

Freddie Mac CRT Quarterly Webcast

April 2022



**Credit Risk
Transfer**

Today's Speakers



Mike Reynolds

Vice President, Credit Risk Transfer
Single-Family



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Manager, Macro and Housing Economics
Chief Economist's Office

First Quarter Highlights and Resources

Now Available on crt.FreddieMac.com



**EPISODE 5: SYNDICATION'S
ROLE IN NEW ISSUE CRT**

CRTcast | PODCAST

Christie Tintle
Managing Director and Head of Securities'
Asset-Backed Finance Syndicate Team
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Freddie Mac

Freddie Mac
Single-Family | Credit Risk
Transfer

**Credit Risk Transfer
Handbook**

January 2022

Freddie Mac
Single-Family | Credit Risk
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Clarity Data Intelligence *Announced as finalist for:*

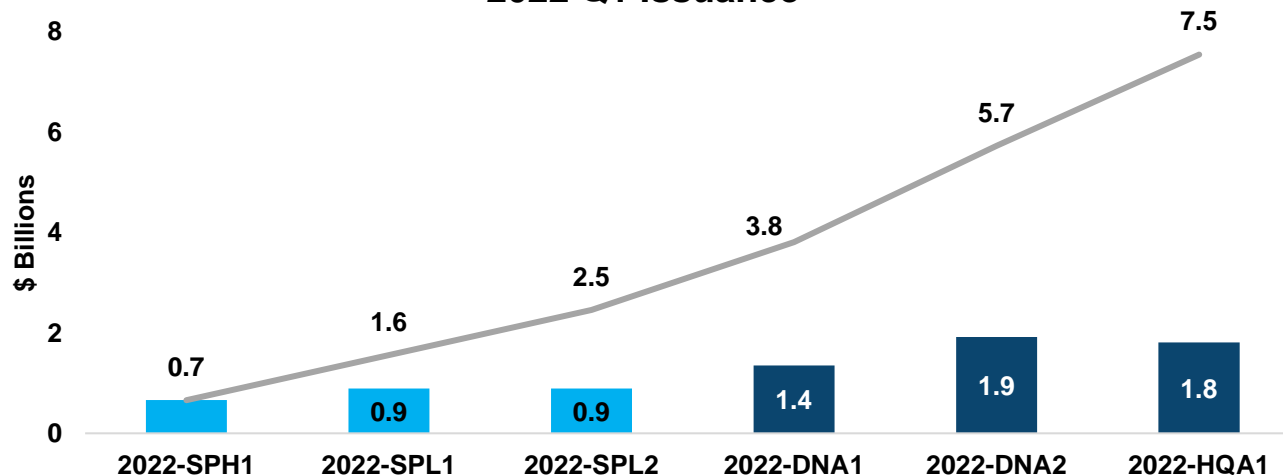
- Best Use of Data
- Best UX/CX in Finance
- Best Digital Initiative

Programmatic Issuance and Broad Participation

Commitment to the CRT Market



2022 Q1 Issuance



Consecutive Record STACR Deals

\$1.9B STACR 2022-DNA2 and \$1.8B STACR 2022-HQA1

\$7.5 Billion Q1 Issuance Volume

Record Quarter for Freddie Mac Single-Family CRT

8 Investment Grade Bonds Issued

\$3.5B issued to over 80 investors in first 3 STACR deals

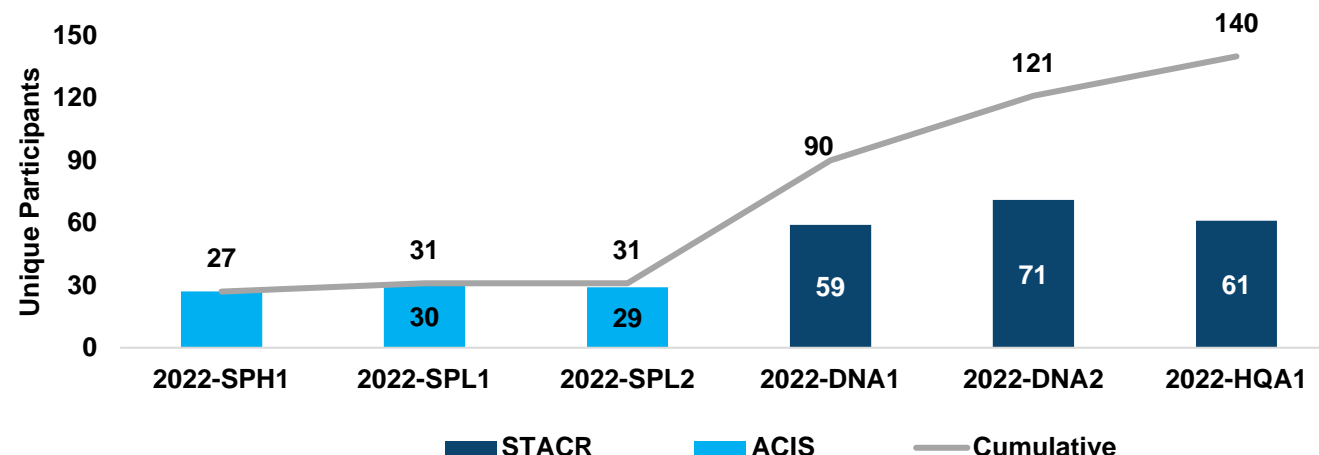
16 New Participants Across STACR and ACIS

Highest annual Investor/(Re)insurer base in program history

First Tender Offer of 2022 Executed

\$2B+ tendered in STACR 2022-TO1

2022 Q1 Participation



■ STACR ■ ACIS — Cumulative

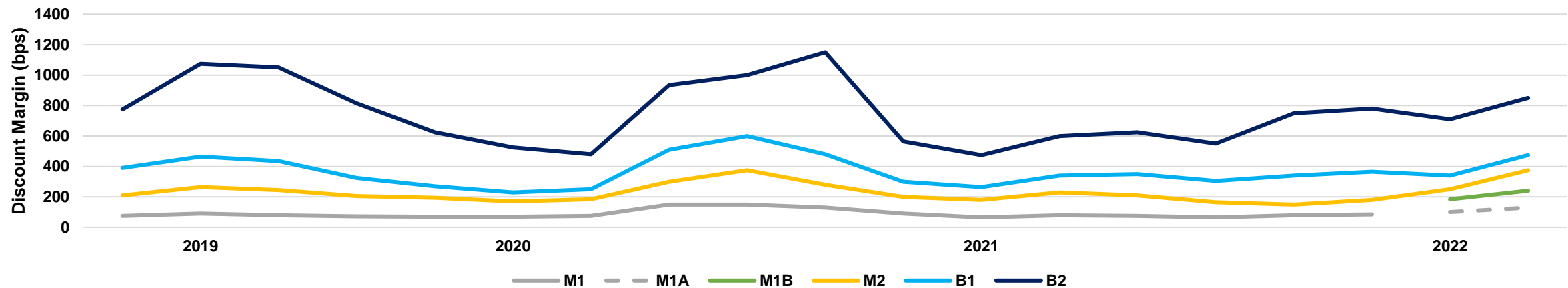
Source: Freddie Mac.
Note: Totals may not add due to rounding

STACR Historical Spreads

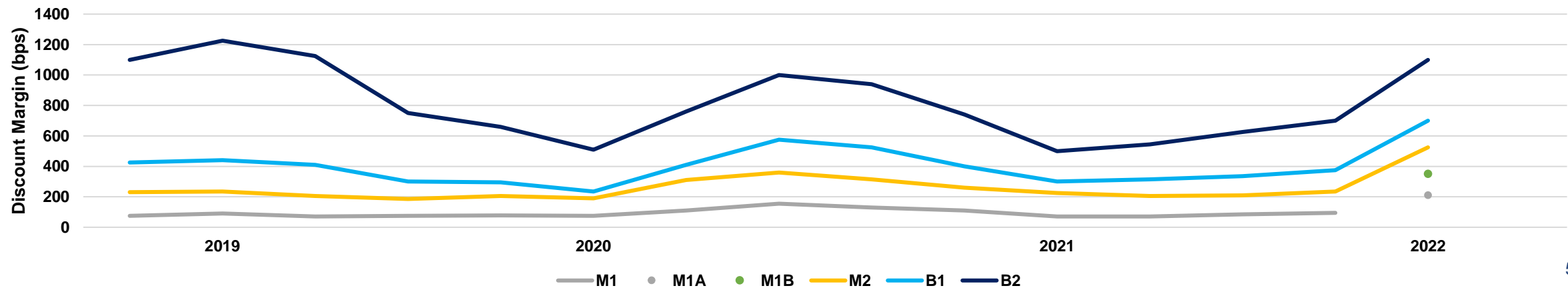
2022 Q1 Spreads Reached Levels Seen in 2019 and 2020



