.

**Table 35 - Statutory Capital Components**

| (In billions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Total equity** | $42 | $37 |
| Less: | | |
| Senior preferred stock | 73 | 73 |
| AOCI, net of taxes | — | (1) |
| **Core capital** | **(31)** | **(35)** |
| General allowance for foreclosure losses[1] | 8 | 8 |
| **Total capital** | **($23)** | **($27)** |

(1) Represents our allowance for credit losses.

**Table 36 - Capital Metrics Under ERCF**

| (In billions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Adjusted total assets | $3,744 | $3,710 |
| Risk-weighted assets (standardized approach): | | |
| Credit risk | 802 | 778 |
| Market risk | 57 | 51 |
| Operational risk | 70 | 70 |
| **Total risk-weighted assets** | **$929** | **$899** |

| (In billions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Stress capital buffer | $28 | $27 |
| Stability capital buffer | 23 | 23 |
| Countercyclical capital buffer amount | — | — |
| **PCCBA** | **$51** | **$50** |
| PLBA | $11 | $11 |

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| (Dollars in billions) | Minimum Capital Requirement | Applicable Buffer[1] | Capital Requirement (Including Buffer) | Available Capital (Deficit) | Capital Shortfall |
| **Risk-based capital amounts:** | | | | | |
| Total capital | $74 | N/A | $74 | ($23) | ($97) |
| CET1 capital | 42 | $51 | 93 | (50) | (143) |
| Tier 1 capital | 56 | 51 | 107 | (36) | (143) |
| Adjusted total capital | 74 | 51 | 125 | (36) | (161) |
| **Risk-based capital ratios[2]:** | | | | | |
| Total capital | 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 | $94 | N/A | $94 | ($31) | ($125) |
| Tier 1 capital | 94 | $11 | 105 | (36) | (141) |
| **Leverage capital ratios[3]:** | | | | | |
| Core capital | 2.5 % | N/A | 2.5 % | (0.8)% | (3.3)% |
| Tier 1 capital | 2.5 | 0.3 % | 2.8 | (1.0) | (3.8) |

Referenced footnotes are included after the prior period table.

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| (Dollars in billions) | Minimum Capital Requirement | Applicable Buffer[1] | Capital Requirement (Including Buffer) | Available Capital (Deficit) | Capital Shortfall |
| **Risk-based capital amounts:** | | | | | |
| Total capital | $72 | N/A | $72 | ($27) | ($99) |
| CET1 capital | 40 | $50 | 90 | (55) | (145) |
| Tier 1 capital | 54 | 50 | 104 | (41) | (145) |
| Adjusted total capital | 72 | 50 | 122 | (41) | (163) |
| **Risk-based capital ratios[2]:** | | | | | |
| Total capital | 8.0 % | N/A | 8.0 % | (3.1)% | (11.1)% |
| CET1 capital | 4.5 | 5.6 % | 10.1 | (6.2) | (16.3) |
| Tier 1 capital | 6.0 | 5.6 | 11.6 | (4.6) | (16.2) |
| Adjusted total capital | 8.0 | 5.6 | 13.6 | (4.6) | (18.2) |
| **Leverage capital amounts:** | | | | | |
| Core capital | $93 | N/A | $93 | ($35) | ($128) |
| Tier 1 capital | 93 | $11 | 104 | (41) | (145) |
| **Leverage capital ratios[3]:** | | | | | |
| Core capital | 2.5 % | N/A | 2.5 % | (1.0)% | (3.5)% |
| Tier 1 capital | 2.5 | 0.3 % | 2.8 | (1.1) | (3.9) |

(1) PCCBA for risk-based capital and PLBA for leverage capital.
(2) As a percentage of RWA.
(3) As a percentage of ATA.

At June 30, 2023, our maximum payout ratio under the ERCF was 0.0%.

See Note 15 for additional information on our capital amounts and ratios under the ERCF.

# CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates and policies relate to the Single-Family allowance for credit losses. For additional information about our critical accounting estimates and other significant accounting policies, see Note 1 and Critical Accounting Estimates in our 2022 Annual Report.

## Single-Family Allowance for Credit Losses

The Single-Family allowance for credit losses represents our estimate of expected credit losses over the contractual term of the mortgage loans. The Single-Family allowance for credit losses pertains to all single-family loans classified as held-for-investment on our condensed consolidated balance sheets.

Determining the appropriateness of the Single-Family allowance for credit losses is a complex process that is subject to numerous estimates and assumptions requiring significant management judgment about matters that involve a high degree of subjectivity. This process involves the use of models that require us to make judgments about matters that are difficult to predict.

Changes in forecasted house price growth rates can have a significant effect on our allowance for credit losses estimates. The table below shows our nationwide forecasted house price growth rates that were used in determining our allowance for credit losses. See Note 5 for additional information regarding our current period provision for credit losses.

**Table 37 - Forecasted House Price Growth Rates**

| | 12-Month Forward | 13- to 24-Month Forward |
|---|---|---|
| June 30, 2023 | 0.8 % | 0.9 % |
| March 31, 2023 | (2.9) | (1.3) |
| December 31, 2022 | (3.0) | (1.8) |

# REGULATION AND SUPERVISION

In addition to 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. FHFA has the power to require us from time to time to change our processes, take action and/or stop taking action that could impact our business. 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

### Targeted Changes to Enterprise Pricing Framework

In January 2023, FHFA announced further changes to Freddie Mac’s single-family pricing framework by introducing, among other things, a new upfront fee for certain borrowers with a DTI ratio above 40 percent. In March 2023, FHFA announced that it would delay the effective date of the DTI ratio-based fee by three months from May 1, 2023, to August 1, 2023. On May 10, 2023, FHFA announced the rescission of the DTI ratio-based upfront fee for loans acquired by Freddie Mac.

On May 15, 2023, FHFA issued a Request for Input (RFI) on Freddie Mac’s single-family pricing framework. The RFI solicits public feedback on the goals and policy priorities that FHFA should pursue in its oversight of the pricing framework. FHFA also seeks input on the process for setting the Enterprises’ single-family upfront guarantee fees, including whether it is appropriate to continue to link upfront guarantee fees to the ERCF, which has a significant impact on the risk-based pricing component of the Enterprises’ guarantee fees.

### Request for Input on Multifamily Tenant Protections

On May 30, 2023, FHFA issued an RFI on tenant protections at multifamily properties with mortgages backed by Freddie Mac. This RFI will assist FHFA in exploring possible ways that we could advance our mission. Specifically, the RFI seeks: (1) to collect information that highlights tenants’ experiences and stakeholders’ perspectives to explore challenges faced at multifamily properties; and (2) to solicit ideas for improved data collection to better quantify the size and scope of the issues experienced by tenants.

### Quality Control Standards for Automated Valuation Models

On June 21, 2023, six federal regulatory agencies, including FHFA, requested public comment on a proposed rule designed to ensure the credibility and integrity of models used in real estate valuations. In particular, the proposed rule would implement quality control standards for automated valuation models (AVMs) used by mortgage originators and secondary market issuers in valuing real estate collateral securing mortgage loans. The proposed standards are designed to ensure a high level of confidence in the estimates produced by AVMs; help protect against the manipulation of data; seek to avoid conflicts of interest; require random sample testing and reviews; and promote compliance with applicable nondiscrimination laws.

## Legislative and Regulatory Developments

### Middle Class Borrower Protection Act of 2023

On June 23, 2023, the House of Representatives passed the Middle Class Borrower Protection Act of 2023. The bill would require FHFA to reverse the changes in fees charged by Freddie Mac and Fannie Mae on certain single-family mortgages and would restrict future fee adjustments. If the bill becomes law, the fee structure that was in place prior to May 1, 2023 would be reinstated and would stay in place until the U.S. Government Accountability Office completes an assessment of the current fee structure and releases its report, 90 days after which FHFA may propose adjustments to the fee structure. FHFA would be required to follow the Administrative Procedure Act requirements as closely as practical when proposing adjustment to the fee structure. Any loan-level pricing adjustment fees based on a mortgagor’s debt to income ratio would be prohibited. The bill has been received in the Senate and referred to the Senate Banking, Housing, and Urban Affairs Committee.

# 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 and Multifamily segments of our business, our efforts to assist the housing market, our liquidity and capital management, economic and market conditions and trends including, but not limited to, changes in observed and forecasted house price appreciation, 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, banking crises or failures, the effects of natural disasters, other catastrophic events, and significant climate change effects and actions taken in response thereto on our business, and our results of operations and financial condition. 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 in our 2022 Annual Report, and including, without limitation, the following:

- The actions the federal government (including FHFA, Treasury, and Congress) and state governments may take, require us to take, or restrict us from taking, including actions to promote equitable access to affordable and sustainable housing, such as programs to implement the expectations in FHFA's Conservatorship Scorecards, recent requirements and guidance related to equitable housing, and other objectives for us;
- Changes in the fiscal and monetary policies of the Federal Reserve, including changes in target interest rates and in the amount of agency MBS and agency CMBS held by the Federal Reserve;
- The effect of the restrictions on our business due to the conservatorship and the Purchase Agreement;
- Changes in our Charter, applicable legislative or regulatory requirements (including any legislation affecting the future status of our company), or the Purchase Agreement;
- Changes to our capital requirements and potential effects of such changes on our business strategies;
- Changes in tax laws;
- Changes in privacy and cybersecurity laws and regulations;
- Changes in accounting policies, practices, standards, or guidance;
- Changes in economic and market conditions, including volatility in the financial services industry, changes in employment rates, inflation, interest rates, spreads, and house prices;
- Changes in the U.S. residential mortgage market, including changes in the supply and type of loan products (e.g., refinance vs. purchase and fixed-rate vs. ARM);
- The success of our efforts to mitigate our losses on our Single-Family mortgage portfolio;
- The success of our strategy to transfer mortgage credit risk through STACR, ACIS, K Certificate, SCR, MCIP, 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 or other security incidents, whether due to insider error or malfeasance or system errors or vulnerabilities in our or our third parties' systems;
- Our ability to effectively execute our business strategies, implement significant changes, and improve efficiency;
- The adequacy of our risk management framework, including the adequacy of our regulatory capital framework prescribed by FHFA and internal models for measuring risk;
- Our ability to manage mortgage credit risk, including the effect of changes in underwriting and servicing practices;
- Our ability to limit or manage our economic exposure and GAAP earnings exposure to interest-rate volatility and spread volatility, including the availability of derivative financial instruments needed for interest-rate risk management purposes and our ability to apply hedge accounting;
- Our operational ability to issue new securities, make timely and correct payments on securities, and provide initial and ongoing disclosures;
- Our reliance on CSS and the CSP for the operation of the majority of our Single-Family securitization activities, limits on our influence over CSS Board decisions, and any additional changes FHFA may require in our relationship with, or support of, CSS;
- Changes in the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks;

- Changes in investor demand for our debt or mortgage-related securities;
- Our ability to maintain market acceptance of the UMBS, including our ability to maintain alignment of the prepayment speeds of our and Fannie Mae's respective UMBS;
- Changes in the practices of loan originators, servicers, investors, and other participants in the secondary mortgage market;
- Competition from other market participants, which could affect the pricing we offer for our products, the credit characteristics of the loans we purchase, and our ability to meet our affordable housing goals and other mandated activities;
- The adverse consequences on our business and operations that may occur from the discontinuance of LIBOR and the transition to SOFR as the replacement;
- The availability of critical third parties, or their vendors and other business partners, to deliver products or services, or to manage risks, including cybersecurity risk, effectively;
- The occurrence of a major natural disaster, other catastrophic event, or significant climate change effects in areas in which our offices, significant portions of our total mortgage portfolio, or the offices of critical third parties are located, and for which we may be uninsured or significantly underinsured; and
- Other factors and assumptions described in this Form 10-Q and our 2022 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 Income and Comprehensive Income (Unaudited)

| (**In millions**, except share-related amounts) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| **Net interest income** | | | | |
| Interest income | $25,755 | $20,008 | $50,742 | $37,748 |
| Interest expense | (21,232) | (15,249) | (41,718) | (28,885) |
| **Net interest income** | **4,523** | **4,759** | **9,024** | **8,863** |
| **Non-interest income** | | | | |
| Guarantee income | 309 | 205 | 775 | 275 |
| Investment gains, net | 411 | 321 | 186 | 1,834 |
| Other income | 96 | 119 | 181 | 278 |
| **Non-interest income** | **816** | **645** | **1,142** | **2,387** |
| **Net revenues** | **5,339** | **5,404** | **10,166** | **11,250** |
| (Provision) benefit for credit losses | 537 | (307) | 142 | 530 |
| **Non-interest expense** | | | | |
| Salaries and employee benefits | (405) | (376) | (779) | (732) |
| Credit enhancement expense | (590) | (558) | (1,120) | (1,017) |
| Benefit for (decrease in) credit enhancement recoveries | (108) | (1) | (59) | (18) |
| Legislative assessments expense | (751) | (748) | (1,486) | (1,507) |
| Other expense | (350) | (337) | (692) | (678) |
| **Non-interest expense** | **(2,204)** | **(2,020)** | **(4,136)** | **(3,952)** |
| **Income before income tax expense** | **3,672** | **3,077** | **6,172** | **7,828** |
| Income tax expense | (728) | (624) | (1,233) | (1,577) |
| **Net income** | **2,944** | **2,453** | **4,939** | **6,251** |
| Other comprehensive income (loss), net of taxes and reclassification adjustments | (54) | (66) | — | (186) |
| **Comprehensive income** | **$2,890** | **$2,387** | **$4,939** | **$6,065** |
| Net income | $2,944 | $2,453 | $4,939 | $6,251 |
| Amounts attributable to senior preferred stock | (2,890) | (2,387) | (4,939) | (6,065) |
| **Net income attributable to common stockholders** | **$54** | **$66** | **$—** | **$186** |
| **Net income per common share** | **$0.02** | **$0.02** | **$—** | **$0.06** |
| Weighted average common shares (in millions) | 3,234 | 3,234 | 3,234 | 3,234 |

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

# FREDDIE MAC
## Condensed Consolidated Balance Sheets (Unaudited)

| (In millions, except share-related amounts) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents (includes $793 and $707 of restricted cash and cash equivalents) | $5,514 | $6,360 |
| Securities purchased under agreements to resell | 112,386 | 87,295 |
| Investment securities, at fair value | 41,629 | 38,701 |
| Mortgage loans held-for-sale (includes $5,712 and $3,218 at fair value) | 11,695 | 12,197 |
| Mortgage loans held-for-investment (net of allowance for credit losses of $7,339 and $7,391 and includes $1,359 and $1,214 at fair value) | 3,042,604 | 3,022,318 |
| Accrued interest receivable, net | 9,081 | 8,529 |
| Deferred tax assets, net | 5,237 | 5,777 |
| Other assets (includes $5,840 and $5,890 at fair value) | 22,810 | 27,156 |
| **Total assets** | **$3,250,956** | **$3,208,333** |
| **Liabilities and equity** | | |
| *Liabilities* | | |
| Accrued interest payable | $8,049 | $7,309 |
| Debt (includes $1,995 and $3,047 at fair value) | 3,189,086 | 3,145,832 |
| Other liabilities (includes $1,017 and $759 at fair value) | 11,864 | 18,174 |
| **Total liabilities** | **3,208,999** | **3,171,315** |
| Commitments and contingencies (Notes 4, 8, 14) | | |
| *Equity* | | |
| Senior preferred stock (liquidation preference of $111,715 and $107,878) | 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 650,059,553 shares outstanding | — | — |
| Retained earnings | (40,727) | (45,666) |
| *AOCI, net of taxes, related to:* | | |
| Available-for-sale securities | (88) | (84) |
| Other | (100) | (104) |
| AOCI, net of taxes | (188) | (188) |
| Treasury stock, at cost, 75,804,333 shares | (3,885) | (3,885) |
| **Total equity** | **41,957** | **37,018** |
| **Total liabilities and equity** | **$3,250,956** | **$3,208,333** |

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) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents (includes $700 and $610 of restricted cash and cash equivalents) | $701 | $611 |
| Securities purchased under agreements to resell | 11,265 | 9,703 |
| Investment securities, at fair value | 94 | 126 |
| Mortgage loans held-for-investment, net | 2,995,770 | 2,971,601 |
| Accrued interest receivable, net | 8,288 | 7,944 |
| Other assets | 6,653 | 5,019 |
| **Total assets of consolidated VIEs** | **$3,022,771** | **$2,995,004** |
| **Liabilities:** | | |
| Accrued interest payable | $7,014 | $6,619 |
| Debt | 3,007,278 | 2,979,070 |
| **Total liabilities of consolidated VIEs** | **$3,014,292** | **$2,985,689** |

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

# FREDDIE MAC

## Condensed Consolidated Statements of Equity (Unaudited)

| | Shares Outstanding | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (In millions) | Senior Preferred Stock | Preferred Stock | Common Stock | Senior Preferred Stock | Preferred Stock, at Redemption Value | Common Stock, at Par Value | Retained Earnings | AOCI, Net of Tax | Treasury Stock, at Cost | Total Equity |
| **Balance at March 31, 2023** | 1 | 464 | 650 | $72,648 | $14,109 | $— | ($43,671) | ($134) | ($3,885) | $39,067 |
| *Comprehensive income:* | | | | | | | | | | |
| Net income | — | — | — | — | — | — | 2,944 | — | — | 2,944 |
| *Other comprehensive income (loss):* | | | | | | | | | | |
| Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of $15 million) | — | — | — | — | — | — | — | (55) | — | (55) |
| Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of $0 million) | — | — | — | — | — | — | — | (1) | — | (1) |
| Other (net of taxes of $0 million) | — | — | — | — | — | — | — | 2 | — | 2 |
| ***Comprehensive income*** | **—** | **—** | **—** | **—** | **—** | **—** | **2,944** | **(54)** | **—** | **2,890** |
| **Ending balance at June 30, 2023** | **1** | **464** | **650** | **$72,648** | **$14,109** | **$—** | **($40,727)** | **($188)** | **($3,885)** | **$41,957** |
| **Balance at March 31, 2022** | 1 | 464 | 650 | $72,648 | $14,109 | $— | ($51,195) | $34 | ($3,885) | $31,711 |
| *Comprehensive income:* | | | | | | | | | | |
| Net income | — | — | — | — | — | — | 2,453 | — | — | 2,453 |
| *Other comprehensive income (loss):* | | | | | | | | | | |
| Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of $19 million) | — | — | — | — | — | — | — | (71) | — | (71) |
| Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of $1 million) | — | — | — | — | — | — | — | 3 | — | 3 |
| Other (net of taxes of $1 million) | — | — | — | — | — | — | — | 2 | — | 2 |
| ***Comprehensive income*** | **—** | **—** | **—** | **—** | **—** | **—** | **2,453** | **(66)** | **—** | **2,387** |
| **Ending balance at June 30, 2022** | **1** | **464** | **650** | **$72,648** | **$14,109** | **$—** | **($48,742)** | **($32)** | **($3,885)** | **$34,098** |

| | Shares Outstanding | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (In millions) | Senior Preferred Stock | Preferred Stock | Common Stock | Senior Preferred Stock | Preferred Stock, at Redemption Value | Common Stock, at Par Value | Retained Earnings | AOCI, Net of Tax | Treasury Stock, at Cost | Total Equity |
| **Balance at December 31, 2022** | 1 | 464 | 650 | $72,648 | $14,109 | $— | ($45,666) | ($188) | ($3,885) | $37,018 |
| *Comprehensive income:* | | | | | | | | | | |
| Net income | — | — | — | — | — | — | 4,939 | — | — | 4,939 |
| *Other comprehensive income (loss):* | | | | | | | | | | |
| Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of $1 million) | — | — | — | — | — | — | — | (3) | — | (3) |
| Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of $0 million) | — | — | — | — | — | — | — | (1) | — | (1) |
| Other (net of taxes of $1 million) | — | — | — | — | — | — | — | 4 | — | 4 |
| ***Comprehensive income*** | **—** | **—** | **—** | **—** | **—** | **—** | **4,939** | **—** | **—** | **4,939** |
| **Ending balance at June 30, 2023** | **1** | **464** | **650** | **$72,648** | **$14,109** | **$—** | **($40,727)** | **($188)** | **($3,885)** | **$41,957** |
| **Balance at December 31, 2021** | 1 | 464 | 650 | $72,648 | $14,109 | $— | ($54,993) | $154 | ($3,885) | $28,033 |
| *Comprehensive income:* | | | | | | | | | | |
| Net income | — | — | — | — | — | — | 6,251 | — | — | 6,251 |
| *Other comprehensive income (loss):* | | | | | | | | | | |
| Changes in net unrealized gains (losses) on available-for-sale securities (net of taxes of $52 million) | — | — | — | — | — | — | — | (194) | — | (194) |
| Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of $1 million) | — | — | — | — | — | — | — | 4 | — | 4 |
| Other (net of taxes of $1 million) | — | — | — | — | — | — | — | 4 | — | 4 |
| ***Comprehensive income*** | **—** | **—** | **—** | **—** | **—** | **—** | **6,251** | **(186)** | **—** | **6,065** |
| **Ending balance at June 30, 2022** | **1** | **464** | **650** | **$72,648** | **$14,109** | **$—** | **($48,742)** | **($32)** | **($3,885)** | **$34,098** |

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

# FREDDIE MAC

## Condensed Consolidated Statements of Cash Flows (Unaudited)

| (In millions) | YTD 2023 | YTD 2022 |
|---|---|---|
| **Net cash provided by (used in) operating activities** | **$5,006** | **$7,783** |
| **Cash flows from investing activities** | | |
| Investment securities: | | |
| Purchases | (69,402) | (80,629) |
| Proceeds from sales | 56,879 | 74,416 |
| Proceeds from maturities and repayments | 9,373 | 7,993 |
| Mortgage loans acquired held-for-investment: | | |
| Purchases | (48,969) | (96,257) |
| Proceeds from sales | 4,634 | 2,159 |
| Proceeds from repayments | 121,259 | 211,698 |
| Secured lending arrangements: | | |
| Advances | (47,709) | (104,516) |
| Proceeds from repayments | 12 | 363 |
| Net (increase) decrease in securities purchased under agreements to resell | (22,267) | (17,889) |
| Cash flows related to derivatives | 1,654 | 3,424 |
| Other, net | (221) | (237) |
| ***Net cash provided by (used in) investing activities*** | **5,243** | **525** |
| **Cash flows from financing activities** | | |
| Debt of consolidated trusts: | | |
| Proceeds from issuance | 99,146 | 231,938 |
| Repayments and redemptions | (121,120) | (234,680) |
| Debt of Freddie Mac: | | |
| Proceeds from issuance | 113,098 | 24,803 |
| Repayments | (99,255) | (37,903) |
| Net increase (decrease) in securities sold under agreements to repurchase | (2,824) | 2,644 |
| Other, net | (140) | (3) |
| ***Net cash provided by (used in) financing activities*** | **(11,095)** | **(13,201)** |
| Net increase (decrease) in cash and cash equivalents (includes restricted cash and cash equivalents) | (846) | (4,893) |
| Cash and cash equivalents (includes restricted cash and cash equivalents) at the beginning of year | 6,360 | 10,150 |
| ***Cash and cash equivalents (includes restricted cash and cash equivalents) at end of period*** | **$5,514** | **$5,257** |
| **Supplemental cash flow information** | | |
| Cash paid for: | | |
| Debt interest | 42,058 | $36,287 |
| Income taxes | 700 | 1,500 |
| Non-cash investing and financing activities (Notes 3 and 6) | | |

*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, with a mission 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. The conservatorship and related matters significantly affect our management, business activities, financial condition, and results of operations. In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury, under which we issued Treasury both senior preferred stock and a warrant to purchase common stock. Our Purchase Agreement with Treasury is critical to keeping us solvent and avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions. We believe the support provided by Treasury pursuant to the Purchase Agreement currently enables us to have adequate liquidity to conduct normal business activities. For more information on the conservatorship, the roles of FHFA and Treasury, and the Purchase Agreement, see our 2022 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 2022 Annual Report.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2022 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. 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.

### Use of Estimates

The preparation of our condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Management has made significant estimates to report the allowance for credit losses on single-family mortgage loans. Actual results could be different from these estimates.

# Recently Issued Accounting Guidance

### *Recently Adopted Accounting Guidance*

| Standard | Description | Date of Adoption | Effect on Consolidated Financial Statements |
|---|---|---|---|
| **ASU 2022-01,** Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method | The amendments in this Update provide clarifications of the guidance in ASC Topic 815 on fair value hedge accounting of interest rate risk for portfolios of financial assets. The Update amends the guidance in ASU 2017-12 that, among other things, establishes the "last-of-layer" method for making the fair value hedge accounting for these portfolios more accessible by allowing the entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. The Update provides additional guidance on the accounting for and disclosure of hedge basis adjustments that are applicable to the portfolio layer method. | January 1, 2023 | The adoption of these amendments did not have a material effect on our consolidated financial statements.<br><br>We adopted the guidance in this Update related to disclosures on a prospective basis. |
| **ASU 2022-02,** Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures | The amendments in this Update require disclosure of current period gross write-offs by year of origination for financing receivables within the scope of ASC Subtopic 326-20. | January 1, 2023 for the amendments related to disclosure of gross write-offs by year of origination. | The adoption of these amendments did not have a material effect on our consolidated financial statements. See **Note 3** for additional disclosure of gross write-offs by year of origination. |

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

| Standard | Description | Date of Adoption | Effect on Consolidated Financial Statements |
|---|---|---|---|
| **ASU 2023-02,** Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method | The amendments in this Update expand the use of the proportional amortization method of accounting to equity investments in other tax credit structures that meet certain conditions. This Update also amends those conditions primarily to assess projected benefits on a discounted basis and expands the disclosure requirements of those investments. | January 1, 2024 | We do not expect the adoption of these amendments to have a material effect on our consolidated financial statements. |

# NOTE 2

## Securitizations and Variable Interest Entities

### Nonconsolidated VIEs

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our condensed consolidated balance sheets that relate to our variable interests in VIEs for which we are not the primary beneficiary and with which we were involved in the design and creation and have a significant continuing involvement, our maximum exposure to loss as a result of our involvement with such VIEs, and the total assets of the VIEs. Our involvement with such VIEs primarily consists of guarantees that we have issued to the VIE, some of which are accounted for as derivative instruments, and investments in debt securities issued by the VIE. See Note 4 for additional information on our guarantees to nonconsolidated VIEs.

