Freddie Mac Prices First K-Deal with Bonds Indexed to SOFR

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$765 Million Multifamily K-Deal, K-F73, Paves Path for LIBOR Transition

MCLEAN, Va., Dec. 12, 2019 (GLOBE NEWSWIRE) -- In an industry first, Freddie Mac (OTCQB: FMCC) has priced a new offering of Structured Pass-Through Certificates (K Certificates), which includes a class of floating rate bonds indexed to the Secured Overnight Financing Rate (SOFR). The approximately $765 million in K Certificates (K-F73 Certificates) are expected to settle on or about December 20, 2019. The K-F73 Certificates are backed by floating-rate multifamily mortgages with 10-year terms, which are currently LIBOR-based.

Freddie Mac is using K-F73 to provide support to the SOFR bond market ahead of a SOFR multifamily mortgage offering and to help ease the eventual transition away from LIBOR. K-F73 includes one class (Class AL) of senior bonds indexed to LIBOR and another class (Class AS) of senior bonds indexed to SOFR. Freddie Mac will provide a guarantee on Class AS that covers any basis mismatch if the SOFR-based index exceeds the LIBOR-based index. The underlying LIBOR-based multifamily mortgages and the K-F73 bonds indexed to LIBOR will convert to an alternate index, which may be SOFR, if LIBOR ceases to be published.

“Freddie Mac Multifamily is proud to have brought to market its first multifamily real estate securitization with bonds indexed to SOFR,” said Robert Koontz, Senior Vice President of Multifamily Capital Markets. “With the successful execution of K-F73, Freddie Mac is helping to ease the transition from LIBOR to SOFR. This transaction further underscores our commitment to providing market liquidity and stability.”

K-F73 Pricing

Class	Principal/Notional Amount (mm)	Weighted Average Life (Years)	Discount Margin	Coupon	Dollar Price
AL	$565.645	9.54	60	1 mo LIBOR + 60	100.000
AS	$200.000	9.54	67	1 mo avg SOFR + 67	100.000
XI	$850.717	9.55	Non-Offered		
XP	$850.717	N/A	Non-Offered		

Details

- Co-Lead Managers and Joint Bookrunners: Morgan Stanley & Co. LLC and Goldman, Sachs and Co. LLC
- Co-Managers: Amherst Pierpont Securities LLC, BofA Securities, Inc., CastleOak Securities, L.P. and Wells Fargo Securities, LLC

Related Links

- The K-F73 preliminary offering circular supplement: http://www.freddiemac.com/mbs/data/kF73oc.pdf
- Freddie Mac Multifamily Securitization Overview
- Multifamily Securities Investor Access database of post-securitization data from Investor Reporting Packages

The K-F73 Certificates will not be rated, and will include two senior principal and interest classes, one interest-only class, and one class entitled to static prepayment premiums. The K-F73 Certificates are backed by corresponding classes issued by the FREMF 2019-KF73 Mortgage Trust (KF73 Trust) and guaranteed by Freddie Mac. The KF73 Trust will also issue certificates consisting of the Class B, C and R Certificates, which will be subordinate to the classes backing the K-F73 Certificates and will not be guaranteed by Freddie Mac.

Freddie Mac Multifamily 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. K Certificates typically feature a wide range of investor options with stable cash flows and structured credit enhancement.

This announcement is not an offer to sell any Freddie Mac securities. Offers for any given security are made only through applicable offering circulars and related supplements, which incorporate Freddie Mac’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (SEC) on February 14, 2019; all other reports Freddie Mac filed with the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934 (Exchange Act) since December 31, 2018, excluding any information "furnished" to the SEC on Form 8-K; and all documents that Freddie Mac files with the SEC pursuant to Sections 13(a), 13(c) or 14 of the Exchange Act, excluding any information “furnished” to the SEC on Form 8-K.

Freddie Mac’s press releases sometimes contain forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond the company’s control. Management’s expectations for the company’s future necessarily involve a number of assumptions, judgments and estimates, and various factors could cause actual results to differ materially from the expectations expressed in these

and other forward-looking statements. These assumptions, judgments, estimates and factors are discussed in the company's Annual Report on Form 10-K for the year ended December 31, 2018, and its reports on Form 10-Q and Form 8-K, which are available on the Investor Relations page of the company's Web site at www.FreddieMac.com/investors and the SEC's website at www.sec.gov. The company undertakes no obligation to update forward-looking statements it makes to reflect events or circumstances occurring after the date of this press release. The multifamily investors section of the company's Web site at https://mf.freddiemac.com/investors/ will also be updated, from time to time, with any information on material developments or other events that may be important to investors, and we encourage investors to access this website on a regular basis for such updated information.

The financial and other information contained in the documents that may be accessed on this page speaks only as of the date of those documents. The information could be out of date and no longer accurate. Freddie Mac undertakes no obligation, and disclaims any duty, to update any of the information in those documents.

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