STACR Spreads at Issuance
DNA Series



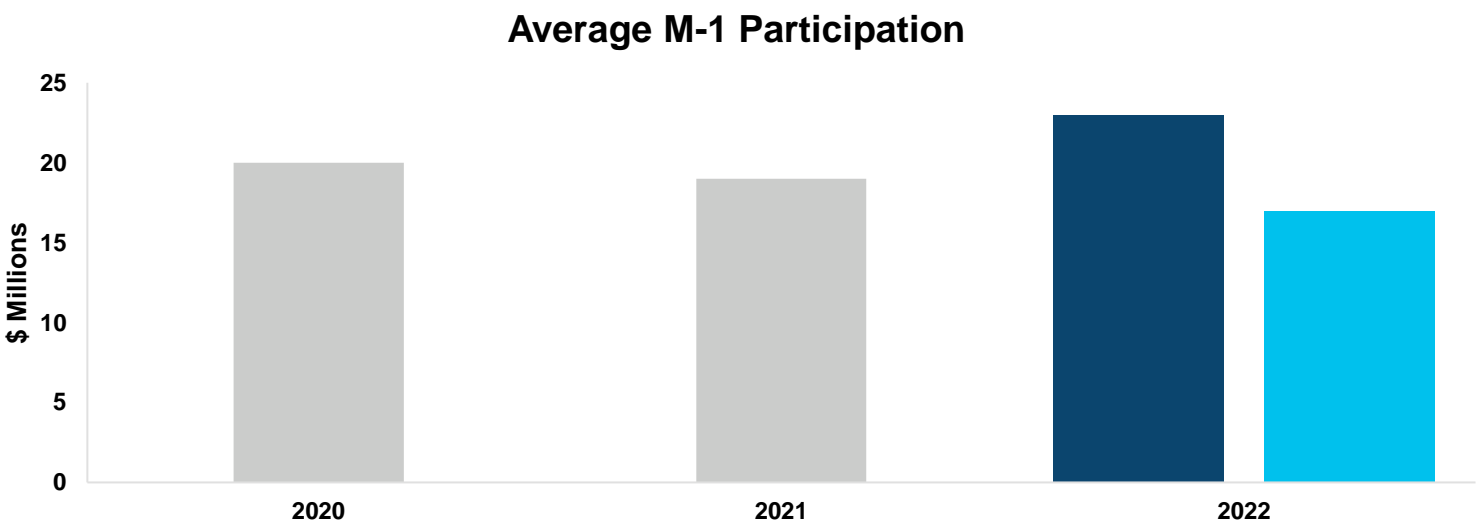
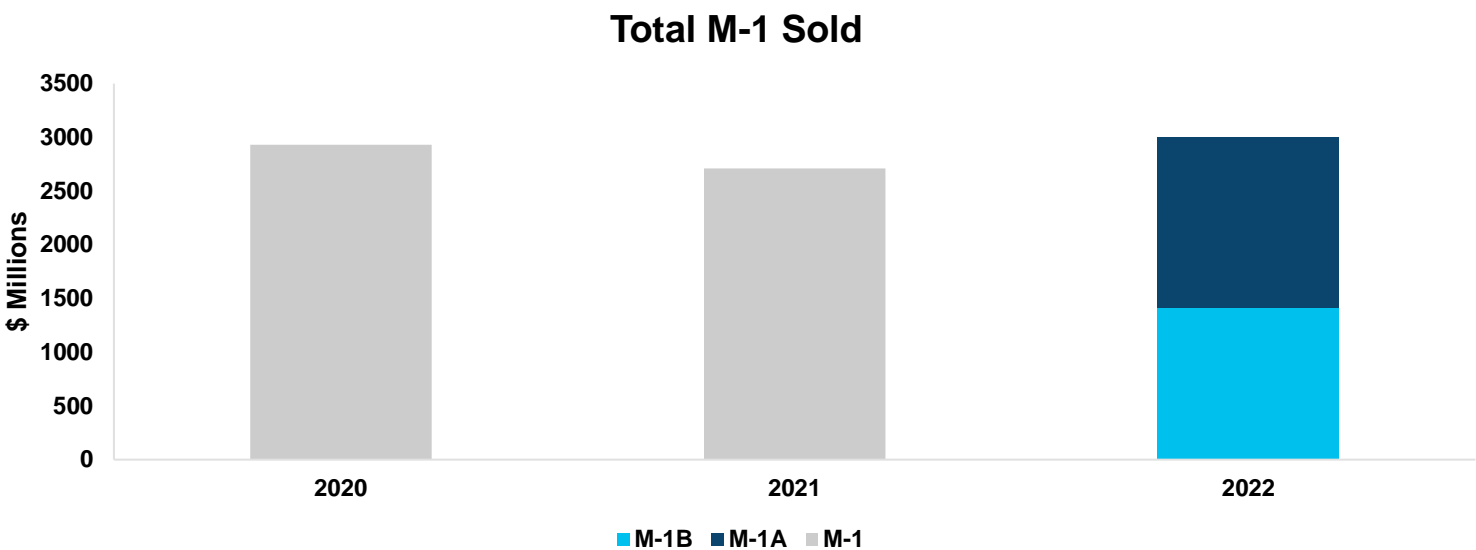
STACR Spreads at Issuance
HQA Series



Source: Freddie Mac, all data as of March 2022.

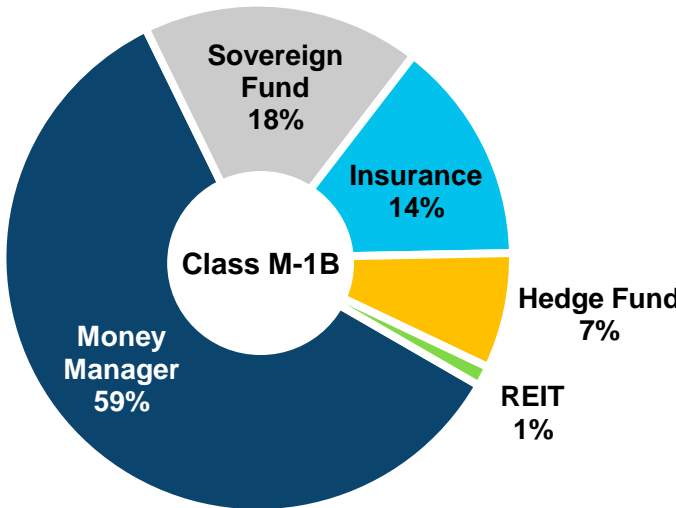
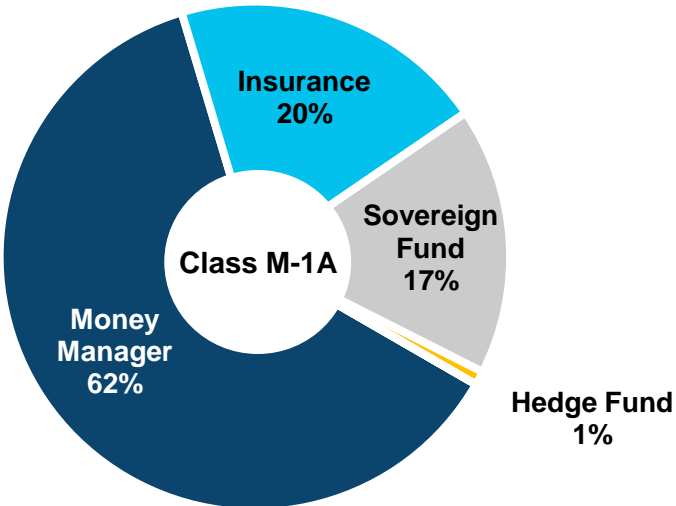
M-1A/B Reception