Total assets shown in the table below represents the remaining UPB of the mortgage loans or other noncash financial assets held by the VIE and excludes cash and nonfinancial assets held by the VIE. Maximum exposure to loss shown in the table below is primarily based on the remaining UPB of the guaranteed securities issued by the VIE and represents the contractual amounts that could be lost if the assets of the VIE (including the assets in the related reference pool for CRT products) became worthless at the balance sheet date, without consideration of proceeds from related collateral liquidation and possible recoveries under credit enhancements. We do not believe the maximum exposure to loss from our involvement with nonconsolidated VIEs 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 and available credit enhancements.

**Table 2.1 - Nonconsolidated VIEs**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying Amounts of the Assets and Liabilities On the Condensed Consolidated Balance Sheets | | | | |
| (In millions) | Investment securities | Accrued Interest Receivable and Other Assets[1] | Liabilities[1] | Total Assets | Maximum Exposure to Loss |
| Single-Family: | | | | | |
| Securitization products | $916 | $171 | $424 | $30,593 | $24,828 |
| Resecuritization products[2] | 7,135 | 76 | 618 | 114,359 | 114,359 |
| CRT products[3] | — | 163 | 142 | 31,399 | 63 |
| **Total Single-Family** | **8,051** | **410** | **1,184** | **176,351** | **139,250** |
| Multifamily: | | | | | |
| Securitization products[4] | 7,161 | 4,872 | 4,718 | 355,723 | 315,542 |
| CRT products[3] | — | 2 | 5 | 1,165 | 4 |
| **Total Multifamily** | **7,161** | **4,874** | **4,723** | **356,888** | **315,546** |
| **Other** | **—** | **7** | **5** | **153** | **478** |
| **Total** | **$15,212** | **$5,291** | **$5,912** | **$533,392** | **$455,274** |

Referenced footnotes are included after the prior period table.

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying Amounts of the Assets and Liabilities On the Condensed Consolidated Balance Sheets | | | | |
| (In millions) | Investment securities | Accrued Interest Receivable and Other Assets(1) | Liabilities(1) | Total Assets | Maximum Exposure to Loss |
| Single-Family: | | | | | |
| Securitization products | $965 | $175 | $436 | $31,614 | $25,772 |
| Resecuritization products(2) | 5,092 | 61 | 659 | 119,267 | 119,267 |
| CRT products(3) | — | 197 | 52 | 30,549 | 105 |
| **Total Single-Family** | **6,057** | **433** | **1,147** | **181,430** | **145,144** |
| Multifamily: | | | | | |
| Securitization products(4) | 7,808 | 4,931 | 4,920 | 360,869 | 319,117 |
| CRT products(3) | — | 2 | 2 | 972 | — |
| **Total Multifamily** | **7,808** | **4,933** | **4,922** | **361,841** | **319,117** |
| **Other** | **—** | **8** | **5** | **185** | **435** |
| **Total** | **$13,865** | **$5,374** | **$6,074** | **$543,456** | **$464,696** |

(1) Other assets primarily include our guarantee assets. Liabilities primarily include our guarantee obligations.

(2) Total assets and maximum exposure to loss are based on the UPB of Fannie Mae securities underlying commingled Freddie Mac resecuritization trusts. We exclude noncommingled resecuritization trusts from these amounts as we have already guaranteed the underlying collateral and therefore noncommingled resecuritizations do not involve any incremental assets or create any incremental exposure to credit risk. Total assets exclude $0.1 billion as of both June 30, 2023 and December 31, 2022, of Fannie Mae securities that we have guaranteed that are included in resecuritization trusts that we have consolidated as we own all of the outstanding securities issued by the VIE.

(3) Maximum exposure to loss is based on our expected recovery receivables. We also have exposure to loss from our obligations to make certain payments to the VIE to support payment of the interest due on the notes issued by the VIE, which we account for as derivative instruments. The notional value of these derivative instruments is equal to the total assets of the VIE.

(4) Includes total assets of $0.3 billion and $0.4 billion as of June 30, 2023 and December 31, 2022, respectively, related to VIEs in which our interest would no longer absorb significant variability as the guaranteed securities have completely paid off.

# NOTE 3

## Mortgage Loans

The table below provides details of the loans on our condensed consolidated balance sheets.

**Table 3.1 - Mortgage Loans**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| Held-for-sale UPB | $3,231 | $9,319 | $12,550 | $3,564 | $9,544 | $13,108 |
| Cost basis and fair value adjustments, net | (686) | (169) | (855) | (696) | (215) | (911) |
| **Total held-for-sale loans, net** | **2,545** | **9,150** | **11,695** | **2,868** | **9,329** | **12,197** |
| Held-for-investment UPB | 2,961,459 | 51,309 | 3,012,768 | 2,941,505 | 48,379 | 2,989,884 |
| Cost basis and fair value adjustments, net(1) | 37,325 | (150) | 37,175 | 39,896 | (71) | 39,825 |
| Allowance for credit losses | (7,088) | (251) | (7,339) | (7,314) | (77) | (7,391) |
| **Total held-for-investment loans, net(2)** | **2,991,696** | **50,908** | **3,042,604** | **2,974,087** | **48,231** | **3,022,318** |
| **Total mortgage loans, net** | **$2,994,241** | **$60,058** | **$3,054,299** | **$2,976,955** | **$57,560** | **$3,034,515** |

(1) Includes ($0.3) billion of basis adjustments maintained on a closed portfolio basis related to existing portfolio layer method hedge relationships as of June 30, 2023.

(2) Includes $1.4 billion and $1.2 billion of multifamily held-for-investment loans for which we have elected the fair value option as of June 30, 2023 and December 31, 2022, respectively.

For the purposes of certain single-family mortgage loan disclosures below, we present loans by class of financing receivable type. Financing receivable classes used for disclosure consist of: "20- and 30-year or more, amortizing fixed-rate," "15-year or less, amortizing fixed-rate," and "adjustable-rate and other." The "other" class consists of Alt-A, interest-only, and option ARM loans.

The table below provides details of the UPB of loans we purchased and sold during the periods presented.

**Table 3.2 - Loans Purchased and Sold**

| (In millions) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| **Single-Family:** | | | | |
| Purchases: | | | | |
| Held-for-investment loans | $82,850 | $137,665 | $141,815 | $344,600 |
| Sales of held-for-sale loans(1) | — | 1,429 | — | 1,444 |
| **Multifamily:** | | | | |
| Purchases: | | | | |
| Held-for-investment loans | 4,661 | 2,957 | 8,010 | 5,522 |
| Held-for-sale loans | 7,398 | 11,372 | 10,093 | 23,639 |
| Sales of held-for-sale loans(2) | 8,626 | 14,899 | 14,776 | 29,191 |

(1) Our sales of single-family loans reflect the sale of single-family seasoned loans.

(2) Our sales of multifamily loans occur primarily through the issuance of Multifamily K Certificates.

## Reclassifications

The table below presents the allowance for credit losses or valuation allowance that was reversed or established due to loan reclassifications between held-for-investment and held-for-sale during the periods presented.

**Table 3.3 - Loan Reclassifications(1)**

| | 2Q 2023 | | | 2Q 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | UPB | Allowance for Credit Losses Reversed or (Established) | Valuation Allowance (Established) or Reversed | UPB | Allowance for Credit Losses Reversed or (Established) | Valuation Allowance (Established) or Reversed |
| Single-Family reclassifications from: | | | | | | |
| Held-for-investment to held-for-sale | $— | $— | $— | $325 | $10 | $— |
| Held-for-sale to held-for-investment(2) | — | — | — | 75 | (4) | 3 |
| Multifamily reclassifications from: | | | | | | |
| Held-for-investment to held-for-sale | 735 | 1 | (6) | 386 | 1 | — |
| Held-for-sale to held-for-investment(2) | 161 | — | — | 39 | — | — |

| | YTD 2023 | | | YTD 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | UPB | Allowance for Credit Losses Reversed or (Established) | Valuation Allowance (Established) or Reversed | UPB | Allowance for Credit Losses Reversed or (Established) | Valuation Allowance (Established) or Reversed |
| Single-Family reclassifications from: | | | | | | |
| Held-for-investment to held-for-sale | $— | $— | $— | $573 | $10 | $— |
| Held-for-sale to held-for-investment(2) | 48 | 4 | 4 | 137 | (7) | 3 |
| Multifamily reclassifications from: | | | | | | |
| Held-for-investment to held-for-sale | 5,466 | 2 | (33) | 701 | 1 | — |
| Held-for-sale to held-for-investment(2) | 722 | — | 16 | 285 | — | — |

(1) Amounts exclude reclassifications related to loans for which we have elected the fair value option.

(2) Allowance for credit losses established upon loan reclassifications from held-for-sale to held-for-investment to reflect the net amount we expect to collect on the loan. Loans with prior charge-offs may have a negative allowance for credit losses established upon reclassification.

## Interest Income

The table below presents the amortized cost basis of non-accrual loans as of the beginning and the end of the periods presented, including the interest income recognized for the period that is related to the loans on non-accrual status as of the period end.

**Table 3.4 - Amortized Cost Basis of Held-for-Investment Loans on Non-Accrual(1)**

| | Non-Accrual Amortized Cost Basis | | Interest Income Recognized(2) | |
|---|---|---|---|---|
| (In millions) | June 30, 2023 | March 31, 2023 | 2Q 2023 | YTD 2023 |
| Single-Family: | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $11,989 | $9,348 | $28 | $78 |
| 15-year or less, amortizing fixed-rate | 540 | 434 | 1 | 2 |
| Adjustable-rate and other | 323 | 332 | 1 | 2 |
| **Total Single-Family** | **12,852** | **10,114** | **30** | **82** |
| **Total Multifamily** | **56** | **41** | **1** | **1** |
| **Total Single-Family and Multifamily** | **$12,908** | **$10,155** | **$31** | **$83** |

Referenced footnotes are included after the prior period table.

| (In millions) | Non-Accrual Amortized Cost Basis | | Interest Income Recognized[2] | |
|---|---|---|---|---|
| | June 30, 2022 | March 31, 2022 | 2Q 2022 | YTD 2022 |
| Single-Family: | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $11,021 | $13,831 | $40 | $80 |
| 15-year or less, amortizing fixed-rate | 562 | 684 | 1 | 3 |
| Adjustable-rate and other | 435 | 580 | 1 | 3 |
| **Total Single-Family** | **12,018** | **15,095** | **42** | **86** |
| **Total Multifamily** | **42** | **42** | **—** | **—** |
| **Total Single-Family and Multifamily** | **$12,060** | **$15,137** | **$42** | **$86** |

(1) Excludes amounts related to loans for which we have elected the fair value option.

(2) Represents the amount of payments received during the period, including those received while the loans were on accrual status, for the held-for-investment loans on non-accrual status as of period end.

The table below provides the amount of accrued interest receivable, net presented on our condensed consolidated balance sheets and the amount of accrued interest receivable related to loans on non-accrual status at the end of the periods that was charged off.

**Table 3.5 - Accrued Interest Receivable, Net and Related Charge-Offs**

| (In millions) | Accrued Interest Receivable, Net | | Accrued Interest Receivable Related Charge-Offs | | | |
|---|---|---|---|---|---|---|
| | June 30, 2023 | December 31, 2022 | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
| Single-Family loans | $8,285 | $7,967 | ($88) | ($58) | ($136) | ($145) |
| Multifamily loans | 234 | 220 | — | — | — | — |

## 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 our relief refinance programs) or to sell the property for an amount at or above the balance of the outstanding loan.

The table below presents the amortized cost basis of single-family held-for-investment loans by current LTV ratio. Our current LTV ratios are estimates based on available data through the end of each period presented. For reporting purposes:

- Alt-A loans continue to be presented in the "adjustable-rate and other" category following modification, even though the borrower may have provided full documentation of assets and income to complete the modification and
- Option ARM loans continue to be presented in the "adjustable-rate and other" category following modification, even though the modified loan no longer provides for optional payment provisions.

**Table 3.6 - Amortized Cost Basis of Single-Family Held-for-Investment Loans by Current LTV Ratio and Vintage**

| | June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Year of Origination | | | | | | Total |
| (In millions) | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | |
| Current LTV ratio: | | | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | | | | | | | |
| ≤ 60 | $14,338 | $76,635 | $435,402 | $510,674 | $90,381 | $429,346 | $1,556,776 |
| > 60 to 80 | 42,991 | 175,477 | 389,009 | 147,535 | 21,066 | 12,364 | 788,442 |
| > 80 to 90 | 20,207 | 87,422 | 59,288 | 2,371 | 380 | 418 | 170,086 |
| > 90 to 100 | 31,434 | 61,855 | 5,608 | 328 | 38 | 120 | 99,383 |
| > 100 | 14 | 2,459 | 101 | 4 | 5 | 121 | 2,704 |
| **Total 20- and 30-year or more, amortizing fixed-rate** | **108,984** | **403,848** | **889,408** | **660,912** | **111,870** | **442,369** | **2,617,391** |
| Current year-to-date gross write-offs[1] | — | 5 | 11 | 3 | 2 | 20 | 41 |
| 15-year or less, amortizing fixed-rate | | | | | | | |
| ≤ 60 | 1,753 | 18,368 | 121,835 | 104,298 | 13,525 | 64,685 | 324,464 |
| > 60 to 80 | 1,958 | 11,244 | 11,942 | 925 | 47 | 12 | 26,128 |
| > 80 to 90 | 340 | 1,092 | 94 | 2 | 1 | 2 | 1,531 |
| > 90 to 100 | 192 | 180 | 3 | — | — | — | 375 |
| > 100 | — | 6 | — | — | — | 1 | 7 |
| **Total 15-year or less, amortizing fixed-rate** | **4,243** | **30,890** | **133,874** | **105,225** | **13,573** | **64,700** | **352,505** |
| Current year-to-date gross write-offs[1] | — | — | 1 | — | — | — | 1 |
| Adjustable-rate and other | | | | | | | |
| ≤ 60 | 186 | 1,416 | 2,970 | 1,499 | 604 | 14,230 | 20,905 |
| > 60 to 80 | 725 | 2,594 | 1,616 | 147 | 49 | 349 | 5,480 |
| > 80 to 90 | 433 | 1,145 | 108 | 3 | 1 | 26 | 1,716 |
| > 90 to 100 | 376 | 669 | 6 | — | — | 13 | 1,064 |
| > 100 | — | 39 | — | — | — | 6 | 45 |
| **Total adjustable-rate and other** | **1,720** | **5,863** | **4,700** | **1,649** | **654** | **14,624** | **29,210** |
| Current year-to-date gross write-offs[1] | — | — | — | — | — | — | — |
| Total for all loan product types by current LTV ratio: | | | | | | | |
| ≤ 60 | 16,277 | 96,419 | 560,207 | 616,471 | 104,510 | 508,261 | 1,902,145 |
| > 60 to 80 | 45,674 | 189,315 | 402,567 | 148,607 | 21,162 | 12,725 | 820,050 |
| > 80 to 90 | 20,980 | 89,659 | 59,490 | 2,376 | 382 | 446 | 173,333 |
| > 90 to 100 | 32,002 | 62,704 | 5,617 | 328 | 38 | 133 | 100,822 |
| > 100 | 14 | 2,504 | 101 | 4 | 5 | 128 | 2,756 |
| **Total Single-Family loans** | **$114,947** | **$440,601** | **$1,027,982** | **$767,786** | **$126,097** | **$521,693** | **$2,999,106** |
| **Total current year-to-date gross write-offs[1]** | **$—** | **$5** | **$12** | **$3** | **$2** | **$20** | **$42** |

Referenced footnotes are included after the prior period table.

| | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Year of Origination | | | | | | Total |
| (In millions) | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | |
| Current LTV ratio: | | | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | | | | | | | |
| ≤ 60 | $66,153 | $394,498 | $489,315 | $87,188 | $38,955 | $407,819 | $1,483,928 |
| > 60 to 80 | 158,421 | 424,141 | 190,167 | 28,991 | 7,870 | 10,426 | 820,016 |
| > 80 to 90 | 79,901 | 90,006 | 4,405 | 569 | 164 | 419 | 175,464 |
| > 90 to 100 | 86,109 | 8,911 | 397 | 56 | 24 | 143 | 95,640 |
| > 100 | 2,568 | 49 | 6 | 6 | 5 | 156 | 2,790 |
| **Total 20- and 30-year or more, amortizing fixed-rate** | **393,152** | **917,605** | **684,290** | **116,810** | **47,018** | **418,963** | **2,577,838** |
| 15-year or less, amortizing fixed-rate | | | | | | | |
| ≤ 60 | 16,752 | 119,379 | 109,685 | 14,606 | 5,578 | 68,240 | 334,240 |
| > 60 to 80 | 13,042 | 22,007 | 2,503 | 132 | 16 | 16 | 37,716 |
| > 80 to 90 | 1,601 | 368 | 7 | — | — | 1 | 1,977 |
| > 90 to 100 | 570 | 5 | — | — | — | 1 | 576 |
| > 100 | 3 | — | — | — | — | 1 | 4 |
| **Total 15-year or less, amortizing fixed-rate** | **31,968** | **141,759** | **112,195** | **14,738** | **5,594** | **68,259** | **374,513** |
| Adjustable-rate and other | | | | | | | |
| ≤ 60 | 1,255 | 2,779 | 1,524 | 634 | 428 | 15,139 | 21,759 |
| > 60 to 80 | 2,322 | 1,956 | 214 | 76 | 28 | 445 | 5,041 |
| > 80 to 90 | 1,127 | 186 | 5 | 1 | 1 | 34 | 1,354 |
| > 90 to 100 | 836 | 11 | — | — | — | 14 | 861 |
| > 100 | 26 | — | — | — | — | 9 | 35 |
| **Total adjustable-rate and other** | **5,566** | **4,932** | **1,743** | **711** | **457** | **15,641** | **29,050** |
| Total for all loan product types by current LTV ratio: | | | | | | | |
| ≤ 60 | 84,160 | 516,656 | 600,524 | 102,428 | 44,961 | 491,198 | 1,839,927 |
| > 60 to 80 | 173,785 | 448,104 | 192,884 | 29,199 | 7,914 | 10,887 | 862,773 |
| > 80 to 90 | 82,629 | 90,560 | 4,417 | 570 | 165 | 454 | 178,795 |
| > 90 to 100 | 87,515 | 8,927 | 397 | 56 | 24 | 158 | 97,077 |
| > 100 | 2,597 | 49 | 6 | 6 | 5 | 166 | 2,829 |
| **Total Single-Family loans** | **$430,686** | **$1,064,296** | **$798,228** | **$132,259** | **$53,069** | **$502,863** | **$2,981,401** |

(1) Excludes write-offs related to accrued interest receivable and advances of pre-foreclosure costs.

***Multifamily***

The table below presents the amortized cost basis of our multifamily held-for-investment loans, for which we have not elected the fair value option, by credit quality indicator, based on available data through the end of each period presented. These indicators involve significant management judgment and are defined as follows:

- "Pass" is current and adequately protected by the borrower's current financial strength and debt service capacity;
- "Special mention" has administrative issues that may affect future repayment prospects but does not have current credit weaknesses. In addition, this category generally includes loans in forbearance;
- "Substandard" has a weakness that jeopardizes the timely full repayment; and
- "Doubtful" has a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions.

**Table 3.7 - Amortized Cost Basis of Multifamily Held-for-Investment Loans by Credit Quality Indicator and Vintage**

| | June 30, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Year of Origination | | | | | | | |
| (In millions) | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Total |
| Category: | | | | | | | | |
| Pass | $6,026 | $18,547 | $7,660 | $6,427 | $4,556 | $3,262 | $2,081 | $48,559 |
| Special mention | 20 | 14 | 4 | 109 | 226 | 61 | — | 434 |
| Substandard | — | — | 64 | 77 | 205 | 461 | — | 807 |
| Doubtful | — | — | — | — | — | — | — | — |
| **Total** | **$6,046** | **$18,561** | **$7,728** | **$6,613** | **$4,987** | **$3,784** | **$2,081** | **$49,800** |

| | December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Year of Origination | | | | | | | |
| (In millions) | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Revolving Loans | Total |
| Category: | | | | | | | | |
| Pass | $21,854 | $7,638 | $6,546 | $4,784 | $1,077 | $2,646 | $1,924 | $46,469 |
| Special mention | — | 39 | 65 | 232 | 7 | 113 | — | 456 |
| Substandard | — | 1 | 3 | 27 | 7 | 131 | — | 169 |
| Doubtful | — | — | — | — | — | — | — | — |
| **Total** | **$21,854** | **$7,678** | **$6,614** | **$5,043** | **$1,091** | **$2,890** | **$1,924** | **$47,094** |

## Past Due Status

The table below presents the amortized cost basis of our single-family and multifamily held-for-investment loans, for which we have not elected the fair value option, by payment status.

**Table 3.8 - Amortized Cost Basis of Held-for-Investment Loans by Payment Status**

| | June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| (In millions) | Current | One Month Past Due | Two Months Past Due | Three Months or More Past Due, or in Foreclosure[1] | Total | Three Months or More Past Due, and Accruing Interest | Non-Accrual With No Allowance[2] |
| Single-Family: | | | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $2,581,894 | $19,586 | $4,299 | $11,612 | $2,617,391 | $— | $507 |
| 15-year or less, amortizing fixed-rate | 350,510 | 1,257 | 212 | 526 | 352,505 | — | 8 |
| Adjustable-rate and other | 28,524 | 301 | 81 | 304 | 29,210 | — | 56 |
| **Total Single-Family** | **2,960,928** | **21,144** | **4,592** | **12,442** | **2,999,106** | **—** | **571** |
| **Total Multifamily** | **49,713** | **30** | **1** | **56** | **49,800** | **—** | **15** |
| **Total Single-Family and Multifamily** | **$3,010,641** | **$21,174** | **$4,593** | **$12,498** | **$3,048,906** | **$—** | **$586** |

Referenced footnotes are included after the prior period table.

| (In millions) | December 31, 2022 Current | One Month Past Due | Two Months Past Due | Three Months or More Past Due, or in Foreclosure[1] | Total | Three Months or More Past Due, and Accruing Interest | Non-Accrual with No Allowance[2] |
|---|---|---|---|---|---|---|---|
| Single-Family: | | | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $2,541,057 | $19,820 | $4,603 | $12,358 | $2,577,838 | $3,432 | $522 |
| 15-year or less, amortizing fixed-rate | 372,065 | 1,590 | 250 | 608 | 374,513 | 191 | 9 |
| Adjustable-rate and other | 28,262 | 325 | 88 | 375 | 29,050 | 30 | 67 |
| **Total Single-Family** | **2,941,384** | **21,735** | **4,941** | **13,341** | **2,981,401** | **3,653** | **598** |
| **Total Multifamily** | **47,039** | **13** | **—** | **42** | **47,094** | **—** | **42** |
| **Total Single-Family and Multifamily** | **$2,988,423** | **$21,748** | **$4,941** | **$13,383** | **$3,028,495** | **$3,653** | **$640** |

(1) Includes $1.9 billion and $1.6 billion of single-family loans that were in the process of foreclosure as of June 30, 2023 and December 31, 2022, respectively.

(2) Loans with no allowance for loan losses primarily represent those loans that were previously charged off and therefore the collateral value is sufficiently in excess of the amortized cost to result in recovery of the entire amortized cost basis if the property were foreclosed upon or otherwise subject to disposition. We exclude the amounts of allowance for credit losses on accrued interest receivable and advances of pre-foreclosure costs when determining whether a loan has an allowance for credit losses.

## Loan Restructurings

***Single-Family Loan Restructurings***

We offer several types of restructurings to single-family borrowers that may result in a payment delay, interest rate reduction, term extension, or combination thereof. We do not offer principal forgiveness.

For purposes of the disclosure related to single-family loan restructurings involving borrowers experiencing financial difficulty, we exclude loans that were held-for-sale either at the time of restructuring or at the period end. The table below presents the amortized cost basis of single-family held-for-investment loan restructurings involving borrowers experiencing financial difficulty that we entered into during the periods presented. The amortized cost basis of loans in trial period modification plans was $1.8 billion and $2.6 billion as of June 30, 2023 and June 30, 2022, respectively. Most of these loans are 20- and 30-year or more, amortizing fixed-rate loans.

