



Freddie Mac Reaches the \$100 Billion Milestone in Multifamily K-Deal Securitizations

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MCLEAN, VA--(Marketwired - Apr 27, 2015) - [Freddie Mac](#) (OTCQB: FMCC) Multifamily today announces a significant milestone -- it has securitized more than \$100 billion of multifamily mortgages through its innovative K-Deal program. By laying off the vast majority of the expected credit losses of the underlying loans to private capital markets, K-Deals reduce the company's credit exposure and taxpayer risk.

Freddie Mac launched the K-Deal program in 2009 with the goal of making it scalable with regular issuance. Since then the company has issued more than \$100 billion through 80 K-Deals. Over time, the K-Deal program has grown to include various types of transactions, including five-, seven-, and 10-year term loans; floating-rate loans; single borrower loans; legacy portfolio loans; and seniors, student, military and targeted affordable housing loans.

The K-Deal has been integral to Multifamily's strategy to shift its business model from a "buy and hold" company to a "buy and sell" company. Freddie Mac achieved those goals and now securitizes about 90 percent of its multifamily mortgages purchases, the majority of which are backed by apartment communities with affordable rents.

Freddie Mac Multifamily Executive Vice President David Brickman shares his thoughts on the program's history below and on the company's [blog](#):

- "In 2008 when we first started talking to investors about doing a CMBS-style securitization, some of them thought we were crazy. The CMBS market had collapsed due to the financial crisis. We ended up helping to revive the market through our K-Deal issuance. Today we are one of, if not the largest, issuer of commercial mortgage credit in U.S. structured finance."
- "When the program began we had to convince lenders that selling a loan to us for securitization was better, or at least not significantly worse, than selling us a loan that we would hold in our portfolio. Offering significantly better pricing for loans intended for securitization and redefining the securitized-loan servicing standard helped to convince them that it made sense."
- "Our original goal was to get to a point where we would do one K-Deal a month. Since 2011, we've done one every two to three weeks. They are underwritten, structured and priced in-house and our credit performance has not changed during that time. We have very low delinquencies and credit losses with about 1 basis point of loss on K-Deal securities issued to date."
- "We knew K-Deals were successful when:
 - K-Deals were added to the Barclay's Index last year. It was like being added to the S&P and asked to join an exclusive club.
 - A single investor placed a half billion dollar order for a new deal. Today, that is common.
 - Our 10-year floating rate offering priced like a 7-year offering.
 - We did our first single sponsor deal for Spring Creek Towers (formerly named Starrett City) and then for one of our largest borrowers, AIMCO."

Freddie Mac's approach to securitizing mortgage loans backed by multifamily apartment properties nationwide helps to keep rental housing affordable, while attracting private capital to the market and minimizing U.S. taxpayers' exposure to credit risk. Through our approach to buying mortgages and securitizing them via the K-Deal structure, Freddie Mac Multifamily transfers the overwhelming majority of the credit risk to private investors. Our guarantee acts as catastrophic insurance and would be called on only in the most extreme cases where losses exceed the unguaranteed amounts of the securities.

Each security issuance is considered a true sale where the underlying loans come off of Freddie Mac's balance sheet. This allows Freddie Mac to reuse the funds from the sale to buy new mortgage loans. With the money that lenders receive, they can make mortgage loans to other qualified borrowers. This capability is unique in the GSE world to Freddie Mac Multifamily.

About Freddie Mac

Freddie Mac was established by Congress in 1970 to provide liquidity, stability and affordability to the nation's residential mortgage markets. Freddie Mac supports homeowners and renters nationwide by providing mortgage capital to lenders. Today Freddie Mac is making home possible for approximately one in four home borrowers and is one of the largest sources of financing for multifamily housing. Additional information is available at [FreddieMac.com](#), Twitter [@FreddieMac](#) and Freddie Mac's blog [FreddieMac.com/blog](#).

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