Increased Opportunities to Participate in STACR



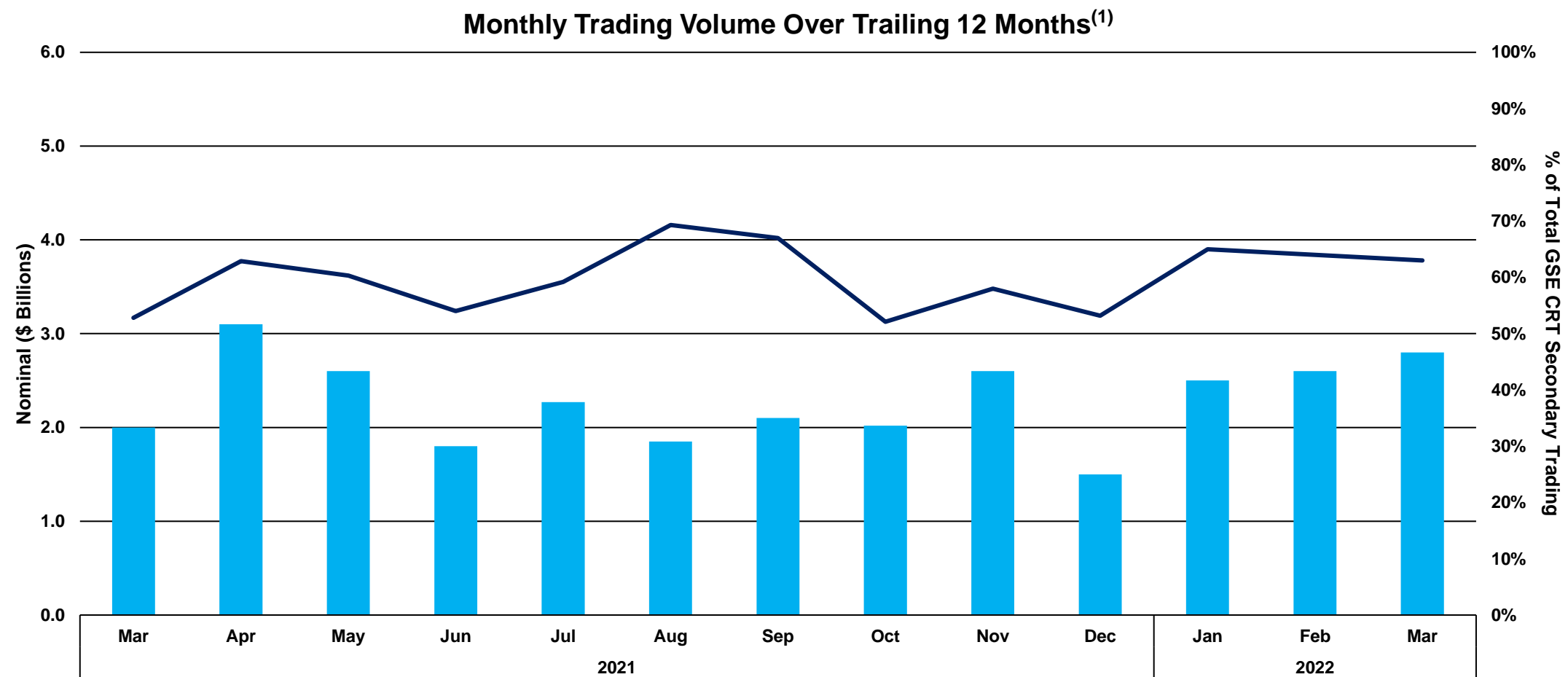
Source: Freddie Mac, all data as of March 2022. **Note:** Amounts may not add up due to rounding.

2022 M-1 Investor Profile
60% Participant Increase vs 2021



STACR Secondary Trading Volumes

Market Leader in GSE CRT Secondary Trading



Source: Bloomberg; FINRA
(1) Trading volumes reflect the sum of all buy and sell trades
As of March 2022

CRT Performance

Strong Portfolio Performance Across Vintages



112

Actual Loss CRT
Transactions Issued

0.4

Average bps of Loss
Per Transaction

29

Transactions with
No Losses

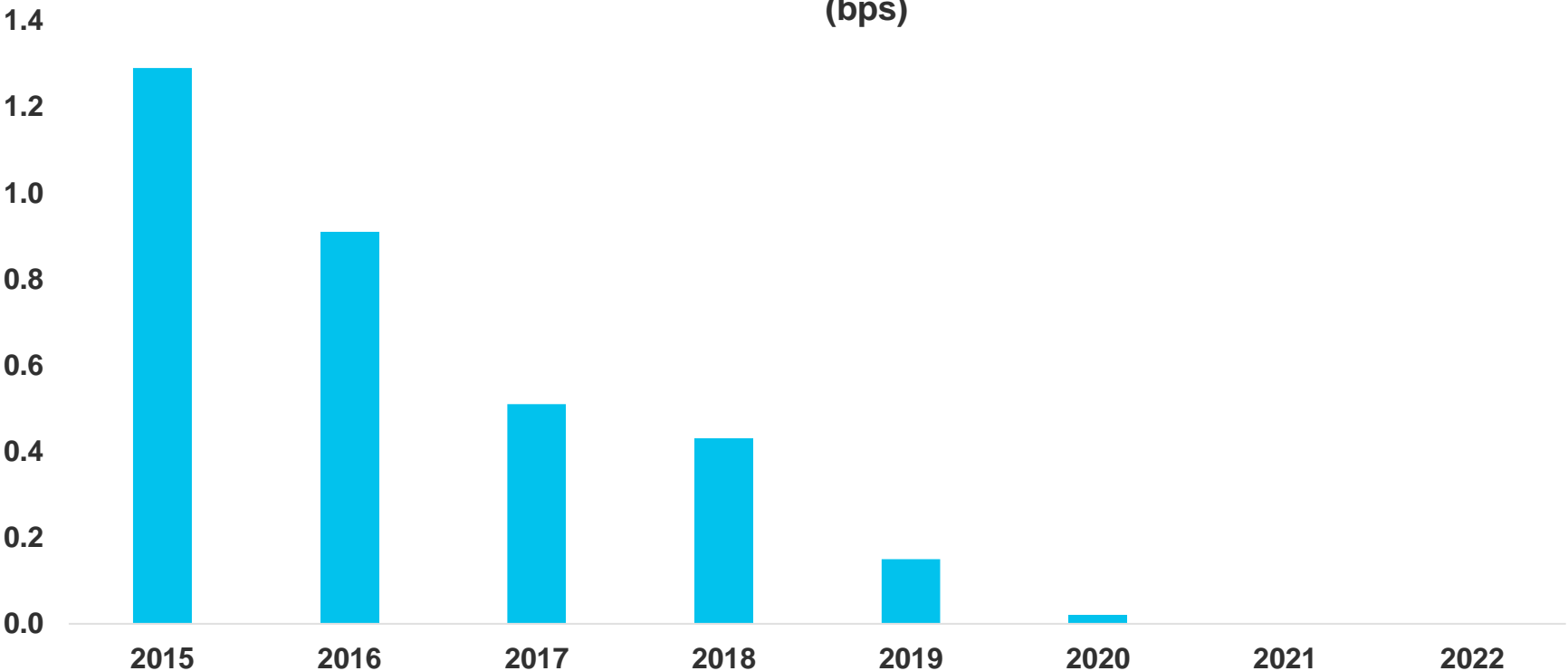
66

Transactions with
<1bp of Loss

0

Transactions with
>1.75bps of Loss

Weighted Average Cumulative Net Losses Per Transaction by Issuance Year (bps)