**Table 3.9 - Single-Family Loan Restructurings Involving Borrowers Experiencing Financial Difficulty[1]**

| (Dollars in millions) | 2Q 2023 Payment Delay[2] | Payment Delay and Term Extension | Payment Delay, Term Extension, and Interest Rate Reduction | Total | Total as % of Class of Financing Receivable[3] |
|---|---|---|---|---|---|
| Single-Family: | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $5,328 | $1,116 | $32 | $6,476 | 0.2 % |
| 15-year or less, amortizing fixed-rate | 265 | — | — | 265 | 0.1 |
| Adjustable-rate and other | 63 | 8 | 1 | 72 | 0.2 |
| **Total Single-Family loan restructurings** | **$5,656** | **$1,124** | **$33** | **$6,813** | **0.2** |

| (Dollars in millions) | 2Q 2022 Payment Delay[2] | Payment Delay and Term Extension | Payment Delay, Term Extension, and Interest Rate Reduction | Total | Total as % of Class of Financing Receivable[3] |
|---|---|---|---|---|---|
| Single-Family: | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $6,832 | $520 | $2,476 | $9,828 | 0.4 % |
| 15-year or less, amortizing fixed-rate | 429 | 15 | 16 | 460 | 0.1 |
| Adjustable-rate and other | 139 | 14 | 50 | 203 | 0.7 |
| **Total Single-Family loan restructurings** | **$7,400** | **$549** | **$2,542** | **$10,491** | **0.4** |

Referenced footnotes are included after the year-to-date table.

| (Dollars in millions) | YTD 2023 Payment Delay[2] | Payment Delay and Term Extension | Payment Delay, Term Extension, and Interest Rate Reduction | Total | Total as % of Class of Financing Receivable[3] |
|---|---|---|---|---|---|
| Single-Family: | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $10,607 | $2,148 | $118 | $12,873 | 0.5 % |
| 15-year or less, amortizing fixed-rate | 547 | — | — | 547 | 0.2 |
| Adjustable-rate and other | 123 | 18 | 5 | 146 | 0.5 |
| **Total Single-Family loan restructurings** | **$11,277** | **$2,166** | **$123** | **$13,566** | **0.5** |

| (Dollars in millions) | YTD 2022 Payment Delay[2] | Payment Delay and Term Extension | Payment Delay, Term Extension, and Interest Rate Reduction | Total | Total as % of Class of Financing Receivable[3] |
|---|---|---|---|---|---|
| Single-Family: | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $14,268 | $1,172 | $5,361 | $20,801 | 0.8 % |
| 15-year or less, amortizing fixed-rate | 910 | 28 | 69 | 1,007 | 0.3 |
| Adjustable-rate and other | 314 | 29 | 126 | 469 | 1.6 |
| **Total Single-Family loan restructurings** | **$15,492** | **$1,229** | **$5,556** | **$22,277** | **0.8** |

(1) Type of loan restructurings reflects the cumulative effects of the loan restructurings received during the period. Includes loan modifications in the period in which the borrower completes the trial period and the loan is permanently modified.

(2) Includes $2.2 billion and $4.8 billion related to payment deferral plans for 2Q 2023 and YTD 2023, respectively, compared to $3.6 billion and $8.4 billion for 2Q 2022 and YTD 2022, respectively. Also includes forbearance plans, repayment plans, and loan modifications that only involve payment delays.

(3) Based on the amortized cost basis as of period end, divided by the total period-end amortized cost basis of the corresponding financing receivable class of single-family held-for-investment loans.

The table below shows the financial effect of single-family held-for-investment loan restructurings involving borrowers experiencing financial difficulty that we entered into during the periods presented.

**Table 3.10 – Financial Effects of Single-Family Loan Restructurings Involving Borrowers Experiencing Financial Difficulty[1]**

| (Dollars in thousands) | 2Q 2023 Weighted-Average Interest Rate Reduction | Weighted-Average Months of Term Extension | Weighted-Average Payment Deferral or Principal Forbearance[2] |
|---|---|---|---|
| Single-Family: | | | |
| 20- and 30-year or more, amortizing fixed-rate | 1.1 % | 179 | $18 |
| 15-year or less, amortizing fixed-rate | — | 0 | 16 |
| Adjustable-rate and other | 1.6 | 201 | 15 |

| (Dollars in thousands) | 2Q 2022 Weighted-Average Interest Rate Reduction | Weighted-Average Months of Term Extension | Weighted-Average Payment Deferral or Principal Forbearance[2] |
|---|---|---|---|
| Single-Family: | | | |
| 20- and 30-year or more, amortizing fixed-rate | 1.4 % | 185 | $21 |
| 15-year or less, amortizing fixed-rate | 0.6 | 359 | 22 |
| Adjustable-rate and other | 2.2 | 234 | 26 |

Referenced footnotes are included after the year-to-date table.

| (Dollars in thousands) | YTD 2023 Weighted-Average Interest Rate Reduction | YTD 2023 Weighted-Average Months of Term Extension | YTD 2023 Weighted-Average Payment Deferral or Principal Forbearance[2] |
|---|---|---|---|
| Single-Family: | | | |
| 20- and 30-year or more, amortizing fixed-rate | 1.0 % | 181 | $17 |
| 15-year or less, amortizing fixed-rate | — | 0 | 16 |
| Adjustable-rate and other | 1.9 | 200 | 17 |

| (Dollars in thousands) | YTD 2022 Weighted-Average Interest Rate Reduction | YTD 2022 Weighted-Average Months of Term Extension | YTD 2022 Weighted-Average Payment Deferral or Principal Forbearance[2] |
|---|---|---|---|
| Single-Family: | | | |
| 20- and 30-year or more, amortizing fixed-rate | 1.5 % | 187 | $23 |
| 15-year or less, amortizing fixed-rate | 0.6 | 358 | 24 |
| Adjustable-rate and other | 2.3 | 228 | 27 |

(1) Averages are based on payment deferral plans and loan modifications completed during the periods presented. The financial effects of forbearance plans and repayment plans consist of a payment delay of between one and twelve months. In addition, the financial effect of a forbearance plan is included at the time the forbearance plan is completed if the borrower exits forbearance by entering into a payment deferral plan or loan modification.

(2) Primarily related to payment deferral plans. Amounts are based on non-interest-bearing principal balances on the restructured loans.

The following table provides the amortized cost basis of single-family held-for-investment loans that had a payment default (i.e., loans that became two months delinquent) during the periods presented and had been restructured within the previous 12 months preceding the payment default, when the borrower was experiencing financial difficulty at the time of the restructuring. Since we adopted ASU 2022-02 prospectively, single-family held-for-investment loans that were restructured prior to January 1, 2022, the date we adopted such guidance, have been excluded from the disclosures related to loan restructurings.

**Table 3.11 - Subsequent Defaults of Single-Family Restructured Loans Involving Borrowers Experiencing Financial Difficulty[1]**

| (In millions) | 2Q 2023 Payment Delay | 2Q 2023 Payment Delay and Term Extension | 2Q 2023 Payment Delay, Term Extension, and Interest Rate Reduction | 2Q 2023 Total |
|---|---|---|---|---|
| Single-Family: | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $710 | $239 | $131 | $1,080 |
| 15-year or less, amortizing fixed-rate | 33 | — | — | 33 |
| Adjustable-rate and other | 11 | 2 | 2 | 15 |
| **Total Single-Family** | **$754** | **$241** | **$133** | **$1,128** |

| (In millions) | 2Q 2022 Payment Delay | 2Q 2022 Payment Delay and Term Extension | 2Q 2022 Payment Delay, Term Extension, and Interest Rate Reduction | 2Q 2022 Total |
|---|---|---|---|---|
| Single-Family: | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $364 | $30 | $69 | $463 |
| 15-year or less, amortizing fixed-rate | 18 | — | — | 18 |
| Adjustable-rate and other | 10 | 2 | 1 | 13 |
| **Total Single-Family** | **$392** | **$32** | **$70** | **$494** |

Referenced footnotes are included after the year-to-date table.

| (In millions) | YTD 2023 Payment Delay | Payment Delay and Term Extension | Payment Delay, Term Extension, and Interest Rate Reduction | Total |
|---|---|---|---|---|
| Single-Family: | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $1,286 | $381 | $305 | $1,972 |
| 15-year or less, amortizing fixed-rate | 59 | — | — | 59 |
| Adjustable-rate and other | 18 | 3 | 6 | 27 |
| **Total Single-Family** | **$1,363** | **$384** | **$311** | **$2,058** |

| (In millions) | YTD 2022 Payment Delay | Payment Delay and Term Extension | Payment Delay, Term Extension, and Interest Rate Reduction | Total |
|---|---|---|---|---|
| Single-Family: | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $717 | $38 | $76 | $831 |
| 15-year or less, amortizing fixed-rate | 45 | — | — | 45 |
| Adjustable-rate and other | 24 | 2 | 1 | 27 |
| **Total Single-Family** | **$786** | **$40** | **$77** | **$903** |

(1) Excludes forbearance plans and repayment plans as borrowers are typically past due based on the loan's original contractual terms at the time the borrowers enter into these plans.

The following table provides the single-family held-for-investment loan performance in the 12 months after a restructuring involving borrowers experiencing financial difficulty. While a single-family loan is in a forbearance plan or repayment plan, payments continue to be due based on the loan's original contractual terms because the loan has not been permanently modified. As a result, we report single-family loans in forbearance plans and repayment plans as delinquent to the extent that payments are past due based on the loan's original contractual terms. Loans that have been restructured by entering into a payment deferral plan or loan modification are reported as delinquent to the extent that payments are past due based on the loan's restructured terms.

**Table 3.12 - Amortized Cost Basis of Single-Family Restructured Loans Involving Borrowers Experiencing Financial Difficulty by Payment Status**

| (In millions) | June 30, 2023 Current | One Month Past Due | Two Months Past Due | Three Months or More Past Due | Total |
|---|---|---|---|---|---|
| Single-Family: | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $13,660 | $2,341 | $1,478 | $6,244 | $23,723 |
| 15-year or less, amortizing fixed-rate | 572 | 94 | 57 | 281 | 1,004 |
| Adjustable-rate and other | 158 | 32 | 19 | 84 | 293 |
| **Total Single-Family** | **$14,390** | **$2,467** | **$1,554** | **$6,609** | **$25,020** |

| (In millions) | June 30, 2022 Current | One Month Past Due | Two Months Past Due | Three Months or More Past Due | Total |
|---|---|---|---|---|---|
| Single-Family: | | | | | |
| 20- and 30-year or more, amortizing fixed-rate | $13,524 | $1,905 | $1,224 | $4,148 | $20,801 |
| 15-year or less, amortizing fixed-rate | 610 | 97 | 72 | 228 | 1,007 |
| Adjustable-rate and other | 292 | 31 | 21 | 125 | 469 |
| **Total Single-Family** | **$14,426** | **$2,033** | **$1,317** | **$4,501** | **$22,277** |

## Non-Cash Investing and Financing Activities

During YTD 2023 and YTD 2022, we acquired $100.9 billion and $247.8 billion, respectively, of loans held-for-investment in exchange for the issuance of debt of consolidated trusts in guarantor swap transactions. We received approximately $46.3 billion and $105.8 billion of loans held-for-investment from sellers during YTD 2023 and YTD 2022, respectively, to satisfy advances to lenders that were recorded in other assets on our condensed consolidated balance sheets.

# NOTE 4

## Guarantees and Other Off-Balance Sheet Credit Exposures

### Guarantee Activities

The table below shows information about our mortgage-related guarantees and guarantees of Fannie Mae securities, including the UPB of the loans or securities underlying the guarantee, the maximum potential amount of future payments that we could be required to make under the guarantee, the liability we have recognized on our condensed consolidated balance sheets for the guarantee, and the maximum remaining term of the guarantee. 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. We do not believe the potential amount of future payments we could be required to make is representative of the actual payments we will be required to make or the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancements.

**Table 4.1 - Financial Guarantees**

| | June 30, 2023 | | | |
|---|---|---|---|---|
| (Dollars in millions, terms in years) | UPB | Maximum Exposure | Recognized Liability(1) | Maximum Remaining Term |
| Single-Family mortgage-related guarantees: | | | | |
| Nonconsolidated securitization products(2) | $30,583 | $24,828 | $379 | 39 |
| Other mortgage-related guarantees | 9,079 | 9,079 | 181 | 29 |
| **Total Single-Family mortgage-related guarantees** | **39,662** | **33,907** | **560** | |
| Multifamily mortgage-related guarantees: | | | | |
| Nonconsolidated securitization products(2)(3) | 355,723 | 315,542 | 4,688 | 37 |
| Other mortgage-related guarantees | 10,847 | 10,847 | 400 | 35 |
| **Total Multifamily mortgage-related guarantees** | **366,570** | **326,389** | **5,088** | |
| Guarantees of Fannie Mae securities(4) | 114,359 | 114,359 | — | 38 |
| Other | 153 | 478 | — | 30 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| (Dollars in millions, terms in years) | UPB | Maximum Exposure | Recognized Liability(1) | Maximum Remaining Term |
| Single-Family mortgage-related guarantees: | | | | |
| Nonconsolidated securitization products(2) | $31,604 | $25,772 | $391 | 40 |
| Other mortgage-related guarantees | 9,476 | 9,476 | 203 | 29 |
| **Total Single-Family mortgage-related guarantees** | **41,080** | **35,248** | **594** | |
| Multifamily mortgage-related guarantees: | | | | |
| Nonconsolidated securitization products(2)(3) | 360,869 | 319,117 | 4,889 | 37 |
| Other mortgage-related guarantees | 10,510 | 10,510 | 379 | 36 |
| **Total Multifamily mortgage-related guarantees** | **371,379** | **329,627** | **5,268** | |
| Guarantees of Fannie Mae securities(4) | 119,267 | 119,267 | — | 39 |
| Other | 185 | 435 | — | 29 |

(1) Excludes allowance for credit losses on off-balance sheet credit exposures. See **Note 5** for additional information on our allowance for credit losses on off-balance sheet credit exposures.

(2) Maximum exposure is based on remaining UPB of the guaranteed securities issued by the VIE.

(3) Includes UPB of $0.3 billion and $0.4 billion as of June 30, 2023 and December 31, 2022, respectively, related to VIEs in which our interest would no longer absorb significant variability as the guaranteed securities have completely paid off. In addition, includes guarantees that are accounted for as derivatives with UPB of $2.1 billion as of both June 30, 2023 and December 31, 2022.

(4) Excludes $0.1 billion as of both June 30, 2023 and December 31, 2022, of Fannie Mae securities that we have guaranteed that are included in resecuritization trusts that we have consolidated as we own all of the outstanding securities issued by the VIE.

The table below shows the payment status of the mortgage loans underlying our mortgage-related guarantees.

**Table 4.2 – UPB of Loans Underlying Our Mortgage-Related Guarantees by Payment Status**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| (In millions) | Current | One Month Past Due | Two Months Past Due | Three Months or More Past Due, or in Foreclosure | Total |
| Single-Family | $35,498 | $1,899 | $674 | $1,591 | $39,662 |
| Multifamily | 365,658 | 86 | 66 | 760 | 366,570 |
| **Total** | **$401,156** | **$1,985** | **$740** | **$2,351** | **$406,232** |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| (In millions) | Current | One Month Past Due | Two Months Past Due | Three Months or More Past Due, or in Foreclosure | Total |
| Single-Family | $36,241 | $2,072 | $748 | $2,019 | $41,080 |
| Multifamily | 370,911 | 23 | 12 | 433 | 371,379 |
| **Total** | **$407,152** | **$2,095** | **$760** | **$2,452** | **$412,459** |

## Other Off-Balance Sheet Credit Exposures

In addition to our guarantees, we enter into other agreements that expose us to off-balance sheet credit risk. These agreements may require us to transfer cash before or upon settlement of our contractual obligation. We recognize an allowance for credit losses for those agreements not measured at fair value or otherwise recognized in the financial statements. Most of these commitments expire in less than one year. See Note 5 for additional discussion of our allowance for credit losses on our off-balance sheet credit exposures. The table below shows our other off-balance sheet credit exposures.

**Table 4.3 – Other Off-Balance Sheet Credit Exposures**

| (In millions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Mortgage loan purchase commitments(1) | $12,262 | $9,609 |
| Other commitments(2) | 22,556 | 22,293 |
| **Total** | **$34,818** | **$31,902** |

(1) Includes $2.9 billion and $0.5 billion of commitments for which we have elected the fair value option as of June 30, 2023 and December 31, 2022, respectively. Excludes mortgage loan purchase commitments accounted for as derivative instruments. See **Note 8** for additional information on commitments accounted for as derivative instruments.

(2) Consists of unfunded portion of revolving lines of credit, liquidity guarantees, and other commitments.

# NOTE 5

## Allowance for Credit Losses

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

**Table 5.1 - Details of the Allowance for Credit Losses**

| | 2Q 2023 | | | 2Q 2022 | | | YTD 2023 | | | YTD 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (In millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| Beginning balance | $8,097 | $224 | $8,321 | $4,849 | $72 | $4,921 | $7,746 | $147 | $7,893 | $5,440 | $78 | $5,518 |
| Provision (benefit) for credit losses | (638) | 101 | (537) | 298 | 9 | 307 | (320) | 178 | (142) | (533) | 3 | (530) |
| Charge-offs | (111) | — | (111) | (107) | — | (107) | (201) | — | (201) | (280) | — | (280) |
| Recoveries collected | 29 | — | 29 | 43 | — | 43 | 61 | — | 61 | 95 | — | 95 |
| Other(1) | 80 | — | 80 | 259 | — | 259 | 171 | — | 171 | 620 | — | 620 |
| **Ending balance** | **$7,457** | **$325** | **$7,782** | **$5,342** | **$81** | **$5,423** | **$7,457** | **$325** | **$7,782** | **$5,342** | **$81** | **$5,423** |
| **Components of the ending balance of the allowance for credit losses:** | | | | | | | | | | | | |
| Mortgage loans held-for-investment | $7,088 | $251 | $7,339 | $4,904 | $35 | $4,939 | | | | | | |
| Other(2) | 369 | 74 | 443 | 438 | 46 | 484 | | | | | | |
| **Total ending balance** | **$7,457** | **$325** | **$7,782** | **$5,342** | **$81** | **$5,423** | | | | | | |

(1) Primarily includes capitalization of past due interest related to non-accrual loans that receive payment deferral plans and loan modifications.

(2) Includes allowance for credit losses related to advances of pre-foreclosure costs, accrued interest receivable, and off-balance sheet credit exposures.

- **2Q 2023 vs. 2Q 2022** - The benefit for credit losses for 2Q 2023 was primarily driven by a credit reserve release in Single-Family due to improvements in observed and forecasted house price appreciation, partially offset by a credit reserve build in Multifamily due to deterioration in forecasted multifamily market conditions and current loan performance. The provision for credit losses for 2Q 2022 was primarily driven by a credit reserve build in Single-Family due to portfolio growth and deterioration in forecasted economic conditions.

- **YTD 2023 vs. YTD 2022** - The benefit for credit losses for YTD 2023 was primarily driven by a credit reserve release in Single-Family due to improvements in forecasted house price appreciation, partially offset by a credit reserve build in Multifamily due to increased uncertainty in forecasted economic conditions and multifamily market conditions as well as deterioration in loan performance. The benefit for credit losses for YTD 2022 was primarily driven by a credit reserve release in Single-Family due to improvements in observed house price appreciation.

In addition, charge-offs decreased for YTD 2023, compared to YTD 2022, primarily due to a decrease in charge-offs of accrued interest receivable.

# NOTE 6

# Investment Securities

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

**Table 6.1 - Investment Securities**

| (In millions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Trading securities | $35,687 | $32,167 |
| Available-for-sale securities | 5,942 | 6,534 |
| **Total fair value of investment securities** | **$41,629** | **$38,701** |

## Trading Securities

The table below presents the 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 6.2 - Trading Securities**

| (In millions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Mortgage-related securities | $10,256 | $8,334 |
| Non-mortgage-related securities | 25,431 | 23,833 |
| **Total fair value of trading securities** | **$35,687** | **$32,167** |

For trading securities held at June 30, 2023, we recorded net unrealized losses of $0.3 billion and $0.2 billion during 2Q 2023 and YTD 2023, respectively. For trading securities held at June 30, 2022, we recorded net unrealized losses of $0.3 billion and $1.1 billion during 2Q 2022 and YTD 2022, respectively.

## Available-for-Sale Securities

The table below provides details of the securities classified as available-for-sale on our condensed consolidated balance sheets. At June 30, 2023 and December 31, 2022, all available-for-sale securities were mortgage-related securities.

**Table 6.3 - Available-for-Sale Securities**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| (In millions) | Amortized Cost Basis | Gross Unrealized Gains in Other Comprehensive Income | Gross Unrealized Losses in Other Comprehensive Income | Fair Value | Accrued Interest Receivable |
| Agency mortgage-related securities | $5,677 | $3 | ($297) | $5,382 | $12 |
| Other mortgage-related securities | 383 | 182 | (5) | 560 | 3 |
| **Total available-for-sale securities** | **$6,060** | **$185** | **($302)** | **$5,942** | **$15** |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| (In millions) | Amortized Cost Basis | Gross Unrealized Gains in Other Comprehensive Income | Gross Unrealized Losses in Other Comprehensive Income | Fair Value | Accrued Interest Receivable |
| Agency mortgage-related securities | $6,215 | $6 | ($301) | $5,920 | $12 |
| Other mortgage-related securities | 429 | 188 | (3) | 614 | 3 |
| **Total available-for-sale securities** | **$6,644** | **$194** | **($304)** | **$6,534** | **$15** |

The fair value of our available-for-sale securities held at June 30, 2023 scheduled to contractually mature after ten years was $1.4 billion, with an additional $3.5 billion scheduled to contractually mature after five years through ten years.

The table below presents 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 6.4 - Available-for-Sale Securities in a Gross Unrealized Loss Position**

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or Greater | |
| (In millions) | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Agency mortgage-related securities | $2,346 | ($103) | $2,520 | ($194) |
| Other mortgage-related securities | 48 | (3) | 14 | (2) |
| **Total available-for-sale securities in a gross unrealized loss position** | **$2,394** | **($106)** | **$2,534** | **($196)** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or Greater | |
| (In millions) | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Agency mortgage-related securities | $5,086 | ($253) | $325 | ($48) |
| Other mortgage-related securities | 46 | (3) | 5 | — |
| **Total available-for-sale securities in a gross unrealized loss position** | **$5,132** | **($256)** | **$330** | **($48)** |

At June 30, 2023, the gross unrealized losses relate to 207 securities.

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

**Table 6.5 - Gross Realized Gains and Gross Realized Losses from Sales of Available-for-Sale Securities**

| (In millions) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Gross realized gains | $3 | $1 | $5 | $1 |
| Gross realized losses | (2) | (3) | (4) | (4) |
| **Net realized gains (losses)** | **$1** | **($2)** | **$1** | **($3)** |

## Non-Cash Investing and Financing Activities

During YTD 2023 and YTD 2022, we recognized $1.7 billion and $8.3 billion, respectively, of investment securities in exchange for the issuance of debt of consolidated trusts through partial sales of commingled single-class resecuritization products that were previously consolidated.

During YTD 2023 and YTD 2022, we derecognized $2.8 billion and $7.7 billion, respectively, of mortgage-related securities and debt of consolidated trusts where we were no longer deemed the primary beneficiary.

# NOTE 7

## Debt

The table below summarizes the balances of total debt on our condensed consolidated balance sheets.

**Table 7.1 - Total Debt**

| (In millions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Debt of consolidated trusts | $3,007,278 | $2,979,070 |
| Debt of Freddie Mac: | | |
| Short-term debt | 11,330 | 7,712 |
| Long-term debt | 170,478 | 159,050 |
| **Total debt of Freddie Mac** | **181,808** | **166,762** |
| **Total debt** | **$3,189,086** | **$3,145,832** |

As of June 30, 2023, our aggregate indebtedness pursuant to the Purchase Agreement was $192.0 billion, which was below the current $270.0 billion debt cap limit. Our aggregate indebtedness calculation primarily includes the par value of short- and long-term debt.

## Debt of Consolidated Trusts

The table below summarizes the debt of consolidated trusts based on underlying loan product type.

**Table 7.2 - Debt of Consolidated Trusts**

| | June 30, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (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: | | | | | | | | |
| 20-and 30-year or more, fixed-rate | 2023 - 2061 | $2,551,815 | $2,592,440 | 2.89 % | 2023 - 2061 | $2,507,235 | $2,550,137 | 2.76 % |
| 15-year or less, fixed-rate | 2023 - 2038 | 346,538 | 352,290 | 2.17 | 2023 - 2038 | 367,844 | 374,339 | 2.14 |
| Adjustable-rate and other | 2023 - 2053 | 24,010 | 24,528 | 3.52 | 2023 - 2053 | 23,561 | 24,153 | 3.04 |
| **Total Single-Family** | | **2,922,363** | **2,969,258** | | | **2,898,640** | **2,948,629** | |
| Multifamily | 2024 - 2053 | 38,633 | 38,020 | 2.96 | 2023 - 2052 | 30,927 | 30,441 | 2.66 |
| **Total debt of consolidated trusts** | | **$2,960,996** | **$3,007,278** | | | **$2,929,567** | **$2,979,070** | |

(1) Includes $1.4 billion and $1.9 billion as of June 30, 2023 and December 31, 2022, respectively, of debt of consolidated trusts that represents the fair value of debt for which the fair value option was elected.

