



Freddie Mac to Launch New Line of Environmental and Social Impact Securities

June 10, 2019

KG Series Will Securitize Freddie Mac Multifamily Workforce Housing Green Advantage® Loans

MCLEAN, Va., June 10, 2019 (GLOBE NEWSWIRE) -- [Freddie Mac](#) (OTCQB: FMCC) today announced it will soon go to market with a new deal designed to meet the needs of investors seeking "green" bonds. The [KG-Deals](#) are the environmental and social impact series of Freddie Mac's flagship [K-Deal](#) program. They will exclusively securitize workforce housing loans made through the company's [Green Advantage](#)® program. The program requires borrowers to make energy and water efficiency improvements to their properties. Freddie Mac has purchased more than \$44.7 billion in green loans since the inception of the program in 2016.

"In a way, every K-Deal since 2016 has had some element of green because we have integrated Green Advantage loans throughout our platform since the creation of the program," said Robert Koontz, the head of Capital Markets. "KG-Deal goes a step further, offering environmentally and socially conscious investors the opportunity to invest in bonds that support that mission. Ultimately, these investors are helping to reduce carbon emissions and water usage in thousands of older multifamily units across the country."

Freddie Mac's Green Advantage program currently requires that borrowers reduce energy or water consumption by a total of 30% with a minimum of 15% of those efficiencies found through energy improvements. Borrowers have two years to make the improvements, which are tracked in an ENERGY STAR® database. The improvements initiated thus far to the more than 1,600 properties financed through the Green Advantage program are projected to save 4.7 billion gallons of water per year and nearly 1.8 billion kBtu per year in energy per year.

Green Advantage also addresses the affordability crisis in the U.S. Nearly 86% of the units financed are affordable to tenants with incomes equal to or less than area median income (AMI). Tenants benefit through lower utility costs and are on average projected to save \$138 per year through reduced energy or water bills.

The Center for International Climate and Environmental Research (CICERO) provided a CICERO Shades of Green's second opinion (CICERO Green) of Freddie Mac's Green Bond Framework. The CICERO Green found that Freddie Mac's Green Bond Framework aligns with the Green Bond Principles and provided a "light green" rating. In determining its green rating, CICERO notes that Freddie Mac's Green Bond Framework "... outlines eligible projects in energy and water efficiency that provide important and needed steps toward emissions reduction and climate resilience in the U.S. multifamily rental property market." [The opinion can be found here.](#)

Freddie Mac is a leading issuer of agency-guaranteed, structured multifamily securities. K-Deals are part of the company's business strategy to transfer a portion of the risk of losses away from taxpayers and to private investors who purchase the unguaranteed subordinate bonds.

In a K-Deal, multifamily loans purchased by Freddie Mac from its Optigo lender network are sold to a third-party depositor, who then deposits the multifamily loans in a trust. The trust issues securities backed by the multifamily loans and privately sells subordinate and mezzanine bonds to investors. The trust sells the senior, guaranteed bonds to Freddie Mac. Freddie Mac then securitizes the senior bonds and publicly offers structured pass-through certificates (K Certificates) to investors via placement agents. K Certificates typically feature a wide range of investor options with stable cash flows and structured credit enhancement.

Freddie Mac securitized \$72.8 billion in loans in 2018, with \$61.6 billion of that total spread across 63 K-Deals. To date, Freddie Mac has not realized any credit losses on K-Deal guaranteed classes and 99.98% of K-Deal loans are current as of 2018.

[Freddie Mac Multifamily](#) is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to moderate-incomes earning up to 120% of area median income.

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we have made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders, investors, and taxpayers. Learn more at [FreddieMac.com](#), Twitter [@FreddieMac](#), and Freddie Mac's blog [FreddieMac.com/blog](#).

MEDIA CONTACT: Mike Morosi
(703) 918-5851
Michael_Morosi@FreddieMac.com