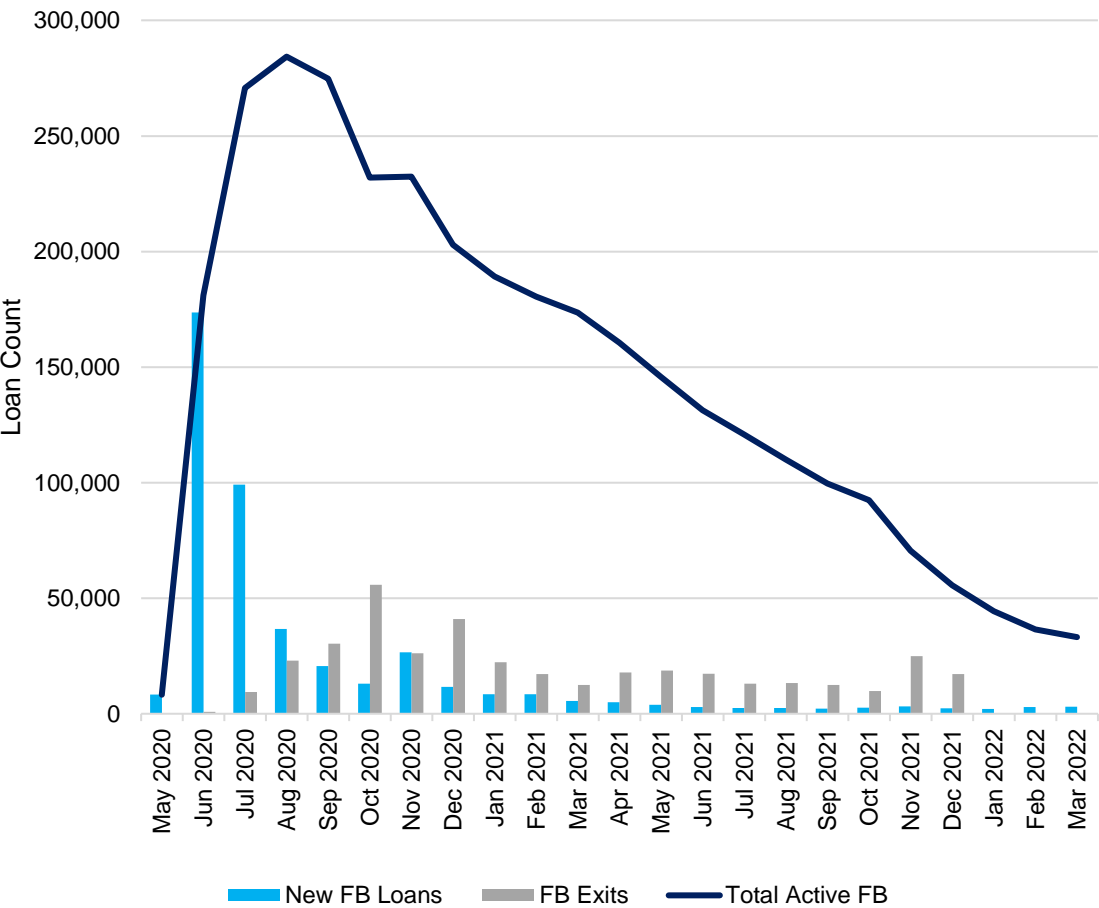
Source: Freddie Mac monthly remittance data for DNA and HQA Actual Loss transactions, as of March 2022.

Forbearance and Delinquency

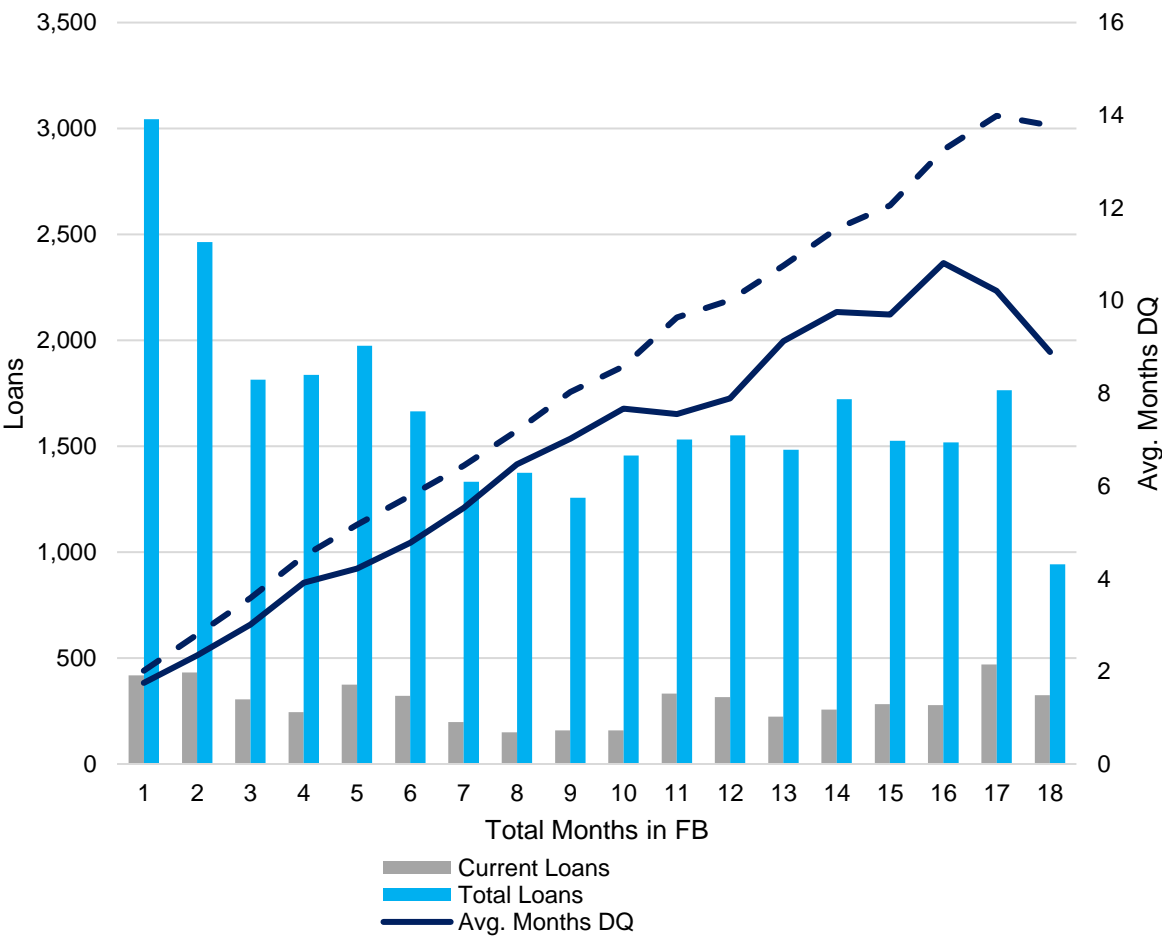
Trends Across CRT Portfolio



Forbearance by Period



Delinquency & Months in Forbearance



Source: Freddie Mac CRT Forbearance Analytics Package, all data as of March 2022. Note: Data includes active forbearance across all CRT transactions.