(2) The effective interest rate for debt of consolidated trusts was 2.50% and 2.39% as of June 30, 2023 and December 31, 2022, respectively.

## Short-Term Debt

The table below summarizes the balances and effective interest rates for short-term debt.

**Table 7.3 - Short-Term Debt**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Par Value | Carrying Amount | Weighted Average Effective Rate | Par Value | Carrying Amount | Weighted Average Effective Rate |
| Short-term debt: | | | | | | |
| Discount notes and Reference Bills® | $11,386 | $11,330 | 5.08 % | $6,826 | $6,822 | 3.71 % |
| Medium-term notes | — | — | — | 890 | 890 | 1.81 |
| Securities sold under agreements to repurchase | 9,168 | 9,168 | 4.99 | 11,991 | 11,991 | 3.86 |
| Offsetting arrangements[1] | (9,168) | (9,168) | | (11,991) | (11,991) | |
| **Total short-term debt** | **$11,386** | **$11,330** | **5.08 %** | **$7,716** | **$7,712** | **3.49 %** |

(1) We offset payables related to securities sold under agreements to repurchase against receivables related to securities purchased under agreements to resell on our condensed consolidated balance sheets, when such amounts meet the conditions for offsetting in the accounting guidance.

## Long-Term Debt

The table below summarizes our long-term debt.

**Table 7.4 - Long-Term Debt**

| | June 30, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | Contractual Maturity | Par Value | Carrying Amount[1] | Weighted Average Effective Rate[2] | Contractual Maturity | Par Value | Carrying Amount[1] | Weighted Average Effective Rate[2] |
| Long-term debt: | | | | | | | | |
| Fixed-rate: | | | | | | | | |
| Medium-term notes — callable | 2023 - 2050 | $132,542 | $132,473 | 2.81 % | 2023 - 2050 | $103,584 | $103,528 | 1.96 % |
| Medium-term notes — non-callable | 2023 - 2028 | 1,971 | 1,972 | 0.92 | 2023 - 2028 | 2,747 | 2,747 | 0.73 |
| Reference Notes securities — non-callable | 2023 - 2032 | 36,051 | 36,095 | 3.82 | 2023 - 2032 | 49,801 | 49,832 | 1.76 |
| SCR debt notes | 2031 - 2032 | 84 | 84 | 13.00 | 2031 - 2032 | 90 | 93 | 13.00 |
| Variable-rate: | | | | | | | | |
| Medium-term notes — callable | 2023 - 2028 | 2,187 | 2,184 | 4.66 | 2023 - 2027 | 4,691 | 4,689 | 3.95 |
| Medium-term notes — non-callable | 2026 | 47 | 47 | 8.10 | 2026 | 47 | 47 | 8.10 |
| STACR | 2023 - 2042 | 2,856 | 2,757 | 10.30 | 2023 - 2042 | 4,562 | 4,448 | 8.79 |
| Zero-coupon: | | | | | | | | |
| Medium-term notes — non-callable | 2024 - 2039 | 4,836 | 3,002 | 6.14 | 2023 - 2039 | 4,841 | 2,913 | 6.11 |
| Other | 2047 - 2053 | — | 129 | 0.83 | 2047 - 2052 | — | 137 | 0.82 |
| Hedging-related basis adjustments | | N/A | (8,265) | | | N/A | (9,384) | |
| **Total long-term debt** | | **$180,574** | **$170,478** | **3.20 %** | | **$170,363** | **$159,050** | **2.20 %** |

(1) Represents par value, net of associated discounts or premiums and issuance cost. Includes $0.6 billion and $1.1 billion at June 30, 2023 and December 31, 2022, respectively, of long-term debt that represents the fair value of debt for which the fair value option was elected.

(2) Based on carrying amount.

The table below summarizes the contractual maturities of long-term debt.

**Table 7.5 - Contractual Maturities of Long-Term Debt**

| (In millions) | June 30, 2023<br>Amounts |
|---|---|
| **Annual Maturities** | |
| Long-term debt (excluding STACR and SCR debt notes): | |
| 2023 | $23,376 |
| 2024 | 42,095 |
| 2025 | 61,105 |
| 2026 | 12,024 |
| 2027 | 9,434 |
| Thereafter | 29,600 |
| Debt of consolidated trusts, STACR, and SCR debt notes[1] | 2,963,936 |
| **Total** | **3,141,570** |
| Net discounts, premiums, debt issuance costs, hedge-related, and other basis adjustments[2] | 36,186 |
| **Total debt of consolidated trusts, STACR, SCR, and long-term debt** | **$3,177,756** |

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

(2) Other basis adjustments primarily represent changes in fair value on debt where we have elected the fair value option.

# NOTE 8

## Derivatives

We analyze the interest-rate sensitivity of financial assets and liabilities across a variety of interest-rate scenarios based on market prices, models, and economics. We use derivatives primarily to hedge interest-rate sensitivity mismatches between our financial assets and liabilities. We designate certain derivatives as hedging instruments in qualifying hedge accounting relationships. Interest-rate risk management derivatives that are not designated in qualifying hedge accounting relationships are economic hedges of financial instruments measured at fair value on a recurring basis or of other transactions or instruments that expose us to interest-rate risk.

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, using interest-rate swaps.

## 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 8.1 - Derivative Assets and Liabilities at Fair Value**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | 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 risk management derivatives: | | | | | | |
| Swaps | $743,108 | $1,837 | ($441) | $480,824 | $1,762 | ($526) |
| Written options | 67,813 | — | (1,910) | 46,101 | — | (1,857) |
| Purchased options(1) | 76,970 | 3,668 | — | 92,010 | 4,302 | — |
| Futures | 249,149 | — | — | 182,330 | — | — |
| **Total interest-rate risk management derivatives** | **1,137,040** | **5,505** | **(2,351)** | **801,265** | **6,064** | **(2,383)** |
| Mortgage commitment derivatives | 58,503 | 6 | (20) | 29,354 | 12 | (11) |
| CRT-related derivatives(2) | 32,681 | — | (149) | 31,647 | — | (55) |
| Other | 13,752 | 13 | (581) | 14,426 | 2 | (624) |
| **Total derivatives not designated as hedges** | **1,241,976** | **5,524** | **(3,101)** | **876,692** | **6,078** | **(3,073)** |
| **Designated as fair value hedges** | | | | | | |
| Interest-rate risk management derivatives: | | | | | | |
| Swaps | 181,144 | 97 | (7,478) | 181,298 | 321 | (7,847) |
| **Total derivatives designated as fair value hedges** | **181,144** | **97** | **(7,478)** | **181,298** | **321** | **(7,847)** |
| Receivables (payables) | | 52 | (100) | | 35 | (25) |
| Netting adjustments(3) | | (5,314) | 9,698 | | (6,127) | 10,187 |
| **Total derivative portfolio, net** | **$1,423,120** | **$359** | **($981)** | **$1,057,990** | **$307** | **($758)** |

(1) Includes swaptions on credit indices with a notional or contractual amount of $5.5 billion and $10.1 billion at June 30, 2023 and December 31, 2022, respectively, and a fair value of $1.0 million and $2.0 million at June 30, 2023 and December 31, 2022, respectively.

(2) Includes derivative instruments related to CRT transactions that are considered freestanding credit enhancements.

(3) Represents counterparty netting and cash collateral netting.

## Gains and Losses on Derivatives

The table below presents the gains and losses on derivatives not designated in qualifying hedge relationships. These amounts are reported on our condensed consolidated statements of income as investment gains, net.

**Table 8.2 - Gains and Losses on Derivatives[1]**

| (In millions) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| **Not designated as hedges** | | | | |
| Interest-rate risk management derivatives: | | | | |
| Swaps | $380 | ($141) | $408 | $249 |
| Written options | 82 | (320) | 277 | (684) |
| Purchased options | (45) | 508 | (549) | 1,225 |
| Futures | 519 | 557 | 212 | 1,425 |
| **Total interest-rate risk management derivatives fair value gains (losses)** | **936** | **604** | **348** | **2,215** |
| Mortgage commitment derivatives | 125 | 880 | 45 | 2,719 |
| CRT-related derivatives[2] | (68) | 66 | (144) | 78 |
| Other | (64) | (42) | (3) | (81) |
| **Total derivatives not designated as hedges fair value gains (losses)** | **$929** | **$1,508** | **$246** | **$4,931** |

(1) Accrual of periodic cash settlements on swaps is included in the respective gain (loss) of the derivative and is no longer presented separately. Certain prior period amounts have been reclassified to conform to the current period presentation.

(2) Includes derivative instruments related to CRT transactions that are considered freestanding credit enhancements.

## Fair Value Hedges

The table below presents the effects of fair value hedge accounting by condensed consolidated statements of income line item, 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 8.3 - Gains and Losses on Fair Value Hedges**

| | 2Q 2023 | | 2Q 2022 | |
|---|---|---|---|---|
| (In millions) | Interest Income | Interest Expense | Interest Income | Interest Expense |
| Total amounts of income and expense line items presented in our condensed consolidated statements of income in which the effects of fair value hedges are recorded: | $25,755 | ($21,232) | $20,008 | ($15,249) |
| Interest contracts on mortgage loans held-for-investment: | | | | |
| Gain (loss) on fair value hedging relationships: | | | | |
| Hedged items | (964) | — | (1,523) | — |
| Derivatives designated as hedging instruments | 900 | — | 1,408 | — |
| Interest accruals on hedging instruments | 251 | — | (149) | — |
| Discontinued hedge related basis adjustments amortization | 39 | — | (4) | — |
| Interest contracts on debt: | | | | |
| Gain (loss) on fair value hedging relationships: | | | | |
| Hedged items | — | 725 | — | 1,300 |
| Derivatives designated as hedging instruments | — | (749) | — | (1,328) |
| Interest accruals on hedging instruments | — | (1,000) | — | (44) |
| Discontinued hedge related basis adjustment amortization | — | (172) | — | 2 |

| | YTD 2023 | | YTD 2022 | |
|---|---|---|---|---|
| (In millions) | Interest Income | Interest Expense | Interest Income | Interest Expense |
| Total amounts of income and expense line items presented in our condensed consolidated statements of income in which the effects of fair value hedges are recorded: | $50,742 | ($41,718) | $37,748 | ($28,885) |
| Interest contracts on mortgage loans held-for-investment: | | | | |
| Gain (loss) on fair value hedging relationships: | | | | |
| Hedged items | 159 | — | (4,150) | — |
| Derivatives designated as hedging instruments | (173) | — | 3,463 | — |
| Interest accruals on hedging instruments | 462 | — | (416) | — |
| Discontinued hedge related basis adjustments amortization | 70 | — | (128) | — |
| Interest contracts on debt: | | | | |
| Gain (loss) on fair value hedging relationships: | | | | |
| Hedged items | — | (810) | — | 5,161 |
| Derivatives designated as hedging instruments | — | 785 | — | (5,224) |
| Interest accruals on hedging instruments | — | (2,051) | — | 100 |
| Discontinued hedge related basis adjustment amortization | — | (210) | — | 12 |

The table below presents the cumulative basis adjustments and the carrying amounts of the hedged item by its respective balance sheet line item.

**Table 8.4 - Cumulative Basis Adjustments Due to Fair Value Hedging**

| | June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount | | | Closed Portfolio Under the Portfolio Layer Method | |
| (In millions) | Carrying Amount Assets / (Liabilities) | Total | Under the Portfolio Layer Method | Discontinued - Hedge Related | Total Amount by Amortized Cost Basis | Designated Amount by UPB |
| Mortgage loans held-for-investment | $1,127,522 | ($2,893) | ($322) | ($2,571) | $63,283 | $11,670 |
| Mortgage loans held-for-sale | 54 | 1 | — | 1 | — | — |
| Debt | (156,961) | 8,265 | — | 193 | — | — |
| | **December 31, 2022** | | | | | |
| | | Cumulative Amount of Fair Value Hedging Basis Adjustment Included in the Carrying Amount | | | Closed Portfolio Under the Portfolio Layer Method | |
| (In millions) | Carrying Amount Assets / (Liabilities) | Total | Under the Portfolio Layer Method | Discontinued - Hedge Related | Total Amount by Amortized Cost Basis | Designated Amount by UPB |
| Mortgage loans held-for-investment | $1,108,098 | ($3,122) | ($959) | ($2,163) | $79,070 | $11,516 |
| Mortgage loans held-for-sale | 67 | 1 | — | 1 | — | — |
| Debt | (142,511) | 9,384 | — | 123 | — | — |

# NOTE 9

## Collateralized Agreements and Offsetting Arrangements

### Offsetting of Financial Assets and Liabilities

The table below 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 arrangements.

**Table 9.1 - Offsetting and Collateral Information of Financial Assets and Liabilities**

| | June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | Amount Offset in the Condensed Consolidated Balance Sheets | | | | |
| (In millions) | Gross Amount Recognized | Counterparty Netting | Cash Collateral Netting[1] | Net Amount Presented in the Condensed Consolidated Balance Sheets | Gross Amount Not Offset in the Condensed Consolidated Balance Sheets[2] | Net Amount |
| Assets: | | | | | | |
| Derivatives: | | | | | | |
| OTC derivatives | $5,652 | ($4,229) | ($1,112) | $311 | ($281) | $30 |
| Cleared and exchange-traded derivatives | 2 | — | 27 | 29 | — | 29 |
| Mortgage commitment derivatives | 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 derivatives | (68) | — | 35 | (33) | 33 | — |
| Mortgage commitment derivatives | (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)** |

Referenced footnotes are included after the prior period table.

| (In millions) | December 31, 2022 Gross Amount Recognized | Amount Offset in the Condensed Consolidated Balance Sheets: Counterparty Netting | Amount Offset in the Condensed Consolidated Balance Sheets: Cash Collateral Netting(1) | Net Amount Presented in the Condensed Consolidated Balance Sheets | Gross Amount Not Offset in the Condensed Consolidated Balance Sheets(2) | Net Amount |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Derivatives: | | | | | | |
| OTC derivatives | $6,385 | ($4,468) | ($1,681) | $236 | ($214) | $22 |
| Cleared and exchange-traded derivatives | 28 | — | 22 | 50 | — | 50 |
| Mortgage commitment derivatives | 19 | — | — | 19 | (4) | 15 |
| Other | 2 | — | — | 2 | — | 2 |
| **Total derivatives** | **6,434** | **(4,468)** | **(1,659)** | **307** | **(218)** | **89** |
| Securities purchased under agreements to resell | 99,286 | (11,991) | — | 87,295 | (87,295) | — |
| **Total** | **$105,720** | **($16,459)** | **($1,659)** | **$87,602** | **($87,513)** | **$89** |
| Liabilities: | | | | | | |
| Derivatives: | | | | | | |
| OTC derivatives | ($10,230) | $4,468 | $5,702 | ($60) | $23 | ($37) |
| Cleared and exchange-traded derivatives | (25) | — | 17 | (8) | 8 | — |
| Mortgage commitment derivatives | (11) | — | — | (11) | — | (11) |
| Other | (679) | — | — | (679) | — | (679) |
| **Total derivatives** | **(10,945)** | **4,468** | **5,719** | **(758)** | **31** | **(727)** |
| Securities sold under agreements to repurchase | (11,991) | 11,991 | — | — | — | — |
| **Total** | **($22,936)** | **$16,459** | **$5,719** | **($758)** | **$31** | **($727)** |

(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 securities purchased under agreements to resell, includes $119.9 billion and $54.7 billion of collateral that we had the right to repledge as of June 30, 2023 and December 31, 2022, respectively. We repledged less than $0.1 billion of collateral as of both June 30, 2023 and December 31, 2022.

## Collateral Pledged

The table below summarizes the carrying value of the collateral pledged by us and recorded on our condensed consolidated balance sheets for derivatives and collateralized borrowing transactions, including securities that the secured party may repledge.

**Table 9.2 - Collateral in the Form of Securities Pledged**

| | June 30, 2023 | | | |
|---|---|---|---|---|
| (In millions) | Derivatives | Securities Sold Under Agreements to Repurchase | Other[1] | Total |
| Trading securities | $2,048 | $7,598 | $3,112 | $12,758 |
| **Total securities pledged** | **$2,048** | **$7,598** | **$3,112** | **$12,758** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| (In millions) | Derivatives | Securities Sold Under Agreements to Repurchase | Other[1] | Total |
| Trading securities | $1,533 | $2,910 | $1,347 | $5,790 |
| Other assets | — | 6,543 | — | 6,543 |
| **Total securities pledged** | **$1,533** | **$9,453** | **$1,347** | **$12,333** |

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

The table below presents the remaining contractual maturity of our gross obligations for securities sold under agreements to repurchase. The collateral for such obligations consisted primarily of U.S. Treasury securities.

**Table 9.3 - Remaining Contractual Maturity**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| (In millions) | Overnight and Continuous | 30 Days or Less | After 30 Days Through 90 Days | Greater Than 90 Days | Total |
| Securities sold under agreements to repurchase | $— | $5,562 | $3,606 | $— | $9,168 |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| (In millions) | Overnight and Continuous | 30 Days or Less | After 30 Days Through 90 Days | Greater Than 90 Days | Total |
| Securities sold under agreements to repurchase | $— | $11,991 | $— | $— | $11,991 |

# NOTE 10

## Net Interest Income

The table below presents the components of net interest income per our condensed consolidated statements of income and comprehensive income.

**Table 10.1 - Components of Net Interest Income**

| (In millions) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Interest income: | | | | |
| Mortgage loans | $23,598 | $19,324 | $46,902 | $36,634 |
| Investment securities | 363 | 464 | 679 | 848 |
| Other | 1,794 | 220 | 3,161 | 266 |
| **Total interest income** | **25,755** | **20,008** | **50,742** | **37,748** |
| Interest expense: | | | | |
| Debt of consolidated trusts | (18,608) | (14,595) | (36,869) | (27,844) |
| Debt of Freddie Mac: | | | | |
| Short-term debt | (248) | (20) | (402) | (20) |
| Long-term debt | (2,376) | (634) | (4,447) | (1,021) |
| **Total interest expense** | **(21,232)** | **(15,249)** | **(41,718)** | **(28,885)** |
| **Net interest income** | **4,523** | **4,759** | **9,024** | **8,863** |
| (Provision) benefit for credit losses | 537 | (307) | 142 | 530 |
| **Net interest income after (provision) benefit for credit losses** | **$5,060** | **$4,452** | **$9,166** | **$9,393** |

# NOTE 11

## Segment Reporting

As shown in the table below, we have two reportable segments, Single-Family and Multifamily.

| Segment | Description |
|---|---|
| **Single-Family** | Reflects results from our purchase, securitization, and guarantee of single-family loans, our investments in single-family loans and mortgage-related securities, the management of Single-Family mortgage credit risk and market risk, and any results of our treasury function that are not allocated to each segment. |
| **Multifamily** | Reflects results from our purchase, securitization, and guarantee of multifamily loans, our investments in multifamily loans and mortgage-related securities, and the management of Multifamily mortgage credit risk and market risk. |

## Segment Results

The table below presents the financial results for our Single-Family and Multifamily segments.

**Table 11.1 - Segment Financial Results**

| | 2Q 2023 | | | 2Q 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| **Net interest income** | **$4,295** | **$228** | **$4,523** | **$4,535** | **$224** | **$4,759** |
| **Non-interest income** | | | | | | |
| Guarantee income | 16 | 293 | 309 | 35 | 170 | 205 |
| Investment gains, net | (4) | 415 | 411 | 232 | 89 | 321 |
| Other income | 53 | 43 | 96 | 69 | 50 | 119 |
| **Non-interest income** | **65** | **751** | **816** | **336** | **309** | **645** |
| **Net revenues** | **4,360** | **979** | **5,339** | **4,871** | **533** | **5,404** |
| (Provision) benefit for credit losses | 638 | (101) | 537 | (298) | (9) | (307) |
| Non-interest expense | (2,028) | (176) | (2,204) | (1,854) | (166) | (2,020) |
| **Income before income tax expense** | **2,970** | **702** | **3,672** | **2,719** | **358** | **3,077** |
| Income tax expense | (589) | (139) | (728) | (551) | (73) | (624) |
| **Net income** | **2,381** | **563** | **2,944** | **2,168** | **285** | **2,453** |
| Other comprehensive income (loss), net of taxes and reclassification adjustments | 2 | (56) | (54) | 5 | (71) | (66) |
| **Comprehensive income** | **$2,383** | **$507** | **$2,890** | **$2,173** | **$214** | **$2,387** |

| | YTD 2023 | | | YTD 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | Single-Family | Multifamily | Total | Single-Family | Multifamily | Total |
| **Net interest income** | **$8,591** | **$433** | **$9,024** | **$8,341** | **$522** | **$8,863** |
| **Non-interest income** | | | | | | |
| Guarantee income | 48 | 727 | 775 | 65 | 210 | 275 |
| Investment gains, net | (183) | 369 | 186 | 1,484 | 350 | 1,834 |
| Other income | 107 | 74 | 181 | 195 | 83 | 278 |
| **Non-interest income** | **(28)** | **1,170** | **1,142** | **1,744** | **643** | **2,387** |
| **Net revenues** | **8,563** | **1,603** | **10,166** | **10,085** | **1,165** | **11,250** |
| (Provision) benefit for credit losses | 320 | (178) | 142 | 533 | (3) | 530 |
| Non-interest expense | (3,811) | (325) | (4,136) | (3,632) | (320) | (3,952) |
| **Income before income tax expense** | **5,072** | **1,100** | **6,172** | **6,986** | **842** | **7,828** |
| Income tax expense | (1,014) | (219) | (1,233) | (1,407) | (170) | (1,577) |
| **Net income** | **4,058** | **881** | **4,939** | **5,579** | **672** | **6,251** |
| Other comprehensive income (loss), net of taxes and reclassification adjustments | 1 | (1) | — | (7) | (179) | (186) |
| **Comprehensive income** | **$4,059** | **$880** | **$4,939** | **$5,572** | **$493** | **$6,065** |

The table below presents total assets for our Single-Family and Multifamily segments.

**Table 11.2 - Segment Assets**

| (In millions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Single-Family | $3,004,244 | $2,986,045 |
| Multifamily | 427,198 | 429,302 |
| **Total segment assets** | **3,431,442** | **3,415,347** |
| Reconciling items[1] | (180,486) | (207,014) |
| **Total assets per condensed consolidated balance sheets** | **$3,250,956** | **$3,208,333** |

(1) Reconciling items include assets in our mortgage portfolio that are not recognized on our condensed consolidated balance sheets and assets recognized on our condensed consolidated balance sheets that are not allocated to the reportable segments.

# NOTE 12

## Concentration of Credit and Other Risks

### Single-Family Mortgage Portfolio

The table below summarizes the concentration by geographic area of our Single-Family mortgage portfolio. See Note 2, Note 3, and Note 5 for more information about credit risk associated with single-family loans that we hold or guarantee.

**Table 12.1 - Concentration of Credit Risk of Our Single-Family Mortgage Portfolio**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Portfolio UPB(1) | % of Portfolio | SDQ Rate | Portfolio UPB(1) | % of Portfolio | SDQ Rate |
| **Region:(2)** | | | | | | |
| West | $907,973 | 30 % | 0.43 % | $906,123 | 30 % | 0.49 % |
| Northeast | 695,851 | 23 | 0.70 | 695,944 | 23 | 0.82 |
| North Central | 436,738 | 15 | 0.55 | 436,294 | 15 | 0.65 |
| Southeast | 520,570 | 17 | 0.59 | 512,495 | 17 | 0.73 |
| Southwest | 442,846 | 15 | 0.53 | 434,907 | 15 | 0.63 |
| **Total** | **$3,003,978** | **100 %** | **0.56** | **$2,985,763** | **100 %** | **0.66** |
| **State:** | | | | | | |
| California | $515,634 | 17 % | 0.44 | $516,891 | 17 % | 0.51 |
| Texas | 206,944 | 7 | 0.55 | 200,807 | 7 | 0.64 |
| Florida | 195,485 | 7 | 0.67 | 191,009 | 6 | 0.84 |
| New York | 130,089 | 4 | 1.03 | 129,935 | 4 | 1.16 |
| Illinois | 112,581 | 4 | 0.73 | 112,784 | 4 | 0.90 |
| All other | 1,843,245 | 61 | 0.53 | 1,834,337 | 62 | 0.63 |
| **Total** | **$3,003,978** | **100 %** | **0.56** | **$2,985,763** | **100 %** | **0.66** |

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

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

### Multifamily Mortgage Portfolio

The table below summarizes the concentration by geographic area of our Multifamily mortgage portfolio. See Note 2, Note 3, Note 4, and Note 5 for more information about credit risk associated with multifamily loans that we hold or guarantee.

**Table 12.2 - Concentration of Credit Risk of Our Multifamily Mortgage Portfolio**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Portfolio UPB | % of Portfolio | Delinquency Rate(1) | Portfolio UPB | % of Portfolio | Delinquency Rate(1) |
| **Region(2)(3):** | | | | | | |
| West | $107,717 | 25 % | 0.05 % | $107,260 | 25 % | 0.04 % |
| Northeast | 103,742 | 24 | 0.51 | 106,478 | 25 | 0.28 |
| North Central | 40,713 | 10 | 0.37 | 40,524 | 9 | 0.16 |
| Southeast | 85,067 | 20 | 0.07 | 85,438 | 20 | 0.04 |
| Southwest | 89,959 | 21 | 0.13 | 89,602 | 21 | 0.08 |
| **Total** | **$427,198** | **100 %** | **0.21** | **$429,302** | **100 %** | **0.12** |

(1) Based on loans two monthly payments or more delinquent or in foreclosure.

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

(3) The UPB of loans collateralized by properties located in multiple regions are reported entirely in the region with the largest underlying collateral UPB as of origination.

# NOTE 13

## Fair Value Disclosures

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

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents 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 13.1 - Assets and Liabilities Measured at Fair Value on a Recurring Basis**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| (In millions) | Level 1 | Level 2 | Level 3 | Netting Adjustments[1] | Total |
| **Assets:** | | | | | |
| *Investment securities:* | | | | | |
| Available-for-sale | $— | $5,152 | $790 | $— | $5,942 |
| Trading: | | | | | |
| Mortgage-related securities | — | 7,695 | 2,561 | — | 10,256 |
| Non-mortgage-related securities | 24,939 | 492 | — | — | 25,431 |
| **Total trading securities** | **24,939** | **8,187** | **2,561** | **—** | **35,687** |
| **Total investment securities** | **24,939** | **13,339** | **3,351** | **—** | **41,629** |
| Mortgage loans held-for-sale | — | 4,831 | 881 | — | 5,712 |
| Mortgage loans held-for-investment | — | 1,189 | 170 | — | 1,359 |
| *Other assets:* | | | | | |
| Guarantee assets | — | — | 5,323 | — | 5,323 |
| Derivative assets, net | — | 5,609 | 12 | (5,262) | 359 |
| Other assets | — | 11 | 147 | — | 158 |
| **Total other assets** | **—** | **5,620** | **5,482** | **(5,262)** | **5,840** |
| **Total assets carried at fair value on a recurring basis** | **$24,939** | **$24,979** | **$9,884** | **($5,262)** | **$54,540** |
| **Liabilities:** | | | | | |
| *Debt:* | | | | | |
| Debt of consolidated trusts | $— | $1,069 | $282 | $— | $1,351 |
| Debt of Freddie Mac | — | 552 | 92 | — | 644 |
| **Total debt** | **—** | **1,621** | **374** | **—** | **1,995** |
| *Other liabilities:* | | | | | |
| Derivative liabilities, net | 3 | 10,486 | 90 | (9,598) | 981 |
| Other liabilities | — | 27 | 9 | — | 36 |
| **Total other liabilities** | **3** | **10,513** | **99** | **(9,598)** | **1,017** |
| **Total liabilities carried at fair value on a recurring basis** | **$3** | **$12,134** | **$473** | **($9,598)** | **$3,012** |

Referenced footnote is included after the prior period table.

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| (In millions) | Level 1 | Level 2 | Level 3 | Netting Adjustments[1] | Total |
| **Assets:** | | | | | |
| *Investment securities:* | | | | | |
| Available-for-sale | $— | $5,640 | $894 | $— | $6,534 |
| Trading: | | | | | |
| Mortgage-related securities | — | 5,603 | 2,731 | — | 8,334 |
| Non-mortgage-related securities | 23,453 | 380 | — | — | 23,833 |
| **Total trading securities** | **23,453** | **5,983** | **2,731** | **—** | **32,167** |
| **Total investment securities** | **23,453** | **11,623** | **3,625** | **—** | **38,701** |
| Mortgage loans held-for-sale | — | 2,908 | 310 | — | 3,218 |
| Mortgage loans held-for-investment | — | 1,104 | 110 | — | 1,214 |
| *Other assets:* | | | | | |
| Guarantee assets | — | — | 5,442 | — | 5,442 |
| Derivative assets, net | — | 6,397 | 2 | (6,092) | 307 |
| Other assets | — | 12 | 129 | — | 141 |
| **Total other assets** | **—** | **6,409** | **5,573** | **(6,092)** | **5,890** |
| **Total assets carried at fair value on a recurring basis** | **$23,453** | **$22,044** | **$9,618** | **($6,092)** | **$49,023** |
| **Liabilities:** | | | | | |
| *Debt:* | | | | | |
| Debt of consolidated trusts | $— | $1,656 | $288 | $— | $1,944 |
| Debt of Freddie Mac | — | 1,003 | 100 | — | 1,103 |
| **Total debt** | **—** | **2,659** | **388** | **—** | **3,047** |
| *Other liabilities:* | | | | | |
| Derivative liabilities, net | — | 10,823 | 97 | (10,162) | 758 |
| Other liabilities | — | 1 | — | — | 1 |
| **Total other liabilities** | **—** | **10,824** | **97** | **(10,162)** | **759** |
| **Total liabilities carried at fair value on a recurring basis** | **$—** | **$13,483** | **$485** | **($10,162)** | **$3,806** |

(1) Represents counterparty netting and cash collateral netting.

## Level 3 Fair Value Measurements

The table below presents 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 table also presents gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized on our condensed consolidated statements of income for Level 3 assets and liabilities.

**Table 13.2 - Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs**

| 2Q 2023 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total Realized/Unrealized Gains (Losses)[1] | | | | | | | | | | |
| (In millions) | Balance, April 1, 2023 | Included in Earnings | Included in Other Comprehensive Income | Purchases | Issues | Sales | Settlements, Net | Transfers into Level 3 | Transfers out of Level 3 | Balance, June 30, 2023 | Change in Unrealized Gains/Losses[1] Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2023[2] | Change in Unrealized Gains/Losses[1], Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2023 |
| **Assets** | | | | | | | | | | | | |
| Investment securities: | | | | | | | | | | | | |
| Available-for-sale | $853 | $— | ($5) | $— | $— | $— | ($58) | $— | $— | $790 | $— | ($4) |
| Trading | 2,905 | (191) | — | 90 | — | — | (13) | — | (230) | 2,561 | (25) | — |
| **Total investment securities** | **3,758** | **(191)** | **(5)** | **90** | **—** | **—** | **(71)** | **—** | **(230)** | **3,351** | **(25)** | **(4)** |
| Mortgage loans held-for-sale | 347 | (30) | — | 727 | — | — | (9) | — | (154) | 881 | (31) | — |
| Mortgage loans held-for-investment | 64 | (13) | — | — | — | — | (6) | 142 | (17) | 170 | (12) | — |
| Other assets: | | | | | | | | | | | | |
| Guarantee assets | 5,432 | (79) | — | — | 192 | — | (222) | — | — | 5,323 | (79) | — |
| Other assets | 128 | 39 | — | (8) | 4 | — | (4) | — | — | 159 | 38 | — |
| Total other assets | 5,560 | (40) | — | (8) | 196 | — | (226) | — | — | 5,482 | (41) | — |
| **Total assets** | **$9,729** | **($274)** | **($5)** | **$809** | **$196** | **$—** | **($312)** | **$142** | **($401)** | **$9,884** | **($109)** | **($4)** |
| **Liabilities** | | | | | | | | | | | | |
| Debt | $384 | ($8) | $— | $— | $— | $— | ($2) | $— | $— | $374 | ($2) | $— |
| Other liabilities | 77 | 23 | — | — | — | — | (1) | — | — | 99 | 22 | — |
| **Total liabilities** | **$461** | **$15** | **$—** | **$—** | **$—** | **$—** | **($3)** | **$—** | **$—** | **$473** | **$20** | **$—** |

| YTD 2023 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total Realized/Unrealized Gains (Losses)[1] | | | | | | | | | | |
| (In millions) | Balance, January 1, 2023 | Included in Earnings | Included in Other Comprehensive Income | Purchases | Issues | Sales | Settlements, Net | Transfers into Level 3 | Transfers out of Level 3 | Balance, June 30, 2023 | Change in Unrealized Gains/Losses[1] Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2023[2] | Change in Unrealized Gains/Losses[1], Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2023 |
| **Assets** | | | | | | | | | | | | |
| Investment securities: | | | | | | | | | | | | |
| Available-for-sale | $894 | $1 | ($9) | $— | $— | $— | ($96) | $— | $— | $790 | $— | ($7) |
| Trading | 2,731 | (329) | — | 183 | — | — | (24) | — | — | 2,561 | 10 | — |
| **Total investment securities** | **3,625** | **(328)** | **(9)** | **183** | **—** | **—** | **(120)** | **—** | **—** | **3,351** | **10** | **(7)** |
| Mortgage loans held-for-sale | 310 | (29) | — | 753 | — | — | (11) | 12 | (154) | 881 | (31) | — |
| Mortgage loans held-for-investment | 110 | (11) | — | — | — | — | (6) | 142 | (65) | 170 | (12) | — |
| Other assets: | | | | | | | | | | | | |
| Guarantee assets | 5,442 | 8 | — | — | 318 | — | (445) | — | — | 5,323 | 8 | — |
| Other assets | 131 | 55 | — | (18) | 3 | — | (12) | — | — | 159 | 54 | — |
| Total other assets | 5,573 | 63 | — | (18) | 321 | — | (457) | — | — | 5,482 | 62 | — |
| **Total assets** | **$9,618** | **($305)** | **($9)** | **$918** | **$321** | **$—** | **($594)** | **$154** | **($219)** | **$9,884** | **$29** | **($7)** |
| **Liabilities** | | | | | | | | | | | | |
| Debt | $388 | ($19) | $— | $— | $11 | $— | ($6) | $— | $— | $374 | ($9) | $— |
| Other liabilities | 97 | 4 | — | — | — | — | (2) | — | — | 99 | 2 | — |
| **Total liabilities** | **$485** | **($15)** | **$—** | **$—** | **$11** | **$—** | **($8)** | **$—** | **$—** | **$473** | **($7)** | **$—** |

Referenced footnote is included after the prior period table.

| | 2Q 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total Realized/Unrealized Gains (Losses)[1] | | | | | | | | | | |
| (In millions) | Balance, April 1, 2022 | Included in Earnings | Included in Other Comprehensive Income | Purchases | Issues | Sales | Settlements, Net | Transfers into Level 3 | Transfers out of Level 3 | Balance, June 30, 2022 | Change in Unrealized Gains/Losses[1] Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2022[2] | Change in Unrealized Gains/Losses[1], Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2022 |
| **Assets** | | | | | | | | | | | | |
| Investment securities: | | | | | | | | | | | | |
| Available-for-sale | $1,188 | $— | ($7) | $43 | $— | ($1) | ($99) | $— | $— | $1,124 | $— | ($5) |
| Trading | 3,165 | (232) | — | 436 | — | — | (15) | — | (35) | 3,319 | (57) | — |
| **Total investment securities** | **4,353** | **(232)** | **(7)** | **479** | **—** | **(1)** | **(114)** | **—** | **(35)** | **4,443** | **(57)** | **(5)** |
| Mortgage loans held-for-sale | — | (14) | — | — | — | (5) | (25) | 383 | — | 339 | (14) | — |
| Other assets: | | | | | | | | | | | | |
| Guarantee assets | 5,696 | (194) | — | — | 376 | — | (229) | — | — | 5,649 | (194) | — |
| Other assets | 114 | 33 | — | (6) | 5 | (5) | (9) | — | — | 132 | 33 | — |
| Total other assets | 5,810 | (161) | — | (6) | 381 | (5) | (238) | — | — | 5,781 | (161) | — |
| **Total assets** | **$10,163** | **($407)** | **($7)** | **$473** | **$381** | **($11)** | **($377)** | **$383** | **($35)** | **$10,563** | **($232)** | **($5)** |
| **Liabilities** | | | | | | | | | | | | |
| Debt | $402 | $12 | $— | ($6) | $55 | $— | ($6) | $— | $— | $457 | $23 | $— |
| Other liabilities | 47 | 14 | — | — | — | — | (3) | — | — | 58 | 13 | — |
| **Total liabilities** | **$449** | **$26** | **$—** | **($6)** | **$55** | **$—** | **($9)** | **$—** | **$—** | **$515** | **$36** | **$—** |

| | YTD 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total Realized/Unrealized Gains (Losses)[1] | | | | | | | | | | |
| (In millions) | Balance, January 1, 2022 | Included in Earnings | Included in Other Comprehensive Income | Purchases | Issues | Sales | Settlements, Net | Transfers into Level 3 | Transfers out of Level 3 | Balance, June 30, 2022 | Change in Unrealized Gains/Losses[1] Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2022[2] | Change in Unrealized Gains/Losses[1], Net of Tax, Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2022 |
| **Assets** | | | | | | | | | | | | |
| Investment securities: | | | | | | | | | | | | |
| Available-for-sale | $1,286 | $— | ($43) | $43 | $— | ($1) | ($191) | $30 | $— | $1,124 | ($1) | ($33) |
| Trading | 3,386 | (658) | — | 644 | — | — | (33) | — | (20) | 3,319 | (312) | — |
| **Total investment securities** | **4,672** | **(658)** | **(43)** | **687** | **—** | **(1)** | **(224)** | **30** | **(20)** | **4,443** | **(313)** | **(33)** |
| Mortgage loans held-for-sale | — | (14) | — | — | — | (5) | (25) | 383 | — | 339 | (14) | — |
| Other assets: | | | | | | | | | | | | — |
| Guarantee assets | 5,919 | (510) | — | — | 708 | — | (468) | — | — | 5,649 | (510) | — |
| Other assets | 101 | 47 | — | (9) | 9 | (5) | (11) | — | — | 132 | 48 | — |
| Total other assets | 6,020 | (463) | — | (9) | 717 | (5) | (479) | — | — | 5,781 | (462) | — |
| **Total assets** | **$10,692** | **($1,135)** | **($43)** | **$678** | **$717** | **($11)** | **($728)** | **$413** | **($20)** | **$10,563** | **($789)** | **($33)** |
| **Liabilities** | | | | | | | | | | | | |
| Debt | $294 | $35 | $— | ($6) | $141 | $— | ($7) | $— | $— | $457 | $56 | $— |
| Other liabilities | 24 | 37 | — | 1 | — | — | (4) | — | — | 58 | 35 | — |
| **Total liabilities** | **$318** | **$72** | **$—** | **($5)** | **$141** | **$—** | **($11)** | **$—** | **$—** | **$515** | **$91** | **$—** |

(1) For assets, increase and decrease in earnings and other comprehensive income is shown as gains and (losses), respectively. For liabilities, increase and decrease in earnings and comprehensive income is shown as (gains) and losses, respectively.

(2) Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains and losses related to assets and liabilities classified as Level 3 that were still held at June 30, 2023 and June 30, 2022.

The table below provides 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 13.3 - Quantitative Information about Recurring Level 3 Fair Value Measurements**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | | | Unobservable Inputs | | |
| **(Dollars in millions**, except for certain unobservable inputs as shown) | **Level 3 Fair Value** | **Predominant Valuation Technique(s)** | **Type** | **Range** | **Weighted Average[1]** |
| ***Assets*** | | | | | |
| Investment securities: | | | | | |
| Available-for-sale | $510 | Median of external sources | External pricing sources | $57.9 - $71.9 | $67.1 |
| | 280 | Other | | | |
| Trading | 1,944 | Single external source | External pricing source | $0.0 - $5,007.3 | $183.8 |
| | 617 | Other | | | |
| Mortgage loans held-for-sale | 881 | Single external source | External pricing source | $46.7 - $100.2 | $91.9 |
| Mortgage loans held-for-investment | 170 | Single external source | External pricing source | $29.4 - $97.8 | $74.8 |
| Guarantee assets | 4,981 | Discounted cash flows | OAS | 17 - 233 bps | 46 bps |
| | 342 | Other | | | |
| Insignificant Level 3 assets[2] | 159 | | | | |
| **Total level 3 assets** | **$9,884** | | | | |
| ***Liabilities*** | | | | | |
| Insignificant Level 3 liabilities[2] | 473 | | | | |
| **Total level 3 liabilities** | **$473** | | | | |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | | Unobservable Inputs | | |
| **(Dollars in millions,** except for certain unobservable inputs as shown) | **Level 3 Fair Value** | **Predominant Valuation Technique(s)** | **Type** | **Range** | **Weighted Average[1]** |
| ***Assets*** | | | | | |
| Investment securities: | | | | | |
| Available-for-sale | $557 | Median of external sources | External pricing sources | $66.3 - $74.6 | $70.5 |
| | 337 | Other | | | |
| Trading | 2,080 | Single external source | External pricing source | $0.0 - $5,702.4 | $224.8 |
| | 651 | Other | | | |
| Mortgage loans held-for-sale | 310 | Single external source | External pricing source | $39.6 - $98.1 | $76.6 |
| Mortgage loans held-for-investment | 110 | Single external source | External pricing source | $76.9 - $87.5 | $80.6 |
| Guarantee assets | 5,084 | Discounted cash flows | OAS | 17 - 186 bps | 45 bps |
| | 358 | Other | | | |
| Insignificant Level 3 assets[2] | 131 | | | | |
| **Total level 3 assets** | **$9,618** | | | | |
| ***Liabilities*** | | | | | |
| Insignificant Level 3 liabilities[2] | 485 | | | | |
| **Total level 3 liabilities** | **$485** | | | | |

(1) Unobservable inputs were weighted primarily by the relative fair value of the financial instruments.
(2) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant.

## Assets Measured at Fair Value on a Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These adjustments usually result from the application of lower-of-cost-or-fair-value accounting or measurement of impairment based on the fair value of the underlying collateral. Certain fair values in the tables below were not obtained as of 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 13.4 - Assets Measured at Fair Value on a Non-Recurring Basis**

| | June 30, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions) | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Mortgage loans[1] | $— | $326 | $1,935 | $2,261 | $— | $386 | $1,758 | $2,144 |

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

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

**Table 13.5 - Quantitative Information About Non-Recurring Level 3 Fair Value Measurements**

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | | | Unobservable Inputs | | |
| (Dollars in millions, except for unobservable inputs as shown) | Level 3 Fair Value | Predominant Valuation Technique(s) | Type | Range | Weighted Average[1] |
| Mortgage loans | $1,568 | Median of external sources | External pricing sources | $73.7 - $96.2 | $83.6 |
| | 367 | Other | | | |
| **Total** | **$1,935** | | | | |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | | Unobservable Inputs | | |
| (Dollars in millions, except for unobservable inputs as shown) | Level 3 Fair Value | Predominant Valuation Technique(s) | Type | Range | Weighted Average[1] |
| Mortgage loans | $1,657 | Median of external sources | External pricing sources | $74.8 - $98.6 | $86.3 |
| | 101 | Other | | | |
| **Total** | **$1,758** | | | | |

(1) Unobservable inputs were weighted primarily by the relative fair value of the financial instruments.

# Fair Value of Financial Instruments

The table below presents 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, and certain debt, the carrying value on our condensed consolidated balance sheets approximates fair value, as these assets and liabilities are short-term in nature and have limited fair value volatility.

**Table 13.6 - Fair Value of Financial Instruments**

| | June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Fair Value | | | | |
| (In millions) | GAAP Measurement Category[(1)] | Carrying Amount | Level 1 | Level 2 | Level 3 | Netting Adjustments[(2)] | Total |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents | Amortized cost | $5,514 | $5,514 | $— | $— | $— | $5,514 |
| Securities purchased under agreements to resell | Amortized cost | 112,386 | — | 121,554 | — | (9,168) | 112,386 |
| *Investment securities:* | | | | | | | |
| Available-for-sale | FV - OCI | 5,942 | — | 5,152 | 790 | — | 5,942 |
| Trading | FV - NI | 35,687 | 24,939 | 8,187 | 2,561 | — | 35,687 |
| **Total investment securities** | | **41,629** | **24,939** | **13,339** | **3,351** | **—** | **41,629** |
| *Mortgage loans:* | | | | | | | |
| Loans held by consolidated trusts | | 2,995,770 | — | 2,366,320 | 231,946 | — | 2,598,266 |
| Loans held by Freddie Mac | | 58,851 | — | 24,409 | 29,565 | — | 53,974 |
| **Total mortgage loans[(3)]** | **Various[(4)]** | **3,054,621** | **—** | **2,390,729** | **261,511** | **—** | **2,652,240** |
| *Other assets:* | | | | | | | |
| Guarantee assets | FV - NI | 5,323 | — | — | 5,327 | — | 5,327 |
| Derivative assets, net | FV - NI | 359 | — | 5,609 | 12 | (5,262) | 359 |
| Other assets[(5)] | Various | 3,106 | — | 895 | 2,215 | — | 3,110 |
| **Total other assets** | | **8,788** | **—** | **6,504** | **7,554** | **(5,262)** | **8,796** |
| **Total financial assets** | | **$3,222,938** | **$30,453** | **$2,532,126** | **$272,416** | **($14,430)** | **$2,820,565** |
| **Financial Liabilities** | | | | | | | |
| *Debt:* | | | | | | | |
| Debt of consolidated trusts | | $3,007,278 | $— | $2,598,799 | $677 | $— | $2,599,476 |
| Debt of Freddie Mac | | 181,808 | — | 188,053 | 3,316 | (9,168) | 182,201 |
| **Total debt** | **Various[(6)]** | **3,189,086** | **—** | **2,786,852** | **3,993** | **(9,168)** | **2,781,677** |
| *Other liabilities:* | | | | | | | |
| Guarantee obligations | Amortized cost | 5,569 | — | 107 | 5,979 | — | 6,086 |
| Derivative liabilities, net | FV - NI | 981 | 3 | 10,486 | 90 | (9,598) | 981 |
| Other liabilities[(5)] | FV - NI | 56 | — | 794 | 218 | — | 1,012 |
| **Total other liabilities** | | **6,606** | **3** | **11,387** | **6,287** | **(9,598)** | **8,079** |
| **Total financial liabilities** | | **$3,195,692** | **$3** | **$2,798,239** | **$10,280** | **($18,766)** | **$2,789,756** |

Referenced footnotes are included after the prior period table.

| | | | December 31, 2022 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Fair Value | | | | |
| (In millions) | GAAP Measurement Category(1) | Carrying Amount | Level 1 | Level 2 | Level 3 | Netting Adjustments(2) | Total |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents | Amortized cost | $6,360 | $6,360 | $— | $— | $— | $6,360 |
| Securities purchased under agreements to resell | Amortized cost | 87,295 | — | 99,286 | — | (11,991) | 87,295 |
| *Investment securities:* | | | | | | | |
| Available-for-sale | FV - OCI | 6,534 | — | 5,640 | 894 | — | 6,534 |
| Trading | FV - NI | 32,167 | 23,453 | 5,983 | 2,731 | — | 32,167 |
| **Total investment securities** | | **38,701** | **23,453** | **11,623** | **3,625** | **—** | **38,701** |
| *Mortgage loans:* | | | | | | | |
| Loans held by consolidated trusts | | 2,971,601 | — | 2,331,969 | 244,045 | — | 2,576,014 |
| Loans held by Freddie Mac | | 62,914 | — | 25,921 | 32,460 | — | 58,381 |
| **Total mortgage loans** | **Various(4)** | **3,034,515** | **—** | **2,357,890** | **276,505** | **—** | **2,634,395** |
| *Other assets:* | | | | | | | |
| Guarantee assets | FV - NI | 5,442 | — | — | 5,445 | — | 5,445 |
| Derivative assets, net | FV - NI | 307 | — | 6,397 | 2 | (6,092) | 307 |
| Other assets(5) | Various | 1,739 | — | 907 | 835 | — | 1,742 |
| **Total other assets** | | **7,488** | **—** | **7,304** | **6,282** | **(6,092)** | **7,494** |
| **Total financial assets** | | **$3,174,359** | **$29,813** | **$2,476,103** | **$286,412** | **($18,083)** | **$2,774,245** |
| **Financial Liabilities** | | | | | | | |
| *Debt:* | | | | | | | |
| Debt of consolidated trusts | | $2,979,070 | $— | $2,564,323 | $701 | $— | $2,565,024 |
| Debt of Freddie Mac | | 166,762 | — | 175,673 | 3,162 | (11,991) | 166,844 |
| **Total debt** | **Various(6)** | **3,145,832** | **—** | **2,739,996** | **3,863** | **(11,991)** | **2,731,868** |
| *Other liabilities:* | | | | | | | |
| Guarantee obligations | Amortized cost | 5,779 | — | — | 6,016 | — | 6,016 |
| Derivative liabilities, net | FV - NI | 758 | — | 10,823 | 97 | (10,162) | 758 |
| Other liabilities(5) | FV - NI | 20 | — | 1,025 | 211 | — | 1,236 |
| **Total other liabilities** | | **6,557** | **—** | **11,848** | **6,324** | **(10,162)** | **8,010** |
| **Total financial liabilities** | | **$3,152,389** | **$—** | **$2,751,844** | **$10,187** | **($22,153)** | **$2,739,878** |

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

(2) Represents counterparty netting and cash collateral netting.

(3) Excludes basis adjustments maintained on a closed portfolio basis related to existing portfolio layer method hedge relationships as of June 30, 2023. See **Note 3** for additional information on basis adjustments associated with closed portfolios during existing portfolio layer method hedges.

(4) The GAAP carrying amounts measured at amortized cost, lower-of-cost-or-fair-value, and FV - NI were $3.0 trillion, $6.0 billion, and $7.1 billion as of June 30, 2023, respectively, and $3.0 trillion, $9.0 billion and $4.4 billion as of December 31, 2022, respectively.

(5) For other assets, includes advances to lenders, secured lending, and loan commitments. For other liabilities, includes loan commitments.