Housing Market and Economic Updates

Overview



Macroeconomic Outlook

- Covid cases subside, but risks remain
- Economic growth to moderate on waning stimulus and geopolitical uncertainty
- Labor market continues to remain strong
- Inflation hit 40 years high and show no signs of a slowdown; will likely remain elevated



Housing & Mortgage Market Outlook

- Rates up 1.5% over the last one year; had the largest one year increase this century
- Refinance volumes set to decline on rising rates
- Purchase demand remains stable as we enter spring home buying season
- Home prices remain high as the housing inventory shortage continues



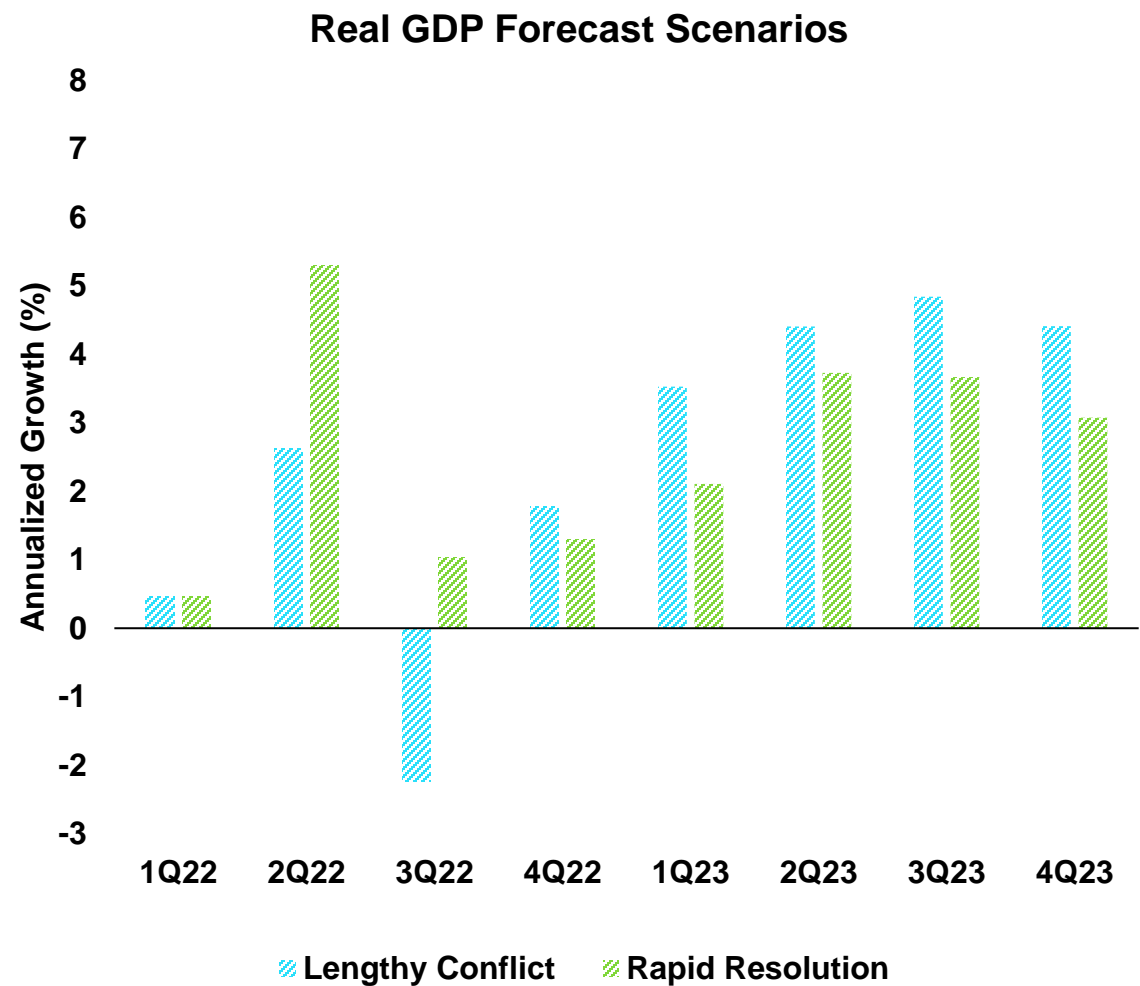
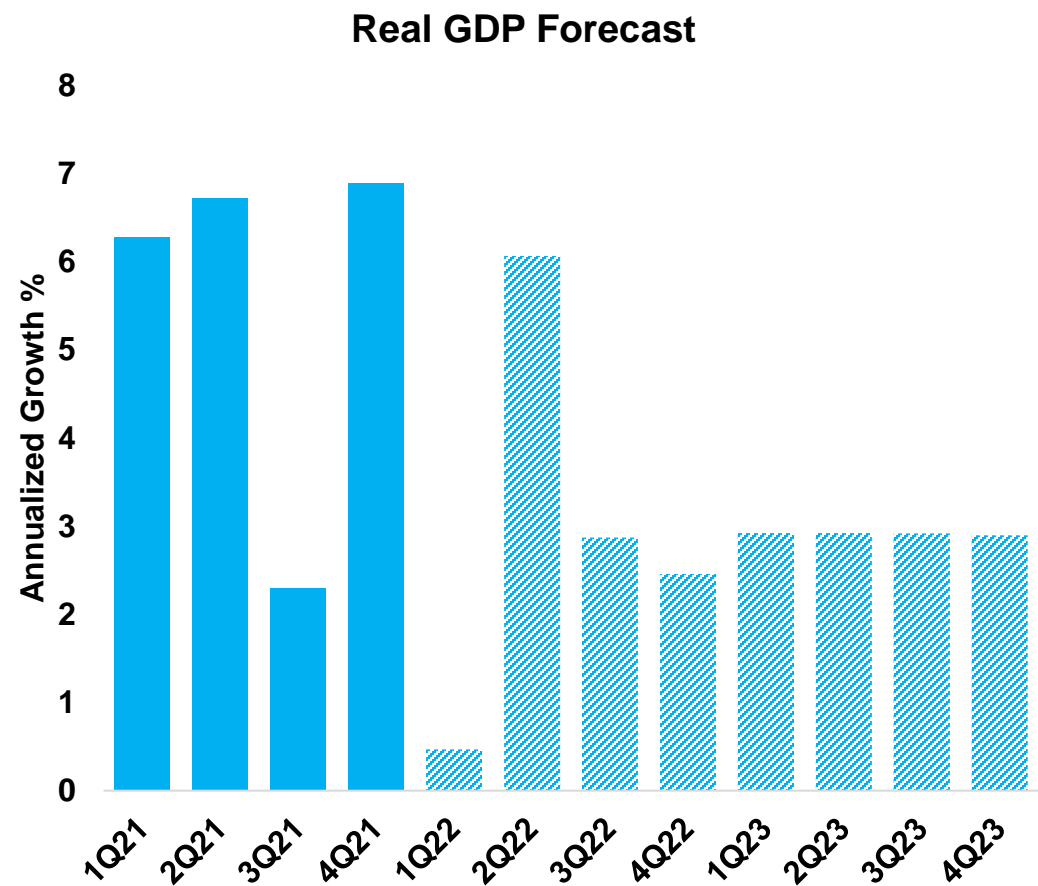
Delinquencies & Foreclosures

- Delinquencies remain low
- Forbearance and other policies have eliminated foreclosures



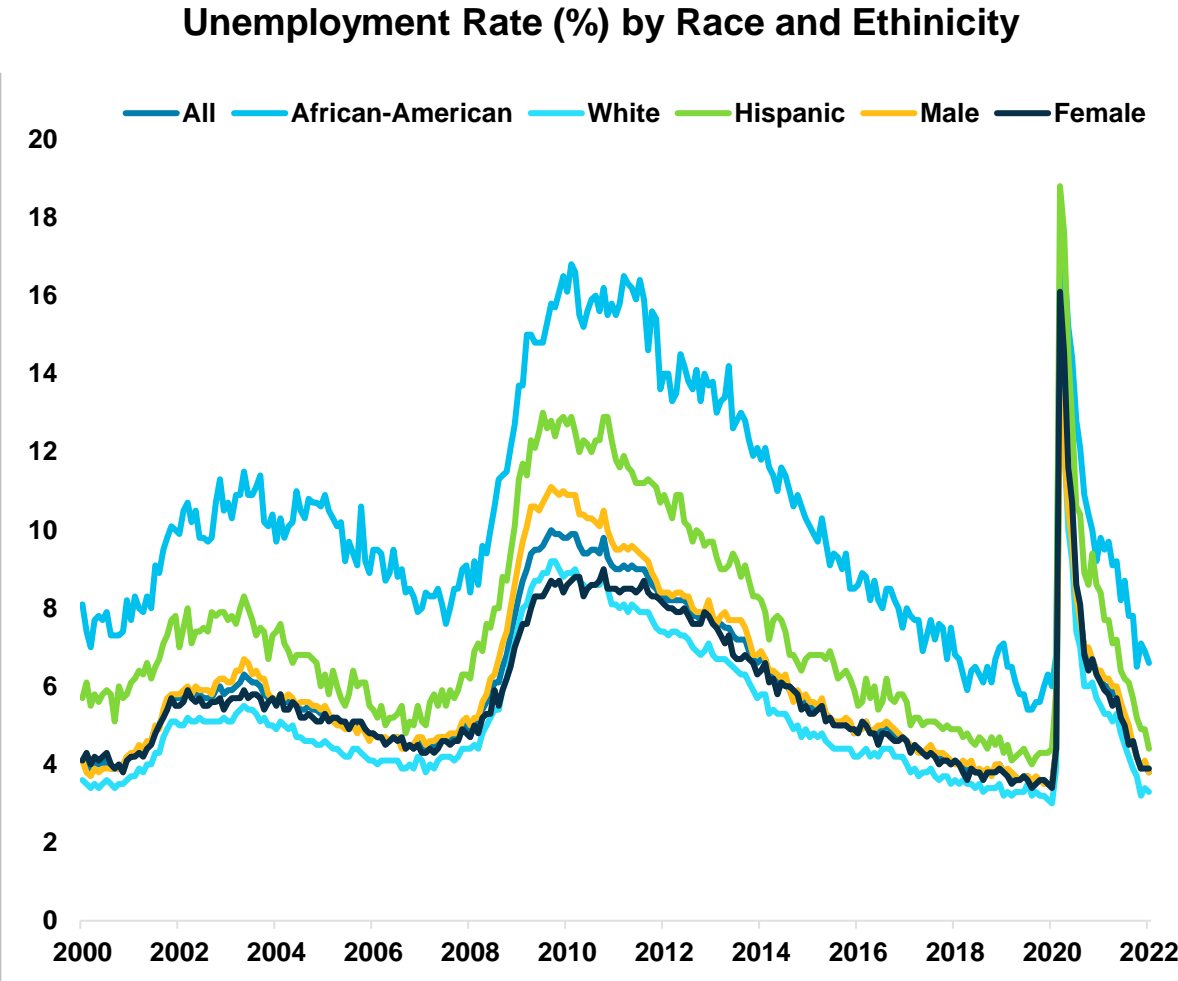
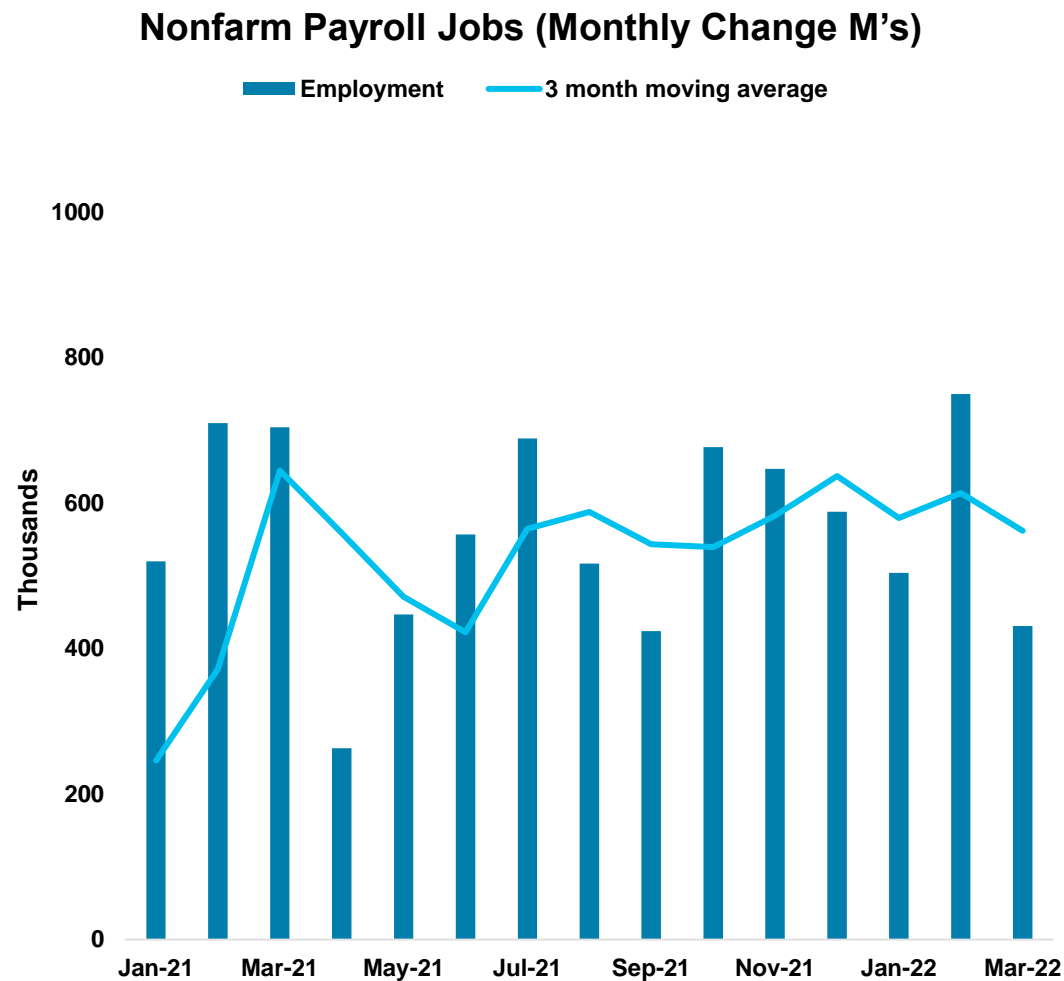
Macroeconomic Outlook

Economic Growth Expected to Moderate in 2022 as Stimulus Wanes



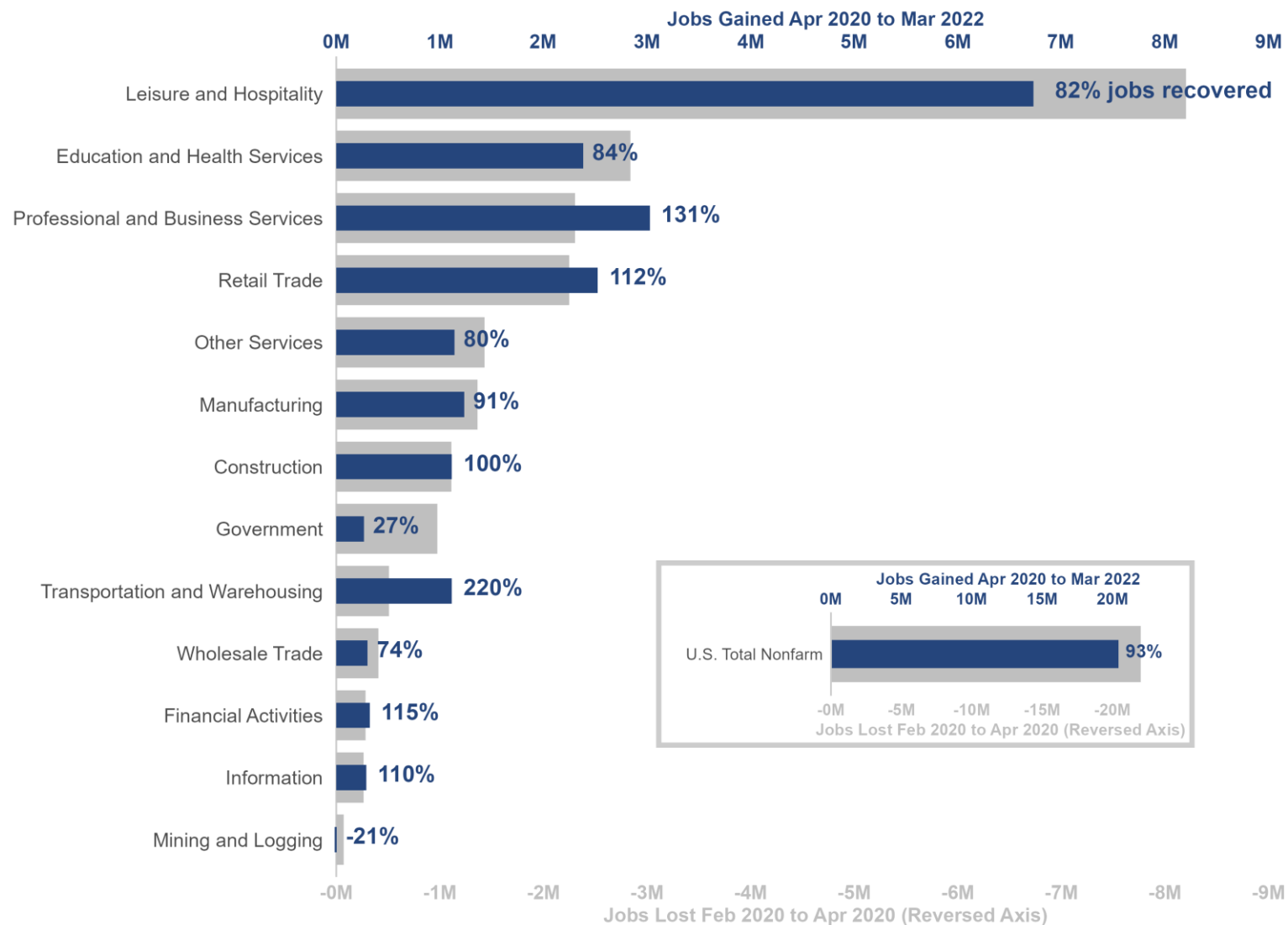
Source: BEA; Moody's Analytics, Bloomberg
Note: Shaded bars are forecasts from Moody's Feb baseline