(6) The GAAP carrying amounts measured at amortized cost and FV - NI were $3.2 trillion and $2.0 billion as of June 30, 2023, respectively, and $3.1 trillion and $3.0 billion as of December 31, 2022, respectively.

## Fair Value Option

We elected the fair value option for certain mortgage loans and loan commitments and certain debt issuances.

The table below presents the fair value and UPB related to items for which we have elected the fair value option.

**Table 13.7 - Difference between Fair Value and UPB for Certain Financial Instruments with Fair Value Option Elected[1]**

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (In millions) | Fair value | UPB | Difference | Fair value | UPB | Difference |
| Mortgage loans held-for-sale | $5,712 | $5,859 | ($147) | $3,218 | $3,421 | ($203) |
| Mortgage loans held-for-investment | 1,359 | 1,566 | (207) | 1,214 | 1,368 | (154) |
| Debt of Freddie Mac | 445 | 441 | 4 | 892 | 881 | 11 |
| Debt of consolidated trusts | 1,068 | 1,213 | (145) | 1,656 | 1,833 | (177) |
| Other assets (other liabilities) | (26) | N/A | N/A | 11 | N/A | N/A |

(1) Excludes interest-only securities related to debt of consolidated trusts and debt of Freddie Mac with a fair value of $0.5 billion as of both June 30, 2023 and December 31, 2022.

## Changes in Fair Value Under the Fair Value Option Election

The table below presents the changes in fair value related to items for which we have elected the fair value option. These amounts are included in investment gains, net, on our condensed consolidated statements of income.

**Table 13.8 - Changes in Fair Value Under the Fair Value Option Election**

| | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| (In millions) | Gains (Losses) | | Gains (Losses) | |
| Mortgage loans held-for-sale | ($127) | ($273) | ($123) | ($949) |
| Mortgage loans held-for-investment | (30) | — | (4) | — |
| Debt of Freddie Mac | 5 | (15) | 19 | (26) |
| Debt of consolidated trusts | 35 | 171 | — | 243 |
| Other assets/other liabilities | (1) | (170) | 54 | (206) |

Changes in fair value attributable to instrument-specific credit risk were not material for the periods presented for assets or liabilities for which we elected the fair value option.

# NOTE 14

## Legal Contingencies

We are involved, directly or indirectly, 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) and in connection with the conservatorship and Purchase Agreement. 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 claims and proceedings of all types are subject to many uncertainties (including appeals and procedural filings), and there can be no assurance as to the ultimate outcome of those actions (including the matters described below). 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. The actual costs of resolving legal actions may be substantially higher or lower than the amounts accrued for those actions.

It is not possible for us to predict the actions the U.S. government (including Treasury and FHFA) might take in response to any ruling or finding in any of these lawsuits or any future lawsuits. However, it is possible that we could be adversely affected by these events, including, for example, by changes to the Purchase Agreement, or any resulting actual or perceived changes in the level of U.S. government support for our business.

### 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 August 2018, the District Court denied the plaintiff's motion for class certification, and in January 2019, the Sixth Circuit denied plaintiff's petition for leave to appeal that decision. On September 17, 2020, the District Court granted a request from the plaintiff for summary judgment and entered final judgment in favor of Freddie Mac and the other defendants. On October 9, 2020, the plaintiff filed a notice of appeal in the Sixth Circuit. On April 6, 2023, the Sixth Circuit reversed the District Court's September 17, 2020 decision and remanded the case to the District Court for further proceedings. The District Court scheduled the trial to begin on October 21, 2024.

### Litigation Concerning the Purchase Agreement 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 is a consolidated class action lawsuit filed by private individual and institutional investors (collectively, "Class Plaintiffs") against FHFA, Fannie Mae, and Freddie Mac.

***Fairholme Funds, Inc., et al. v. FHFA, et al.*** This is an individual plaintiffs' lawsuit by certain institutional investors ("Individual Plaintiffs") against FHFA, Fannie Mae, and Freddie Mac.

Plaintiffs in each of the District of Columbia lawsuits filed an amended complaint on November 1, 2017 alleging claims for breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duties, and violation of Delaware and Virginia corporate law. Additionally, the Class Plaintiffs brought derivative claims against FHFA for breach of fiduciary duties and the Individual Plaintiffs brought claims under the Administrative Procedure Act. Both sets of claims are generally based on allegations that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments nullified certain of the shareholders' rights, including the rights to receive dividends and a liquidation preference. On September 28, 2018, the District Court dismissed all of the claims except those for breach of the implied covenant of good faith and fair dealing. The cases were consolidated for trial.

Court rulings have limited the Plaintiffs' damages theories to those based on the decline in Freddie Mac's and Fannie Mae's share value immediately after the Third Amendment. The Plaintiffs have asserted losses based on the decline in value of Freddie Mac's common and junior preferred stock from August 16 to August 17, 2012. During the trial in October and early November 2022, the Plaintiffs requested that the jury award $832 million plus pre-judgment interest as damages against Freddie Mac. The jury in that trial was not able to reach a unanimous verdict and on November 7, 2022 the judge declared a mistrial. The retrial started on July 24, 2023 and is ongoing as of the date hereof. At this time, we do not believe the likelihood of loss is probable; therefore, we have not established an accrual in connection with these lawsuits. However, it is reasonably possible that the Plaintiffs could prevail in this matter and, if so, we may incur a loss up to $832 million plus pre-judgment interest as discussed above. We estimate that pre-judgment interest, if awarded, would be calculated at a rate of 6%.

# NOTE 15

## Regulatory Capital

### ERCF

The table below presents our capital metrics under the ERCF.

**Table 15.1 - ERCF Available Capital and Capital Requirements**

| (In billions) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Adjusted total assets | $3,744 | $3,710 |
| Risk-weighted assets (standardized approach) | 929 | 899 |

| | June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Amounts | | | Ratios | | |
| (Dollars in billions) | Available Capital (Deficit) | Minimum Capital Requirement | Capital Requirement (Including Buffer(1)) | Available Capital (Deficit) Ratio(2) | Minimum Capital Requirement Ratio(2) | Capital Requirement Ratio(2) (Including Buffer(1)) |
| **Risk-based capital:** | | | | | | |
| Total capital | ($23) | $74 | $74 | (2.4)% | 8.0 % | 8.0 % |
| CET1 capital | (50) | 42 | 93 | (5.4) | 4.5 | 9.9 |
| Tier 1 capital | (36) | 56 | 107 | (3.9) | 6.0 | 11.4 |
| Adjusted total capital | (36) | 74 | 125 | (3.9) | 8.0 | 13.4 |
| **Leverage capital:** | | | | | | |
| Core capital | ($31) | $94 | $94 | (0.8)% | 2.5 % | 2.5 % |
| Tier 1 capital | (36) | 94 | 105 | (1.0) | 2.5 | 2.8 |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Amounts | | | Ratios | | |
| (Dollars in billions) | Available Capital (Deficit) | Minimum Capital Requirement | Capital Requirement (Including Buffer(1)) | Available Capital (Deficit) Ratio(2) | Minimum Capital Requirement Ratio(2) | Capital Requirement Ratio(2) (Including Buffer(1)) |
| **Risk-based capital:** | | | | | | |
| Total capital | ($27) | $72 | $72 | (3.1)% | 8.0 % | 8.0 % |
| CET1 capital | (55) | 40 | 90 | (6.2) | 4.5 | 10.1 |
| Tier 1 capital | (41) | 54 | 104 | (4.6) | 6.0 | 11.6 |
| Adjusted total capital | (41) | 72 | 122 | (4.6) | 8.0 | 13.6 |
| **Leverage capital:** | | | | | | |
| Core capital | ($35) | $93 | $93 | (1.0)% | 2.5 % | 2.5 % |
| Tier 1 capital | (41) | 93 | 104 | (1.1) | 2.5 | 2.8 |

(1) PCCBA for risk-based capital and PLBA for leverage capital.
(2) As a percentage of RWA for risk-based capital and ATA for leverage capital.

END OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

# Other Information

## LEGAL PROCEEDINGS

We are involved, directly or indirectly, in a variety of legal proceedings arising from time to time in the ordinary course of business and in connection with the conservatorship and Purchase Agreement. See Note 14 for more information regarding our involvement as a party to various legal proceedings, including those in connection with the conservatorship and Purchase Agreement.

Over the last several years, numerous lawsuits have been filed against the U.S. government and, in some cases, the Secretary of the Treasury and the Director of FHFA, challenging certain government actions related to the conservatorship (including actions taken in connection with the imposition of conservatorship) and the Purchase Agreement. Freddie Mac is not a party to all of these lawsuits. Several of the lawsuits seek to invalidate the net worth sweep dividend provisions of the senior preferred stock, which were implemented pursuant to the August 2012 amendment to the Purchase Agreement. Some of these cases also have challenged the constitutionality of the structure of FHFA. A number of cases have been dismissed (some of which have been appealed), and others remain pending.

These cases include one that was filed in the U.S. Court of Federal Claims as a derivative lawsuit, purportedly on behalf of Freddie Mac as a “nominal” defendant: *Reid and Fisher vs. the United States of America and Federal Home Loan Mortgage Corporation*. This case was filed 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. The case remains pending.

Pursuant to the Purchase Agreement, in addition to satisfying other conditions, all currently pending material litigation related to our conservatorship and/or the Purchase Agreement must be resolved or settled and we must indemnify Treasury and the United States from and against any loss, cost, or damage of any kind arising out of our placement into conservatorship or the August 2012 amendment to the Purchase Agreement in order to exit from conservatorship.

## RISK FACTORS

This Form 10-Q should be read together with the Risk Factors section in our 2022 Annual Report, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies, and/or prospects.

## UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Recent Sales of Unregistered Securities

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

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

### 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 transactions is available at **crt.freddiemac.com** and **mf.freddiemac.com/investors**, respectively.

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

We provide additional information, including product descriptions, investor presentations, securities issuance calendars, 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 activities, which can be found at **sf.freddiemac.com**, **mf.freddiemac.com**, and **capitalmarkets.freddiemac.com/capital-markets**.

We provide information on our ESG efforts on our website at **freddiemac.com/about/esg**.

# OTHER INFORMATION

## Amendments to Bylaws

Effective July 11, 2023, our Bylaws were amended to change the duration for which the complete list of stockholders entitled to vote at any meeting of stockholders shall be open to examination by any such stockholder. Previously, the Bylaws provided that the list would be made available for a period of at least 10 days prior to the meeting; the period of such availability is now at least five business days. The amendments also remove the requirement that the stockholders list be kept at the place of the meeting and open to examination throughout the duration of the meeting.

Section 3.10, as amended, is set forth below:

**Section 3.10 Stockholders' List.**

> (a) A complete list of stockholders entitled to vote at any meeting of stockholders, showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period beginning no later than five business days following the delivery of the notice to shareholders pursuant to Section 3.3.(a) and continuing through the last business day before the meeting of stockholders, either at the principal office of the Corporation or at the office of its transfer agent.
>
> (b) If the requirements of this Section have not been substantially complied with, the meeting shall, on the demand of any stockholder in person or by proxy, be adjourned until such requirements are complied with. Refusal or failure to prepare or make available the stockholders' list shall not affect the validity of action taken at the meeting prior to the making of any such demand, but any action taken by the stockholders after the making of any such demand shall be invalid and of no effect.

A copy of our amended and restated Bylaws is filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q.

## Insider Trading Arrangements and Policies

We ceased paying our executive officers and directors stock-based compensation when we entered conservatorship. In addition, the Purchase Agreement prohibits us from issuing any of our equity securities, including as compensation to our directors and executive officers, without the prior written consent of Treasury, and no equity securities, other than the senior preferred stock issued to Treasury, have been issued since we entered conservatorship. Furthermore, company policy prohibits directors and executive officers from engaging in transactions involving our equity securities, except selling company securities owned prior to the implementation of the policy. No executive officer or director adopted or terminated any contract, instruction, or written plan for the purchase or sale of, or any other such trading arrangement for, our securities during 2Q 2023. For more information on executive officer and director compensation and security ownership by our executive officers and directors, see Directors, Corporate Governance, and Executive Officers, Executive Compensation and Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in our 2022 Annual Report.

# 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 June 30, 2023. 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 June 30, 2023, 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 2Q 2023

We evaluated the changes in our internal control over financial reporting that occurred during 2Q 2023 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 June 30, 2023 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 Oversight and Readiness, which is intended to facilitate operation of the company with the oversight of the Conservator.
- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of certain external press releases and statements to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-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.
- Our senior management meets regularly with senior leadership at FHFA, including, but not limited to, the Director.
- 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 2Q 2023 have been prepared in conformity with GAAP.

# Exhibit Index

| Exhibit | Description* |
| --- | --- |
| 3.1 | Bylaws of the Federal Home Loan Mortgage Corporation, as amended and restated July 11, 2023 |
| 31.1 | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a) |
| 31.2 | Certification of Executive Vice President and Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a) |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 |
| 32.2 | Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101. CAL | XBRL Taxonomy Extension Calculation |
| 101.DEF | XBRL Taxonomy Extension Definition |
| 101.LAB | XBRL Taxonomy Label |
| 101. PRE | XBRL Taxonomy Extension Presentation |
| 104 | Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| * | The SEC file numbers for the Registrant's Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are 000-53330 and 001-34139. |

# 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/ Michael J. DeVito
Michael J. DeVito
Chief Executive Officer
(Principal Executive Officer)

Date: August 2, 2023

By: /s/ Christian M. Lown
Christian M. Lown
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 2, 2023

# Form 10-Q Index

**Exhibit 3.1**

# BYLAWS OF THE FEDERAL HOME LOAN MORTGAGE CORPORATION

**As amended and restated July 11, 2023**

**FREDDIE MAC BYLAWS**
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## ARTICLE 1 – OFFICES

**Section 1.1** **Offices.** The principal office of the Corporation shall be in Fairfax County, Virginia or at any other place determined by the Board of Directors. The Corporation may have such other offices as the Board of Directors or the Chief Executive Officer shall determine appropriate.

## ARTICLE 2 – CAPITAL STOCK

**Section 2.1** **Issuance.** The Board of Directors shall have the power to authorize the issuance of one or more classes or series of stock of the Corporation, including, without limitation, voting common and preferred stock. All stock shall be issued on such terms and conditions as the Board of Directors shall prescribe from time to time.

**Section 2.2** **Common Stock.** The voting common stock of the Corporation (the "Common Stock") shall consist of such number of shares as may be issued or authorized for issuance from time to time by the Board of Directors (without limitation upon the authority of the Board of Directors to authorize the issuance of additional shares from time to time). The Common Stock shall have the designation, powers, rights, privileges, qualifications, limitations, restrictions, terms and conditions set forth in the Eighth Amended and Restated Certificate of Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Voting Common Stock adopted on September 10, 2008, as further amended or restated from time to time (the "Common Stock Certificate of Designation"). No holder of Common Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options, or other securities of any class of the Corporation which at any time may be sold or offered for sale by the Corporation.

**Section 2.3** **Preferred Stock.** The preferred stock of the Corporation shall consist of such number of shares as may be issued or authorized for issuance from time to time by the Board of Directors (without limitation upon the authority of the Board of Directors to authorize the issuance of additional shares from time to time). Each class of preferred stock shall have the designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions set forth in the certificate of designation approved by the Board of Directors for such class.

**Section 2.4** **Consideration.** Shares of stock may be issued to the Corporation's stockholders pro rata and without consideration. Shares of stock may also be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation as the Board of Directors deems appropriate. Upon the Board of Directors making a good faith determination that the consideration received for the shares to be issued is adequate, the shares issued therefor shall be fully paid and nonassessable.

**Section 2.5** **Shares Owned by the Corporation.** Any shares of capital stock owned by the Corporation shall retain the status of issued shares, unless and until the Corporation shall retire and cancel the same, but such shares shall not be regarded as outstanding while so owned.

**Section 2.6** **Fractional Shares.** No fractional interests in shares of common stock will be created or recognized by the Corporation except as otherwise provided in the Corporation's Employee Stock Purchase Plan or any other executive compensation or employee benefit plan or any direct stock purchase plan currently in effect or hereafter adopted by the Corporation. The holder of a fractional share is entitled to exercise the rights of a shareholder, including the right to vote, to receive dividends, and to participate in the assets of the Corporation upon dissolution.

**Section 2.7** **Certificates.**

(a) The Board of Directors may authorize the issuance of shares of stock of the Corporation with or without certificates. The rights and obligations of stockholders shall be identical whether or not their shares are represented by certificates. Stock certificates shall be in the form approved by the Corporate Secretary. Each stock certificate shall contain the name of the Corporation, the name of the stockholder, the number and kind of shares of stock owned by such stockholder, and reference to any other material terms of the stock represented thereby, including, without limitation, the information required to be set forth on such certificates by the Common Stock Certificate of Designation, shall be signed by the Chief Executive Officer or President and countersigned by the Corporate Secretary or an Assistant Secretary, and shall be sealed with the Corporation's seal or a facsimile of such seal. Within a reasonable time after the issuance or transfer of shares without certificates, the Corporation shall send to the registered stockholder a written statement containing the information required to be set forth on the certificates, including, without limitation, the information required to be set forth on such certificates by the Common Stock Certificate of Designation, or a statement that the Corporation will furnish such information upon request and without charge.

(b) When any stock certificate is countersigned by a transfer agent or a registrar, other than the Corporation or its employee, any other signature on such certificate may be a facsimile. If any corporate officer who has signed any certificate ceases to be a corporate officer before such certificate is issued, whether because of death, resignation or otherwise, the certificate may nevertheless be issued and delivered by the Corporation as if such officer had not ceased to be such as of the certificate's issue date.

**Section 2.8** **Transfer of Shares.** Except as otherwise provided in the Corporation's Employee Stock Purchase Plan or any other executive compensation or employee benefit plan or any direct stock purchase plan currently in effect or hereafter adopted by the Corporation, the Common Stock shall be transferable only in whole shares. Subject to the foregoing, the stock of the Corporation shall be transferable or assignable only on the transfer books of the Corporation or by transfer agents designated to transfer shares of stock of the Corporation by the registered holder thereof, in person or by a duly authorized attorney, and, in the case of certificated shares, upon the surrender and cancellation of such certificates representing the shares to be transferred, properly endorsed and, if sought to be transferred by such attorney, accompanied by a written power of attorney to have the same transferred on the books of the Corporation. The Board of Directors shall have power and authority to make such other rules and regulations concerning the issuance, transfer and registration of certificates of stock as it may deem appropriate.

**Section 2.9** **Lost, Destroyed and Mutilated Certificates.** If any holder of the shares of the Corporation in certificated form shall notify the Corporation of any loss, theft, destruction or mutilation of such certificate(s), the Chief Executive Officer may, in his or her discretion, cause one or more new certificate(s) for the same number of shares in the aggregate to be issued to such stockholder upon the surrender of the mutilated certificate, or upon delivery by the stockholder or such stockholder's legal representative of a bond, with or without surety, or such other agreement, undertaking or security as the Corporate Secretary shall determine is appropriate, to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate(s) or the issuance of any new certificate(s).

**Section 2.10** **Fixing a Record Date.** Except as otherwise provided in the Common Stock Certificate of Designation, or any other certificate of designation relating to any class of the Corporation's preferred stock, for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders, such date in any case to be not more than 70 days before the meeting or action requiring a determination of stockholders and, in the case of record dates for dividends on the preferred stock, subject to any additional limitations set forth in the related certificate of designation. If no record date is fixed for the determination of (i) stockholders entitled to notice of, or to vote at, a meeting of stockholders or (ii) stockholders entitled to receive payment of a dividend, the date on which notices of the meeting are first mailed or otherwise given or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section, such determination shall apply to any adjournment thereof unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

**Section 2.11** **Record of Stockholders.** A record shall be kept of the names of the persons and entities owning the stock represented by each share of stock of the Corporation, the number of shares represented by each certificate or information statement issued in respect of noncertificated shares and the dates of issuance thereof in a form that permits the preparation of a list of the names and addresses of all stockholders in alphabetical order showing the number of shares held by each.

**Section 2.12 Ownership of Shares.** The Corporation and any agent thereof may deem and treat the holder of a share or shares of stock, as shown in the Corporation's books and records, as the absolute owner of such share or shares of stock for the purpose of receiving payment of dividends in respect of such share or shares of stock and for all other purposes whatsoever, and neither the Corporation nor any agent thereof shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by the Corporation on or with respect to any such share or shares of stock.

**Section 2.13 Share Options and Other Instruments.** The Corporation may issue rights, options or warrants for the purchase of shares or other securities of the Corporation, subject to stockholder approval to the extent required by applicable laws, regulations or listing standards. The Board of Directors may authorize the issuance of rights, options or warrants and determine the terms upon which the rights, options or warrants are issued, including, without limitation, the consideration for which the shares or other securities are to be issued. The authorization for the Corporation to issue such rights, options or warrants constitutes authorization of the issuance of the shares or other securities for which the rights, options or warrants are exercisable.

## ARTICLE 3 – MEETINGS OF THE STOCKHOLDERS

**Section 3.1 Annual Meetings.**

(a) An annual meeting of the stockholders, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held on such date, at such time and at such place as the Board of Directors shall each year fix, which date shall be within 15 months after the immediately preceding meeting of stockholders. The failure to hold an annual meeting at the time stated in, or fixed in accordance with, these Bylaws shall not affect the validity of any corporate action.

(b) Upon notice to the Corporation, any stockholder of the Corporation entitled to participate in an annual meeting may petition the United States District Court for the district within which the Corporation's principal office is located to order an annual meeting of stockholders if an annual meeting has not been held within 15 months after the Corporation's immediately preceding annual meeting. The court may fix the time and place of the meeting, determine the shares entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice and enter other orders necessary to accomplish the purpose or purposes of the meeting.

**Section 3.2 Special Meetings.**

(a) Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by a majority of the directors then in office or the Chair of the Board ("Chair"), and shall be held on such date, at such time and at such place as they or he or she shall fix.

(b) Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may also be called by the Corporate Secretary upon the written request of the holders of at least a majority of all shares of voting stock entitled to vote; provided, however, a special meeting of the stockholders for the purposes of Section 4.16 of these Bylaws must be requested by the holders of at least one-third of all shares of voting stock entitled to vote. A special meeting of the stockholders called pursuant to the preceding sentence shall be referred to in these Bylaws as a "Stockholder Requested Special Meeting". A Stockholder Requested Special Meeting shall be held on such date, at such time and at such place as determined by the Corporate Secretary as soon as is reasonably practicable following the Corporation's receipt of a written request that is in compliance with this Section 3.2 (the "Delivery Date") and, unless the penultimate paragraph of this Section applies, within 75 calendar days of the Delivery Date. The record date for determining stockholders entitled to request for a Stockholder Requested Special Meeting shall be the later of (i) the date the first stockholder signs the request, or (ii) the earliest record date permitted by Section 2.10 of these Bylaws.

Upon notice to the Corporation, any stockholder of the Corporation who signed the request for a Stockholder Requested Special Meeting, may petition the United States District Court for the district within which the Corporation's principal office is located to order a special meeting of stockholders if a special meeting notice has not been held as provided herein. The court may fix the time and place of the meeting, determine the shares entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, and enter other orders necessary to accomplish the purpose or purposes of the meeting.

A written request of the holders of the voting stock made pursuant to this Section 3.2 must (i) be signed, dated and delivered to the Corporate Secretary at the principal executive offices of the Corporation by each stockholder making the request for a Stockholder Requested Special Meeting, (ii) identify the name and record address of each stockholder making the request for a Stockholder Requested Special Meeting,
(iii) include a brief description of the business desired to be brought before such Stockholder Requested Special Meeting, the reasons for conducting such business, a statement of specific purpose(s) of the meeting and the matter proposed to be acted on at it, which matter must be a proper subject for stockholder action, (iv) shall be accompanied by documentation to verify the class and number of shares of the Corporation that are beneficially owned by each stockholder making such request in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), specifically Rule 14a-8(b)(2) of Regulation 14A (Solicitation of Proxies) (the "Proxy Rules Requirement"),

(v) contain a representation that each stockholder submitting the request intends to appear in person or by proxy at the Stockholder Requested Special Meeting to transact the business specified, and (vi) contain a representation that each stockholder submitting the request intends to continue ownership of shares of the voting stock through the date of the Stockholder Requested Special Meeting. The Corporation may require any stockholder making such request to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of stockholders to make a written request pursuant to this Section 3.2. Failure of the stockholders who sign the request for a Stockholder Requested Special Meeting to comply with the representations identified in (v) and (vi) above, shall be deemed to constitute a revocation of such request. Any stockholder who submitted a request for a Stockholder Requested Special Meeting may revoke such request at any time by written revocation delivered to the Corporate Secretary at the principal executive offices of the Corporation.

The Corporate Secretary shall not be required to call a Stockholder Requested Special Meeting if (i) the Board of Directors calls an annual or special meeting of stockholders to be held not later than 75 days after the Delivery Date and the purpose(s) of such meeting includes the purpose(s) specified by the requisite number of stockholders in the special meeting request(s), or (ii) an annual or special meeting was held not more than 12 months before the Delivery Date, which included the purpose(s) specified by the requisite number of stockholders in the special meeting request(s), with such determination being made in good faith by the Board of Directors. In determining whether a request for a Stockholder Requested Special Meeting has been submitted by stockholders holding the requisite number of shares of voting stock, there may be excluded from the computation, the shares of the voting stock owned by any stockholder who has signed the request for a Stockholder Requested Special Meeting at any time during the 2 calendar years preceding the Delivery Date and has failed to comply with the representations identified in (v) and (vi) above.