Labor Market Recovery Strong; Unemployment Rate at 3.6%

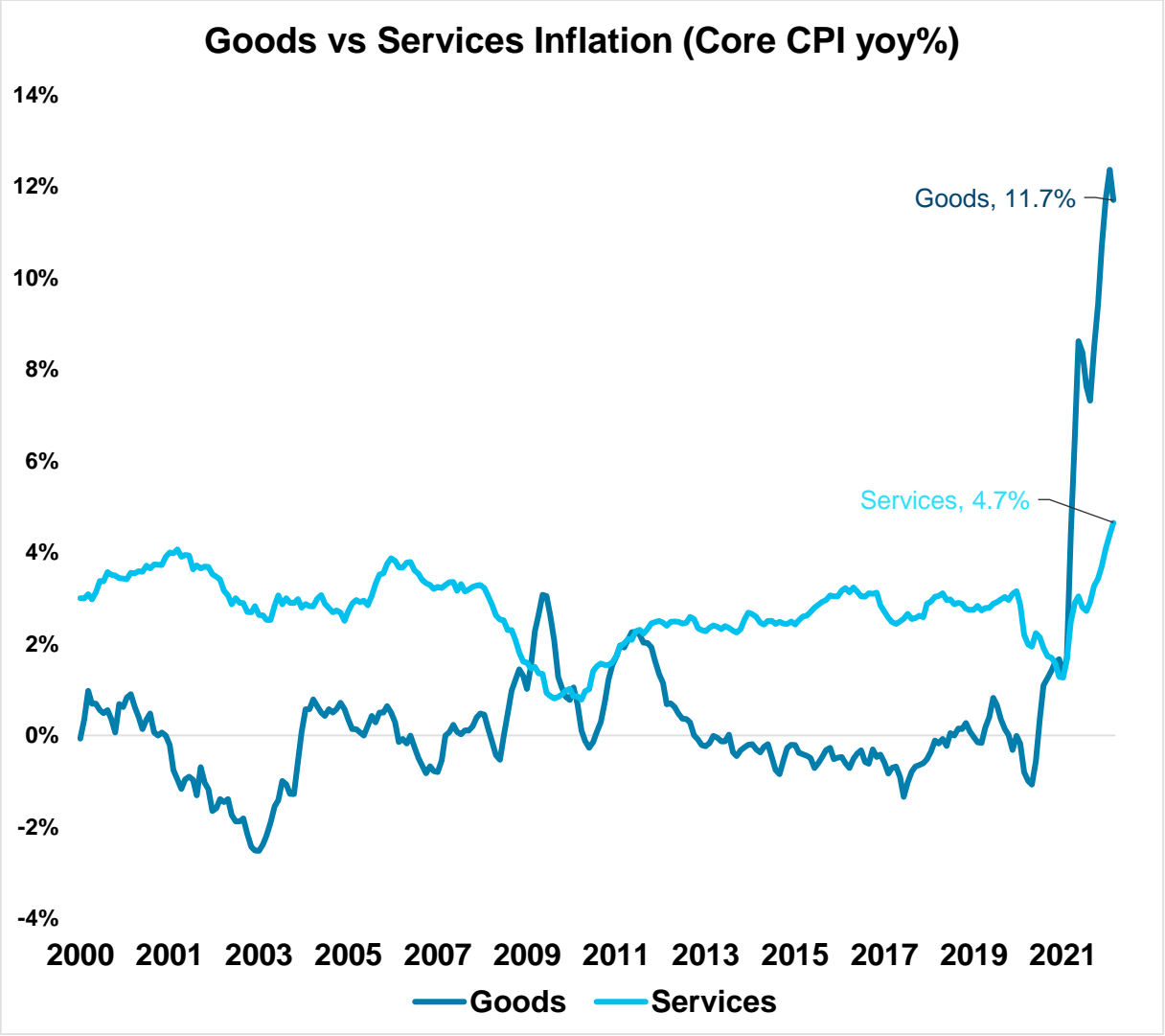
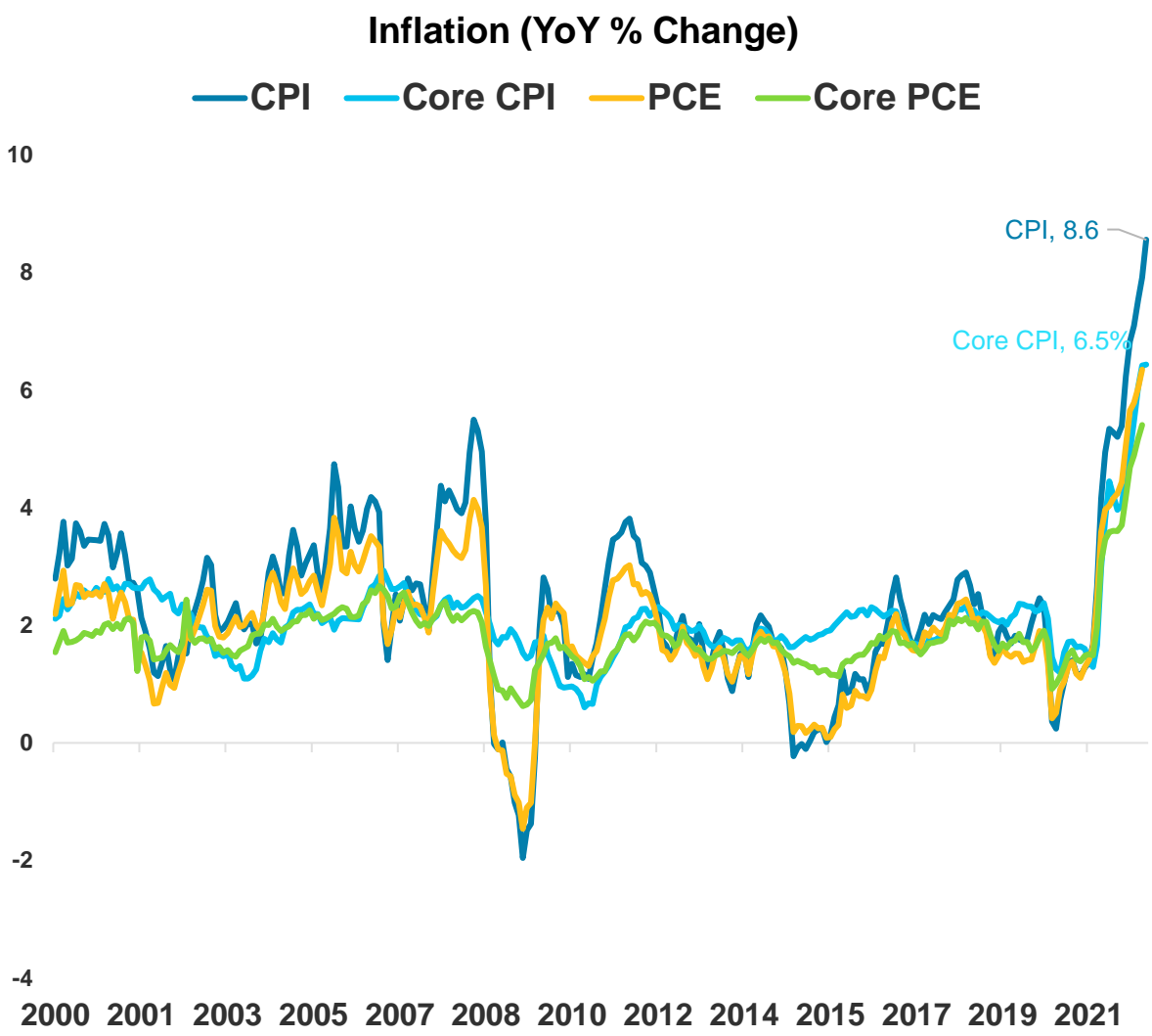