(c) At a special meeting, no business shall be transacted and no action shall be taken other than as stated in the notice of the meeting; provided that nothing herein shall prohibit the Board of Directors from submitting other matters to the stockholders at a Stockholder Requested Special Meeting.

**Section 3.3** **<u>Notice of Meetings.</u>**

(a) Written or printed notice of the date, time and place of all meetings of the stockholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given no fewer than 10 nor more than 60 days before the date on which the meeting is to be held, to each holder of voting stock entitled to vote at such meeting, except as otherwise provided in these Bylaws.

When a meeting is adjourned to another date, time or place, written notice need not be given of the adjourned meeting if the date, time or place thereof are announced at the meeting at which the adjournment is taken; provided, however, that, if the date of any adjourned meeting is more than 120 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the date, time or place of the adjourned meeting shall be given in conformity herewith.

(b) A stockholder's attendance at a meeting, whether in person or by proxy, (i) waives objection to lack of notice or defective notice of the meeting, unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice unless the stockholder objects to considering the matter when it is presented.

Notwithstanding the foregoing, no notice of a stockholders' meeting need be given to a stockholder if (i) notices to such stockholder of two consecutive annual meetings, and all notices of meetings during the period between two consecutive annual meetings, have been sent, other than by electronic transmission, to such stockholder at such stockholder's address as shown on the records of the Corporation and have been returned undeliverable or could not be delivered or (ii) all, but not less than two, distributions to stockholders during a period of more than 12 months, have been sent to such stockholder at such stockholder's address as shown on the records of the Corporation and have been returned undeliverable or could not be delivered. If any stockholder, for which notice is not required, delivers to the Corporation a written notice setting forth such stockholder's then-current address, the requirement that notice be given shall be reinstated.

(c) For purposes of these Bylaws, "electronic transmission" means any form or process of communication, not directly involving the physical transfer of paper or other tangible medium, that (i) is suitable for the retention, retrieval, and reproduction of information by the recipient and (ii) is retrievable in paper form by the recipient through an automated process used in conventional commercial practice; provided, however, a notice or other communication may be in the form of an electronic transmission that cannot be directly reproduced in paper form by the recipient through an automated process used in conventional commercial practice if (x) the electronic transmission is otherwise retrievable in perceivable form and (y) the sender and the recipient have consented in writing to the use of such form of electronic transmission.

**Section 3.4 <u>Quorum.</u>**

(a) At any meeting of the stockholders, the holders of a majority of all shares of voting stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum, except as otherwise provided in this Section. If a quorum shall fail to attend a meeting, the chair of the meeting or the holders of a majority of all shares of voting stock entitled to vote at the meeting who are present, in person or by proxy, may adjourn the meeting to another date, time or place.

(b) Once a share of stock is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or shall be set for that adjourned meeting.

**Section 3.5** **Organization.** The Chair or, in the absence of the Chair, another director designee of the Board of Directors or, in the absence of the Chair and such a designation, the Chief Executive Officer or in his or her absence, the President or, in the absence of both such officers, such person as may be chosen by the holders of a majority of all shares of voting stock entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and shall act as chair of the meeting. In the absence of the Corporate Secretary, the secretary of the meeting shall be such person as the chair of the meeting appoints.

**Section 3.6** **Conduct of Business.**

(a) The chair of any meeting of stockholders shall determine the order of business and shall have the authority to establish rules for the conduct of the meeting, including such regulation of the manner of voting and the conduct of discussion, restrictions on attendance at a meeting so long as stockholders or their proxies are not excluded, and adjournment of the meeting to be reconvened at a later date, as seem to him or her in order and not inconsistent with these Bylaws.

(b) No business shall be brought before any meeting except in accordance with the procedures set forth in these Bylaws, and the rules, if any, established by the chair of the meeting for the conduct of the meeting; provided, however, that nothing in this Section shall be deemed to preclude discussion by any stockholder of any business properly brought before such meeting.

(c) At any meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. The chair of any meeting shall, if the facts warrant, determine that business was not properly brought before the meeting, and, if the chair should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be conducted. At any adjourned meeting, any business may be transacted and any action taken which might have been transacted or taken at the original meeting.

(d) To be properly brought before an annual meeting, business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, or otherwise brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, including, without limitation, Rule 14a-8 under the Exchange Act, if applicable, for business other than a director nomination to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Corporate Secretary at the principal executive office of the Corporation. (The exclusive procedures for stockholders to make nominations for the election of directors at any annual meeting are set forth in Section 4.3.) The content of the stockholders' notice must comply with the requirements of this Section 3.6. The requirements of this Section 3.6 shall apply to any business a stockholder wishes to bring before an annual meeting, whether under Rule 14a-8 under the Exchange Act or otherwise. To be timely, a stockholder's notice must be received at the principal office of the Corporation no fewer than 75 days prior to such annual meeting. In the event that fewer than 90 days' notice or prior public disclosure of the date of such annual meeting is given or made to stockholders, notice by the stockholder, to be timely, must be so received not later than the close of business on the 15th day following the day on which such notice of the date of such annual meeting was mailed or such public disclosure was made, whichever first occurs. A written notice must (i) be signed, dated and delivered to the Corporate Secretary at the principal executive offices of the Corporation by the stockholder, (ii) identify the name and record address of the stockholder submitting the notice, (iii) include a brief description of the business, which must be a proper subject for stockholder action, desired to be brought before such annual meeting and the reasons for conducting such business, (iv) shall be accompanied by documentation to verify the class and number of shares of the Corporation that are beneficially owned by the stockholder submitting such notice in accordance with the Exchange Act, specifically the Proxy Rules Requirement, (v) contain a representation that the stockholder submitting the notice intends to appear in person or by proxy at the annual meeting to transact the business specified, (vi) contain a representation that the stockholder submitting the notice intends to continue ownership of shares of the voting stock through the date of the annual meeting, and (vii) set forth any material interest of the stockholder in the matter identified in (iii) above. The Corporation may require any stockholder submitting such notice to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of stockholders to give a written notice pursuant to this Section 3.6.

(e) At a special meeting, no business shall be transacted and no action shall be taken other than as stated in the notice of the meeting; provided that nothing herein shall prohibit the Board of Directors from submitting other matters to the stockholders at a Stockholder Requested Special Meeting.

(f) To the extent authorized by the Board of Directors with respect to any meeting, which may be held at a physical location or in a fully virtual environment, stockholders may participate in such a meeting by use of any means of communication by which all stockholders participating may simultaneously hear each other during the meeting including, without limitation, by use of internet accessible electronic meeting facilities. A stockholder participating in a stockholders' meeting by such means is deemed to be present in person at the meeting.

**Section 3.7 <u>Voting.</u>**

(a) Except as otherwise provided in Section 8.1(c) of these Bylaws, each stockholder shall have one vote for every share of stock entitled to vote which is registered in his or her name on the record date for the meeting.

(b) Subject to the determination of the Board of Directors of the Corporation to authorize action by written consent under Section 3(b) of the Common Stock Certificate of Designation, votes shall be cast in person or by proxy at annual or special meetings of the holders of the shares of voting stock entitled to vote. All voting, including the election of directors, may be by a voice vote; provided, however, that upon demand by a holder of voting stock entitled to vote or his or her proxy or in the discretion of the chair of the meeting, a vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the rules of conduct established for the meeting.

(c) The Corporation shall appoint one or more inspectors to oversee, determine and certify attendance and results of any voting at the meeting and make a written report of the inspector's determinations. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties.

(d) All elections for a seat on the Board of Directors shall be determined as provided by Section 4.5 of these Bylaws, and on all other matters, action shall be approved if the votes cast favoring the action exceed the votes cast opposing the action, unless a greater vote is prescribed by the Board of Directors or other person proposing the matter or otherwise required by these Bylaws.

(e) An abstention or an election by a stockholder not to vote on an action because of failure to receive voting instructions from the beneficial owner of the shares shall not be considered a vote cast.

(f) Stockholders shall not vote their shares cumulatively.

**Section 3.8 <u>Voting Entitlement of Shares.</u>**

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

(b) Shares standing in the name of a partnership may be voted by any partner. Shares standing in the name of a limited liability company may be voted as the articles of organization or an operating agreement may prescribe, or in the absence of any such provision as the managers, or if there are no managers, the members of the limited liability company may determine.

(c) Shares held by two or more persons as joint tenants or tenants in common or tenants by the entirety may be voted by any of such persons. If more than one of such tenants vote such shares, the vote shall be divided among them in proportion to the number of such tenants voting.

(d) Shares held by an administrator, executor, guardian, committee or curator representing the holder of voting stock may be voted by such person without a transfer of such shares into such person's name. Shares standing in the name of a trustee may be voted by the trustee, but no trustee shall be entitled to vote shares held by him or her without a transfer of such shares into the trustee's name.

(e) Shares standing in the name of a receiver or a trustee in proceedings under the applicable bankruptcy laws may be voted by such person. Shares held by or under the control of a receiver or a trustee in proceedings under the applicable bankruptcy laws may be voted by such person without the transfer thereof into his or her name if authority to do so is contained in an order of the court by which such person was appointed.

(f) Nothing herein contained shall prevent trustees or other fiduciaries holding shares registered in the name of a nominee from causing such shares to be voted by such nominee as the trustee or other fiduciary may direct. Such nominee may vote shares as directed by a trustee or other fiduciary without the necessity of transferring the shares to the name of the trustee or other fiduciary.

(g) When shares are held by more than one fiduciary, the shares shall be voted as determined by a majority of such fiduciaries, except that: (i) if they are equally divided as to a vote, the vote of shares shall be divided equally and (ii) if only one of such fiduciaries is present in person or by proxy at a meeting, such fiduciary shall be entitled to vote all the shares.

(h) A holder of voting stock whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

**Section 3.9 Proxies.**

(a) At any meeting of the stockholders, every holder of voting stock entitled to vote may vote in person or by proxy. A stockholder or the stockholder's agent or attorney-in-fact may appoint a proxy to vote or otherwise act for the stockholder by signing an appointment form or by an electronic transmission. An electronic transmission shall contain or be accompanied by information from which one can determine that the stockholder, the stockholder's agent or the stockholder's attorney-in-fact authorized the transmission. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Subsection may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. No proxy shall be voted after eleven months from its date, unless a longer period is expressly provided in the appointment form or electronic transmission.

(b) An appointment of a proxy is revocable unless the appointment form or electronic transmission states that it is irrevocable and the appointment is coupled with an interest. An appointment made irrevocable in accordance with the immediately preceding sentence is revoked when the interest with which it is coupled is extinguished.

(c) The death or incapacity of the stockholder appointing a proxy does not affect the right of the Corporation to accept the proxy's authority unless notice of the death or incapacity is received by the Corporate Secretary or other officer or agent authorized to tabulate votes before the proxy exercises his or her authority under the appointment.

(d) Subject to Section 3.8 of these Bylaws and to any express limitation on the proxy's authority stated in the appointment form or electronic transmission, the Corporation is entitled to accept the proxy's vote or other action as that of the stockholder making the appointment.

(e) Any fiduciary who is entitled to vote any shares may vote such shares by proxy.

**Section 3.10 Stockholders' List.**

(a) A complete list of stockholders entitled to vote at any meeting of stockholders, showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period beginning no later than five business days following the delivery of the notice to shareholders pursuant to Section 3.3.(a) and continuing through the last business day before the meeting of stockholders, either at the principal office of the Corporation or at the office of its transfer agent.

(b) If the requirements of this Section have not been substantially complied with, the meeting shall, on the demand of any stockholder in person or by proxy, be adjourned until such requirements are complied with. Refusal or failure to prepare or make available the stockholders' list shall not affect the validity of action taken at the meeting prior to the making of any such demand, but any action taken by the stockholders after the making of any such demand shall be invalid and of no effect.

## ARTICLE 4 – BOARD OF DIRECTORS

**Section 4.1** **General Powers.** Subject to the limitations of law and regulation, the Board of Directors shall determine the general policies that govern the operations of the Corporation, and the Corporation shall be under the direction of the Board of Directors.

**Section 4.2** **Number, Qualification and Term of Office**.

(a) The Board of Directors of the Corporation shall consist of 13 persons, or such other number as the Director of the Federal Housing Finance Agency determines appropriate who shall be elected annually by the stockholders. The Board of Directors shall at all times have as members at least one person from the homebuilding industry, at least one person from the mortgage lending industry, at least one person from the real estate industry, and at least one person from an organization that has represented consumer or community interests for not less than two years or one person who has demonstrated a career commitment to the provision of housing for low-income households.

(b) Each member of the Board of Directors shall be elected for a term ending on the date of the next annual meeting of the stockholders.

(c) The Board of Directors shall establish standards and qualifications relating to independence from management and may establish other qualifications for service on the Board of Directors, including limitations on length of service and age, as required under, or consistent with, applicable laws, regulations and stock exchange listing standards.

**Section 4.3** **Nominations**.

(a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any annual meeting of stockholders. Nominations of persons for election to the Board of Directors of the Corporation at any annual meeting of stockholders may be made only by (i) the Board of Directors, or (ii) by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section; this clause (ii) shall be the exclusive means for a stockholder to make nominations for election of directors at any annual meeting of stockholders. (The exclusive procedures for stockholders to bring business other than nominations before a stockholders' meeting are set forth in Section 3.6.) Such nominations made by a stockholder entitled to vote in the election of directors shall be made pursuant to timely notice in writing to the Corporate Secretary at the principal executive office of the Corporation. To be timely, a stockholder's notice shall be received no fewer than 75 days prior to the meeting. In the event that fewer than 90 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Corporate Secretary shall set forth (a) as to each person who the stockholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residential address of the person, (ii) the principal occupation or employment of the person, (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person(s) (naming such person(s)) pursuant to which arrangements or understandings the nominations(s) are to be made by the stockholder and (iv) such other information regarding each nominee proposed by such stockholder as is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14(a) of the Exchange Act; and (b) as to the stockholder submitting the notice, the notice must (i) be signed and dated by the stockholder, (ii) identify the name and record address of the stockholder submitting the notice, (iii) be accompanied by documentation to verify the class and number of shares of the Corporation that are beneficially owned by the stockholder submitting such notice in accordance with the Exchange Act, specifically the Proxy Rules Requirement, (iv) contain a representation that the stockholder submitting the notice intends to appear in person or by proxy at the annual meeting to make the nomination(s) the stockholder has proposed, and (v) contain a representation that the stockholder submitting the notice intends to continue ownership of shares of the voting stock through the date of the annual meeting. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation and such nominee's independence. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section.

(b) The chair of the meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedures, and, if the chair should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

**Section 4.4 <u>Vacancies.</u>** Any seat on the Board of Directors that becomes vacant after the annual election of the directors may be filled only by the Board of Directors, but only for the unexpired portion of the term. If the directors remaining in office constitute fewer than six directors, the remaining directors may fill such vacant seats on the Board of Directors as may exist by the affirmative vote of a majority of such remaining directors.

**Section 4.5 <u>Elections</u>.**

(a) Each director nominated for a seat on the Board of Directors of the Corporation shall be elected only if he or she receives a majority of the votes cast with respect to his or her election at the annual meeting of stockholders, provided that if it is determined that the number of persons properly nominated to serve as directors of the Corporation exceeds the number of directors to be elected (a "contested election"), the directors shall be elected by a plurality of the votes of the shares represented at the meeting and entitled to vote on the election of directors. A “majority of the votes cast” means that the number of votes cast “for” a director must exceed the number of votes cast “against” that director.

(b) Following any uncontested election, any incumbent director who was a nominee for a seat and who did not receive a majority of the votes cast by the stockholders shall promptly tender to the committee responsible for nominating and governance matters his or her offer of resignation for consideration by the Board of Directors. Within 60 days following certification of the election results, the committee of the Board of Directors responsible for nominating and governance matters shall recommend to the Board of Directors the action to be taken with respect to such offer of resignation. Within 90 days following certification of the election results, the Board of Directors shall act on the offered resignation. In determining whether or not to accept the offered resignation, the Board of Directors shall consider any recommendation of the committee responsible for nominating and governance matters, the factors considered by that committee and any additional information and factors that the Board of Directors believes to be relevant. No director who submits his or her resignation pursuant to this Section 4.5 shall participate in the deliberations or decisions of the committee responsible for nominating and governance matters or the Board of Directors regarding such director’s resignation.

(c) If the submitted resignation is not accepted by the Board of Directors, the director shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her death, resignation, retirement or removal in accordance with these Bylaws, applicable law or regulation, whichever event shall first occur. If a director’s resignation is accepted by the Board of Directors, or if a nominee for director who is not an incumbent director is not elected by the majority of the votes cast by the stockholders, then the Board of Directors, in its sole discretion, may fill any resulting vacancy in accordance with Section 4.4 of these Bylaws.

**Section 4.6 <u>Chair.</u>** Each year at the first meeting of the Board of Directors following the annual stockholders’ meeting, the Board of Directors shall elect from among its members a person to serve as Chair of the Board. The Chair shall be a member of the Board of Directors and shall preside at all meetings of the Board of Directors at which he or she is present.

**Section 4.7 <u>Lead Director.</u>** If the Chair is not independent from management under standards established by the Board of Directors pursuant to Section 4.2 of these Bylaws, those directors who are not employed by the Corporation shall elect from among themselves a person who is independent from management to serve as Lead Director. That election, if necessary, shall take place each year at the first meeting of the Board of Directors following the annual stockholders’ meeting and at any other time that the Board of Directors lacks a Lead Director who is independent from management. If the Chair is independent from management, the Chair shall serve as Lead Director unless the directors who are not employed by the Corporation elect from among themselves another director who is independent from management to serve as Lead Director. The Lead Director shall preside at all meetings of the directors who are not employees of the Corporation and of the directors who are independent from management at which he or she is present and shall perform such other duties as may be assigned by those directors.

**Section 4.8** **Regular Meetings.** A regular meeting of the Board of Directors shall be held as soon as practicable after adjournment of the annual meeting of stockholders at such place as the Board of Directors may designate by resolution and without other notice than such resolution. The Board of Directors may provide, by resolution, for the date, time and place of additional regular meetings without other notice than such resolution.

**Section 4.9** **Special Meetings.**

(a) Special meetings of the Board of Directors may be called by a majority of the directors then in office or by the Chair and shall be held on such date, at such time and at such place as they or he or she shall fix. Notice of the date, time and place of each such special meeting shall be given in accordance with Section 7.1 of these Bylaws to each director by (i) written notice given by mail, private courier or in person not less than 48 hours before the meeting, (ii) oral notice given in person or by telephone not less than 24 hours before the meeting or (iii) electronic transmission sent not less than 24 hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

(b) A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

**Section 4.10** **Quorum.** At any meeting of the Board of Directors, a quorum shall consist of the greater of (i) one-third of the fixed number of directors or the prescribed number within a variable range of directors, as applicable, or (ii) a majority of the directors then in office. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another date, time or place, without further notice or waiver thereof. Members may not be represented by proxy at any meeting of the Board of Directors.

**Section 4.11** **Participation in Meetings.** Members of the Board of Directors, or of any committee thereof, may participate in a meeting of the Board of Directors or of such committee by any means of communication by which all members participating in the meeting can simultaneously hear each other during the meeting and such participation shall constitute presence in person at such meeting.

**Section 4.12 <u>Conduct of Business.</u>**

(a) At each meeting of the Board of Directors, the Chair shall preside or, in the absence of the Chair, a director selected by the Board of Directors. The Corporate Secretary or an Assistant Secretary designated by the Corporate Secretary shall act as secretary for the meeting, unless the Chair or director presiding at the meeting appoints another individual present at the meeting to act as secretary for the meeting.

(b) At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board of Directors may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present at a meeting at which a quorum is present, except as otherwise provided in these Bylaws or in the Virginia Stock Corporation Act. A director shall not vote by proxy. A director present at a meeting is presumed to assent to actions unless the director objects at the beginning of the meeting, or promptly upon his or her arrival, to holding the meeting or transacting specified business at the meeting or the director votes against or abstains from the action and such objection, dissent or abstention is entered into the minutes of the meeting.

(c) Action may be taken by the Board of Directors without a meeting if each director signs a consent describing the action to be taken and delivers it to the Corporation. A director's consent may be withdrawn by a revocation signed by the director and delivered to the Corporation prior to delivery to the Corporation of unrevoked written consents signed by all the directors. Such written consent and the signing thereof may be accomplished by one or more electronic transmissions.

(d) Action taken under the preceding paragraph shall be effective when the last director signs the consent unless the consent specifies a different effective date, in which event such action shall be effective as of the date specified therein, provided that the consent contains the date of execution of each director.

(e) Any director may provide that a consent to action shall be effective at a future time, including the time when an event occurs, but such future time shall not be more than 60 days after such provision is made. Any such consent shall be deemed to have been made for purposes of this subsection at the specified future time, provided that the director did not revoke the consent prior to such future time. Any such consent may be revoked, in the manner provided in subsection (c), prior to its becoming effective.

(f) A consent signed under this Section shall have the effect of action taken at a meeting of the Board of Directors and may be described as such in any document.

**Section 4.13 Reimbursement and Compensation of Directors.** Pursuant to resolution of the Board of Directors, directors, as such, may receive fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors and may receive reimbursement of expenses incurred in respect of rendering such services; except that any member of the Board of Directors who is a full-time officer or employee of the federal government or full-time officer or employee of the Corporation shall not receive compensation for services as a member of the Board of Directors or as a member of any committee of the Board of Directors.

**Section 4.14 Committees of the Board of Directors.**

(a) The Board of Directors may, from time to time, designate committees of the Board of Directors (and subcommittees of those committees), with such delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect at least two directors to serve as the members. Any committee or subcommittee so designated may exercise the power and authority of the Board of Directors to the extent any resolution of the Board of Directors shall so provide, except that a committee or subcommittee may not: (i) approve or recommend to stockholders action that these Bylaws require be approved by stockholders; (ii) fill vacancies on the Board of Directors or on any of its committees; (iii) adopt, amend or repeal these Bylaws; (iv) approve a plan of merger not requiring stockholder approval; (v) authorize or approve a distribution, except according to a general formula or method prescribed by the Board of Directors; or (vi) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee or the Chair to do so subject to such limits, if any, as may be prescribed by the Board of Directors.

(b) Unless otherwise provided by Board of Directors or committee or subcommittee resolution, the provisions of these Bylaws on date, time and place of, and notice required for, meetings of the Board of Directors shall govern committees of the Board of Directors (and their subcommittees). A majority of directors then appointed as members of a committee or a subcommittee shall constitute a quorum and all matters shall be determined by a majority vote of the members present at a meeting at which a quorum is present. Action may be taken by a committee (or a subcommittee) without a meeting if each member signs a consent describing the action to be taken and delivers it to the Corporation. A member’s consent may be withdrawn by a revocation signed by the member and delivered to the Corporation prior to delivery to the Corporation of unrevoked written consents signed by all the members. Such written consent and the signing thereof may be accomplished by one or more electronic transmissions. All minutes of committee or subcommittee meetings and unanimous consents of action taken by a committee or a subcommittee without a meeting shall also be submitted to the Board of Directors.

(c) The Board of Directors shall designate committees responsible for overseeing the Corporation's financial statements and relationship with its independent auditor, executive compensation matters and governance and nominating matters. The membership of each of those committees shall consist solely of directors who are independent from management under the standards established pursuant to Section 4.2 of these Bylaws and shall comply with applicable laws, regulations and listing standards.

**Section 4.15** **Resignation.** Any director may resign at any time by delivering a written resignation to the Board of Directors, the Chair or the Corporate Secretary. A resignation shall be effective upon delivery unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the successor does not take office until the effective date.

**Section 4.16** **Removal of Directors.** At a Stockholder Requested Special Meeting called expressly for that purpose, any director may be removed, but only with cause, by a vote of the holders of a majority of the voting stock then entitled to vote at an election of directors.

**Section 4.17** **Termination of Voluntary Registration of Common Stock.** The Corporation shall take no action to terminate the registration of the Corporation's common stock under Section 12(g) of the Exchange Act, unless such action has been approved by unanimous action of all members of the Board of Directors then in office.

## ARTICLE 5 – OFFICERS

**Section 5.1** **Officers of the Corporation.** There shall be a Chief Executive Officer of the Corporation and a General Auditor. In the event of a vacancy in either office, such vacancy shall be addressed by resolution by the Board of Directors or an appropriate committee thereof. Other officers of the Corporation may include a President, a Chief Operating Officer, a Chief Compliance Officer, a Chief Risk Officer, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President and may be given other descriptive titles), a Corporate Secretary and all other officers or assistant officers deemed necessary and desirable for the conduct of the Corporation's business. Any of the above offices may be held by the same person, except that the office of the Corporate Secretary may not be held by the same person that holds the office of Chief Executive Officer, President, Chief Operating Officer or General Auditor.

**Section 5.2** **Appointment and Term.**

(a) The Board of Directors shall elect the Chief Executive Officer.

(b) The Audit Committee of the Board of Directors shall elect the General Auditor.

(c) Except as otherwise determined by the Board of Directors or provided herein, the Chief Executive Officer shall appoint all additional officers at the Executive Vice President and Senior Vice President level or above.

(d) Except as otherwise determined by the Board of Directors or provided herein, the Chief Executive Officer or his or her designee(s) (each individually an “Appointing Officer” and collectively the “Appointing Officers”) shall appoint all officers at the Vice President level and below, other than those identified in Sections 5.2 (a), (b) and (c).

(e) Except as provided herein, the appointment of a President and/or Chief Operating Officer, if one or both of such positions are to be filled, shall be subject to prior review by the Board of Directors.

(f) Any appointment by an Appointing Officer under this section is subject to the legal, regulatory or supervisory limitations, requirements and approvals that apply to appointments by the Board of Directors. Each officer elected by the Board of Directors or appointed by an Appointing Officer shall hold office until his or her successor is elected or appointed and qualified or until his or her death, resignation or removal as provided in this Article 5. Election or appointment of an officer shall not, in and of itself, create any contract rights in the officer against the Corporation.

**Section 5.3 Removal, Resignation, Vacancy.**

(a) Any officer may be removed, with or without cause, by a vote of the Board of Directors. The General Auditor may be removed, with or without cause, by a vote of the Audit Committee. Except as otherwise determined by these Bylaws or the Board of Directors, an Appointing Officer may remove, with or without cause, any officer he or she may appoint.

(b) Any officer may resign at any time by delivering a notice of resignation to the Corporation. A resignation shall be effective upon delivery unless the notice specifies a later effective time. If a resignation is made effective at a later time, the Board of Directors or the appropriate Appointing Officer may fill the pending vacancy before the effective time if the successor does not take office until the effective time. A vacancy in any office shall be filled in the manner prescribed in these Bylaws for election or appointment to such office.

**Section 5.4 Compensation.** The compensation of all officers of the Corporation shall be fixed by or under the authority of the Board of Directors. No officer shall be prevented from receiving such compensation by reason of the fact that such officer is also a director of the Corporation.

**Section 5.5** **Duties.** The officers of the Corporation shall have such powers and duties as are provided for in these Bylaws as well as such other authority as provided by the Board of Directors or, in the case of the officers other than the Chief Executive Officer, by the appropriate Appointing Officer.

**Section 5.6** **Chief Executive Officer.** The Chief Executive Officer of the Corporation shall be primarily responsible for the implementation of the policies, orders and resolutions of the Board of Directors. Subject to the direction of the Board of Directors, he or she shall have general charge of and responsibility for supervision of the business and affairs of the Corporation. The Chief Executive Officer may sign and execute in the name of the Corporation all certificates, contracts and instruments. The Chief Executive Officer may vote stock in other corporations, in person or by proxy, and shall perform such other duties of management as may be commonly incident to the office of chief executive or as may be prescribed by resolution or as otherwise may be assigned to the Chief Executive Officer by the Board of Directors.

**Section 5.7** **President.** The President shall perform such duties as from time to time may be assigned by the Board of Directors or the Chief Executive Officer.

**Section 5.8** **Chief Operating Officer.** The Chief Operating Officer shall perform such duties as from time to time may be assigned by the Board of Directors or the Chief Executive Officer.

**Section 5.9** **General Auditor.** The General Auditor shall report to, and be hired, supervised and terminated, if deemed appropriate, by the Audit Committee of the Board of Directors. The General Auditor shall be responsible for examining and evaluating the adequacy and effectiveness of the Corporation’s system of internal controls. The General Auditor shall perform such other duties as from time to time may be assigned by the Audit Committee of the Board of Directors.

**Section 5.10** **Vice Presidents.** The Corporation shall have one or more Vice Presidents, which may include Executive Vice Presidents or Senior Vice Presidents, elected or appointed as herein provided. Each such Vice President shall have such duties as from time to time may be assigned to him or her by the Board of Directors, the appropriate Appointing Officer or the supervising officer to whom a Vice President reports directly or that are commonly incident to such Vice President’s office.

**Section 5.11** **Corporate Secretary.** The Corporate Secretary shall keep the minutes of the meetings of the stockholders and of the Board of Directors and of committees of the Board of Directors and their subcommittees in books provided for that purpose; shall see that all notices of such meetings are duly given in accordance with the provisions of these Bylaws; may sign certificates of stock of the Corporation with the Chief Executive Officer; shall be custodian of the corporate seal; shall see that the corporate seal is affixed to all documents as appropriate; shall certify all documents pertaining to actions of the stockholders and the Board of Directors and any of its committees (and their subcommittees) and all other corporate documents and, in general, shall perform all duties and have all powers as may be commonly incident to the office of a secretary of a corporation, and such other duties as from time to time may be assigned to the Corporate Secretary by the Board of Directors or the Chief Executive Officer. The Corporate Secretary may appoint such Assistant Secretaries as he or she deems appropriate. The duties of the Corporate Secretary may be performed by one or more Assistant Secretaries.

**Section 5.12** **Delegation of Authority.** Subject to the control of the Board of Directors, the functions delegated to the holder of a particular office pursuant to these Bylaws (the "Officer") shall be performed by such holder, or under his or her direction, by such individuals as may from time to time be delegated authority to perform such functions by the Officer. A person to whom a function is delegated by the Board of Directors may further delegate that function to another person under his or her direction to the extent that such person is permitted to do so by the original delegation to him or her by the Board of Directors.

## ARTICLE 6 – INSPECTION OF RECORDS

**Section 6.1** **Inspection of Records by Stockholders.**

(a) The Corporation's Bylaws and all amendments thereto, all Board of Directors resolutions creating one or more classes or series of shares and minutes of all stockholders' meetings for the then most recent three years, all written communications to stockholders generally within the past three years (including all financial statements furnished for the past three years) and the names and business addresses of its current directors and officers shall be open to inspection at the Corporation's principal office during its regular business hours upon written request therefor, received by the Corporation at least 10 business days prior to the date such inspection is requested, from any person who is a stockholder.

(b) Excerpts from the minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors (or a subcommittee of a committee) while acting in place of the Board of Directors on behalf of the Corporation, minutes of any meeting of the stockholders, and records of action taken by the Board of Directors without a meeting, to the extent not subject to inspection under Subsection (a), accounting records of the Corporation and the record of stockholders shall be open to inspection at a reasonable location specified by the Corporation during its regular business hours upon written request therefor, received by the Corporation at least 10 business days prior to the date such inspection is requested, provided that the request is made by a stockholder who has been a stockholder of record for at least six months immediately preceding such request or is the holder of record of at least five percent of all of the Corporation's outstanding shares, and provided further that (i) such request is made in good faith and for a proper purpose, (ii) such request describes with reasonable particularity the purpose of such request and the records to be inspected, and (iii) the records requested are directly connected with his or her purpose. The stockholder's written request shall be accompanied by (i) documentation to verify the class and number of shares of the

Corporation that are beneficially owned by the stockholder in accordance with the Proxy Rules Requirements and (ii) proof of the stockholder's ownership when making a request under this Subsection (b).

(c) Any inspection made pursuant to this Section may be made in person or by an agent or attorney and shall include the right to make copies, including copies through an electronic transmission if available and so requested by the stockholder. A request for any such inspection shall be served upon the Chief Executive Officer or the Corporate Secretary. This right of inspection is in addition to the stockholders' right to inspect the stockholders' list as provided in Section 3.10 of these Bylaws.

(d) For purposes of this Section, stockholder includes a beneficial owner whose shares are held in a voting trust or by a nominee on the stockholder's behalf.

**Section 6.2 <u>Inspection of Records by Directors.</u>** A director of the Corporation is entitled to inspect and copy the books, records and documents of the Corporation at any reasonable time to the extent reasonably related to the performance of the director's duties as a director, including duties as a member of a committee or a subcommittee, but not for any other purpose or in any manner that would violate any duty to the Corporation.

## ARTICLE 7 – NOTICES

**Section 7.1 <u>Notices.</u>**

(a) Except as otherwise specifically provided in these Bylaws, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing, in the English language (unless otherwise agreed by the sender and the recipient) and may in every instance be effectively given by hand delivery; by mail or commercial courier; or by electronic transmission. Where these Bylaws expressly permit oral notice, such notice may be communicated in person, by telephone, voice mail or by other electronic means. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where the notice is intended to be given or by radio, television or other form of public communication in the area where notice is intended to be given. In addition to the manner in which notices may be given under these Bylaws, notices may also be given as set forth in the Common Stock Certificate of Designation.

(b) Without limiting the manner by which notice otherwise may be given effectively to stockholders or directors, any notice to stockholders or directors given by the Corporation under these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder or the director to whom notice is given, provided that it shall not be necessary to obtain consent to send notices of meetings of directors to directors by electronic transmission except to the extent required under Section 3.3(c)(y) of these Bylaws. In the case of stockholders' meeting notices given to employee stockholders where such employees have regular access to electronic mail delivery in the course of their employment, consent to receipt of such notices by electronic transmission to the employee's employment related e-mail address shall be implied unless and until the employee specifies a different address to which notices should be electronically transmitted or requests delivery of notice in print.

(c) Any consent to receive notices by electronic transmission shall be revocable by the stockholder or director by written notice to the Corporation. Any such consent shall be deemed revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (ii) such inability becomes known to the Corporate Secretary or an Assistant Secretary of the Corporation or to the transfer agent or other person responsible for the giving of notice; provided however, that inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(d) Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation, or in the case of a notice given by electronic transmission, shall be sent to the address at which the stockholder or director has consented to receive notice or, in the case of notices of directors' meetings delivered by electronic transmission, sent to an information processing system that the director has designated or uses for the purpose of receiving electronic transmissions.

(e) Notice to a stockholder, if given by mail or physical delivery, is effective (i) upon deposit in the United States mail or (ii) when the physical delivery is actually received or left at the stockholder's address of record. Notice to persons other than stockholders, if given by physical delivery or mail, is effective at the earliest of the following (i) when it is actually received; (ii) five days after its deposit in the United States mail; (iii) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by the addressee; (iv) in the case of notice to a director, when it is left at the director's residence or usual place of business; or (v) in the case of notice to the Corporation, when it is left at the Corporation's principal place of business or at the Corporation's registered office when left with the Corporation's registered agent.

(f) Oral notice is effective when communicated.

(g) Notice given by electronic transmission to a stockholder, director or other person, who has consented to receive notices by such means, or whose consent is not required under Subsection (b) of this Section, is effective when received. An electronic transmission is received when (i) it enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic transmissions or information of the type sent, and from which the recipient is able to retrieve the electronic transmission and (ii) it is in a form capable of being processed by that system. An electronic transmission is received even if no individual is aware of its receipt.

(h) The Corporation shall be deemed to have delivered notice of an annual or special meeting of stockholders who share a common address as shown on the Corporation's current record of stockholders if (i) the Corporation delivers one meeting notice to the common address; (ii) the Corporation addresses the meeting notice (or a proxy statement, annual report, or notice of Internet availability of proxy materials containing such meeting notice)(collectively, the "Meeting Notice") to those stockholders sharing a common address either as a group (for example, "Jane Doe and Household" or "The Smith Family"), to each of them individually (for example, "Jane Doe, John Doe and Richard Doe") or to the stockholders in a form to which each of those stockholders has consented in writing; (iii) each of those stockholders consents, including any implied consent pursuant to Virginia Stock Corporation Act § 13.1-610.1(B), in accordance with procedures required by Rule 14a-3(e) of Regulation 14A (Solicitation of Proxies) under the Exchange Act of 1934, to the delivery of a single Meeting Notice to the stockholders' common address; (iv) the Corporation delivers a separate proxy card for each stockholder at the common address; and (v) the Corporation includes in the Meeting Notice an undertaking to deliver promptly, upon written or oral request, a separate copy of the Meeting Notice to a stockholder at a common address to which a single copy of the Meeting Notice was delivered. If a stockholder, orally or in writing revokes a consent to delivery of one Meeting Notice to a common address, the Corporation shall begin providing individual notices to the revoking stockholder no later than 30 days after the Corporation receives revocation of the stockholder's consent.

**Section 7.2 Written Waivers.** A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

## ARTICLE 8 – INDEMNIFICATION AND LIMITATION OF LIABILITY

**Section 8.1 Indemnification.**

(a) Subject to the conditions set forth in Subsection (b) of this Section, each person who was or is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative and whether formal or informal, including a derivative action or action brought by the Corporation (hereinafter, a "proceeding"), by reason of the fact that he or she is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, manager, partner, trustee, fiduciary, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other entity, including service with respect to an employee benefit plan (hereinafter, an "indemnitee"), shall be indemnified and held harmless by the Corporation against all liability (including the obligation to pay a judgment, settlement, penalty or fine, including any excise tax assessed with respect to an employee benefit plan) and expense (including attorneys' fees) reasonably incurred or suffered by such indemnitee in connection therewith, except such liabilities and expenses as are incurred because of the indemnitee's willful misconduct or knowing violation of criminal law or of any federal or state securities law, including, without limitation, any unlawful insider trading or the manipulation of the market for any security; provided, however, that the Corporation may not indemnify an indemnitee in connection with any proceeding charging improper personal benefit to the indemnitee, whether or not involving action in his or her official capacity, to the extent the indemnitee was adjudged liable on the basis that personal benefit was improperly received by the indemnitee. Such indemnification shall continue as to an indemnitee who has ceased to be a director, officer or employee and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

(b) Indemnification shall be made by the Corporation only as authorized in the specific case after a determination has been made as provided in Subsection (c) of this Section that the indemnitee met the relevant standard of conduct set forth in Subsection
(a) of this Section. The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, is not, of itself, determinative that the indemnitee did not meet the standard of conduct set forth in Subsection (a) of this Section.

(c) The determination of whether the indemnitee met the standard of conduct set forth in Subsection (a) of this Section shall be made: (i) by the Board of Directors by a majority vote of a quorum consisting of directors not at the time parties to the proceeding; (ii) by a majority vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding; (iii) by special legal counsel (1) selected by the Board of Directors or its committee in a manner prescribed in Subsection (c)(i) or (c)(ii) hereof, or (2) if a quorum of the Board of Directors cannot be obtained under Subsection (c)(i) hereof and a committee cannot be designated under Subsection (c)(ii) hereof, selected by a majority vote of the full Board of Directors (in which selection directors who are parties may participate); or (iv) by the stockholders, provided, however, that shares owned by or voted under the control of directors who are at the time parties to the proceeding may not be voted on the determination.

(d) Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, as provided in Subsection (c) of this Section, provided however, that, if the determination is made by special legal counsel, authorization of indemnification and evaluation as to the reasonableness of expenses shall be made by those entitled under Subsection (c)(iii) of this Section to select such special legal counsel.

(e) Notwithstanding any other provision of this Section, the Corporation shall indemnify a director or indemnitee who entirely prevails, on the merits or otherwise, in the defense of any proceeding to which the indemnitee was a party because he or she is or was director or officer or employee of the Corporation or was serving at the request of the Corporation as a director, officer, manager, partner, trustee, fiduciary, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other entity, including service with respect to an employee benefit plan, against reasonable expenses (including attorneys' fees) incurred by the indemnitee in connection with the proceeding.

(f) Except as provided in Section 8.2 of these Bylaws with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify an indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors.

(g) The rights to indemnification and liability limitation conferred in this Article 8 shall be deemed a contract right between an individual indemnitee and the Corporation, and any subsequent repeal or modification of these Bylaws shall not diminish the indemnitee's rights under this Article 8 with respect to any act or omission occurring before such amendment.

(h) The indemnitee shall have the right to be paid by the Corporation the expenses reasonably incurred or suffered in defending any proceeding in advance of its final disposition (hereinafter, an "advancement of expenses"); provided, however, that an advancement of expenses shall be made (i) only upon delivery to the Corporation of a written statement by the indemnitee of the indemnitee's good faith belief that he or she has met the standard of conduct set forth in Subsection (a) of this Section, and (ii) only if the indemnitee furnishes to the Corporation a written undertaking, executed by or on behalf of such indemnitee, to repay any funds advanced if the indemnitee is not entitled to mandatory indemnification under Subsection (e) of this Section and it is ultimately determined that such indemnitee is not entitled to indemnification. The undertaking required by provision (h)(ii) of this Subsection shall be an unlimited general obligation of the indemnitee but need not be secured and shall be accepted without reference to the financial ability of the indemnitee to make repayment.

(i) The Corporation may, by action of its Board of Directors, provide indemnification to agents of the Corporation with the same scope and effect as the indemnification of indemnitees as provided in this Article 8.

(j) The Chief Executive Officer is authorized to enter into contracts of indemnification with each indemnitee of the Corporation with respect to the indemnification provided in this Article 8 and renegotiate such contracts as necessary to reflect changing laws and business circumstances.

**Section 8.2** **<u>Right of Indemnitee to Bring Suit.</u>** If a claim under Section 8.1 of these Bylaws is not paid in full by the Corporation within 90 days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter apply to either the United States District Court for the district within which the Corporation's principal office is located or to the court where the proceeding is pending, if any, for an order directing the Corporation to make an advancement of expenses or to provide indemnification. The court shall order the Corporation to make an advancement of expenses or to provide indemnification, as the case may be, if it determines that the indemnitee is entitled under these Bylaws to such an advancement of expenses or indemnification, and in such event shall order the Corporation to pay the indemnitee's reasonable expenses (including attorneys' fees) to obtain the order. Neither the failure of the Corporation (including its Board of Directors, committee, special legal counsel or its stockholders) to have made a determination, as provided in Subsection (c) of Section 8.1 of these Bylaws, prior to the commencement of such action permitted by this Section, that the indemnitee is entitled to receive an advancement of expenses or indemnification, nor the determination by the Corporation (including its Board of Directors, committee, special legal counsel or its stockholders) that the indemnitee is not entitled to an advancement of expenses or indemnification, shall create a presumption to that effect or otherwise itself be a defense to that indemnitee's application for an advancement of expenses or indemnification.

**Section 8.3** **Non-Exclusivity of Rights.** The rights to indemnification and to the advancement of expenses conferred in these Bylaws shall not be exclusive of any other right which any person may have or hereafter acquire under any statute (including the Corporation's enabling legislation), or any agreement, vote of stockholders or disinterested directors or otherwise.

**Section 8.4** **Insurance.** The Corporation may purchase and maintain insurance, at its expense, on behalf of itself and also on behalf of any individual who is or was a director, officer, employee or agent of the Corporation or who, while a director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, manager, partner, trustee, employee, or agent of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other entity against any expense, liability or loss, asserted against or incurred or suffered by him or her in that capacity or arising from his or her status as a director, officer, manager, employee or agent, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article 8.

**Section 8.5** **Limitation of Liability.** No monetary damages or monetary liability of any kind may be assessed against an officer or director in any proceeding brought by or in the right of the Corporation or brought by or on behalf of the stockholders of the Corporation; provided, however, that this elimination of liability shall not be applicable if the officer or director engaged in willful misconduct, a transaction from which the director or officer derived an improper personal benefit, or a knowing violation of the criminal law or of any federal or state securities law, including, without limitation, any claim of unlawful insider trading or the manipulation of the market for any security.

## ARTICLE 9 – SEAL

**Section 9.1** **Corporate Seal.** The Board of Directors may adopt a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Corporate Secretary.

## ARTICLE 10 – FISCAL YEAR

**Section 10.1** **Fiscal Year.** The fiscal year of the Corporation shall be the calendar year.

## ARTICLE 11 – MISCELLANEOUS

**Section 11.1** **Time Periods.** In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used in making such computations, the day of the doing of the act shall be excluded and the day of the event shall be included.

**Section 11.2** **Severability.** If any provision or provisions of these Bylaws shall be held invalid or unenforceable for any reason whatsoever, the validity and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and, to the fullest extent possible, the remaining provisions shall be construed so as to effectuate the intent manifested by the invalidated or unenforceable provision(s).

**Section 11.3** **Corporate Governance Practices and Procedures and Governing Law.**

(a) The corporate governance practices and procedures of the Corporation shall comply with the Corporation's enabling legislation and other Federal law, rules, and regulations, and shall be consistent with the safe and sound operation of the Corporation. To the extent not inconsistent with the foregoing, the Corporation shall follow the corporate governance practices and procedures of the law of the Commonwealth of Virginia, including without limitation the Virginia Stock Corporation Act as the same may be amended from time to time. Subject to all of the foregoing, these Bylaws and any rights and obligations created by these Bylaws shall be construed in accordance with, and governed by, the laws of the United States, using the law of the Commonwealth of Virginia as the federal rule of decision in all instances.

(b) Section 1.1, Section 2.1, Section 2.2, Section 2.3, Section 2.4, Section 2.5, Section 2.6, Section 2.7, Section 3.2, Section 3.7, Section 4.1, Section 4.2, Section 4.5, Section 4.17, Article 8, Section 11.3, Section 11.4, Section 11.6, Article 12 of these Bylaws, and any new bylaw which may be adopted from time to time and designated as a "Level 1 Provision" in accordance with Article 12 of these Bylaws shall collectively be referred to herein as "Level 1 Provisions." Level 1 Provisions shall be deemed to constitute provisions of the Corporation's "articles of incorporation" for all purposes of the Virginia Stock Corporation Act. Any bylaw that is not a Level 1 Provision and any new bylaw that may be adopted from time to time and is not designated as a "Level 1 Provision" by the Board of Directors shall collectively be referred to herein as "Level 2 Provisions."

**Section 11.4** **Certificates of Designation.** The provisions of these Bylaws shall supplement the terms of the Common Stock Certificate of Designation and any certificate of designation approved by the Board of Directors with respect to any class of the Corporation's preferred stock. In the event of any conflict between the terms of any such certificate of designation and these Bylaws, the terms of the certificate of designation shall govern.

**Section 11.5** **Statutory References.** Each reference in these Bylaws to a particular statute or regulation, or a provision thereof, is a reference to such provision as amended or re-enacted or as modified by other statutory provisions from time to time and includes subsequent legislation and regulations made under the relevant statute.

**Section 11.6** **Control Share Acquisitions.** Article 14.1 of the Virginia Stock Corporation Act shall not apply to acquisitions of shares of the Corporation. This section has been included in these Bylaws for the avoidance of doubt as to whether the election of Virginia law in Section 11.3 and other sections of these Bylaws for purposes of the Corporation's corporate governance practices and procedures was intended to include Article 14.1 of the Virginia Stock Corporation Act.

## ARTICLE 12 – AMENDMENTS

**Section 12.1** **General.** Subject to the provisions of this Article 12, Level 1 Provisions or Level 2 Provisions may be amended, adopted, rescinded or repealed by the Board of Directors or the stockholders at any meeting, provided that in the case of such an action by the stockholders, notice of the proposed change must be given in the notice of the meeting.

**Section 12.2** **Amendment by the Board of Directors.** Any new bylaw adopted by the Board of Directors and any Level 1 Provision, may be amended only by the Board of Directors pursuant to Section 12.1 of these Bylaws. Upon adopting or amending such bylaw, as the case may be, the Board of Directors shall designate such bylaw as a "Level 1 Provision" for all purposes under these Bylaws. If the Board of Directors does not designate a bylaw as a Level 1 Provision or if the Board of Directors is otherwise silent on the designation, the bylaw shall be deemed to be a Level 2 Provision.

**Section 12.3** **Amendment by the Stockholders.** Notwithstanding any other provisions of these Bylaws, or any provisions of law, which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the stockholders required by law, the Common Stock Certificate of Designation, or these Bylaws, the affirmative vote of the holders of at least a majority of all shares of voting stock then outstanding and entitled to vote shall be required to amend, adopt, rescind or repeal any Level 2 Provision of these Bylaws (the "Proposed Level 2 Provision"); provided, however, that, as determined by the Board of Directors, (i) the Proposed Level 2 Provision shall comply with the Corporation's enabling legislation and other Federal law, rules, regulations, regulatory guidance and other issuances, (ii) the Proposed Level 2 Provision shall be consistent with the safe and sound operation of the Corporation, (iii) the subject matter of the Proposed Level 2 Provision does not or would not involve the subject matter of any Level 1 Provision, the Common Stock Certificate of Designation or any other certificate of designation of the Corporation, and (iv) the Proposed Level 2 Provision does not or would not be inconsistent with any Level 1 Provision, the Common Stock Certificate of Designation or any other certificate of designation of the Corporation. The stockholders may not amend, adopt, rescind or repeal any Level 1 Provision unless such action is explicitly authorized and referred to the stockholders by the Board of Directors (for the avoidance of doubt, this Section 12.3 in no way obligates the Board of Directors to seek stockholder approval for any action pursuant to Section 12.2 of these Bylaws) in which case such amendment, adoption, rescission, or repeal shall be by the affirmative vote of the holders of at least a majority of all shares of the voting stock then outstanding and entitled to vote.

**Exhibit 31.1**

# CERTIFICATION

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

I, Michael J. DeVito, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 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: August 2, 2023

/s/ Michael J. DeVito

Michael J. DeVito
Chief Executive Officer

**Exhibit 31.2**

## CERTIFICATION

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

I, Christian M. Lown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 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: August 2, 2023

/s/ Christian M. Lown

Christian M. Lown
Executive Vice President and 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 June 30, 2023 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. DeVito, 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: August 2, 2023

/s/ Michael J. DeVito

Michael J. DeVito
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 June 30, 2023 of the Federal Home Loan Mortgage Corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian M. Lown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2023

/s/ Christian M. Lown

Christian M. Lown
Executive Vice President and Chief Financial Officer