Source: BLS

1.6 million still out of work even as 93% of jobs have been recovered so far

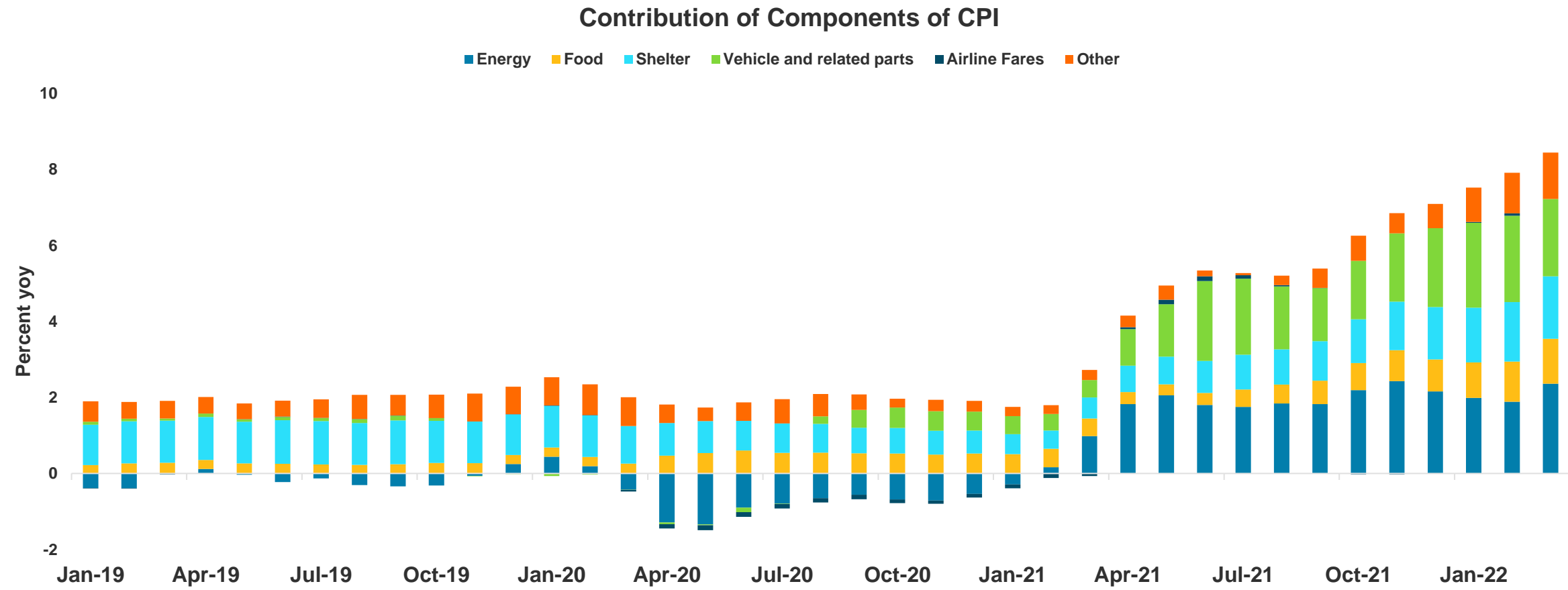


Inflation is Rapidly Rising with No Signs of Cooling Down

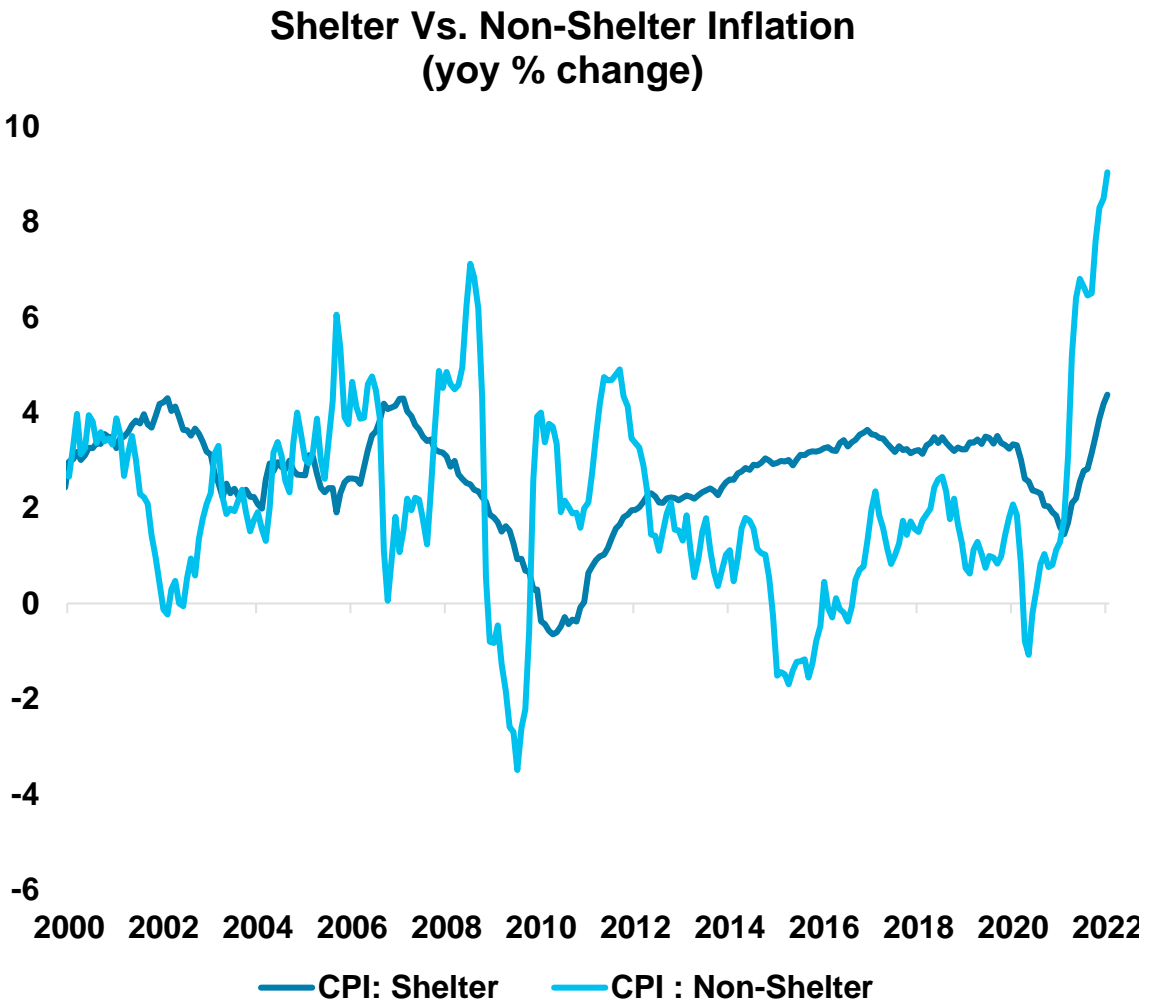
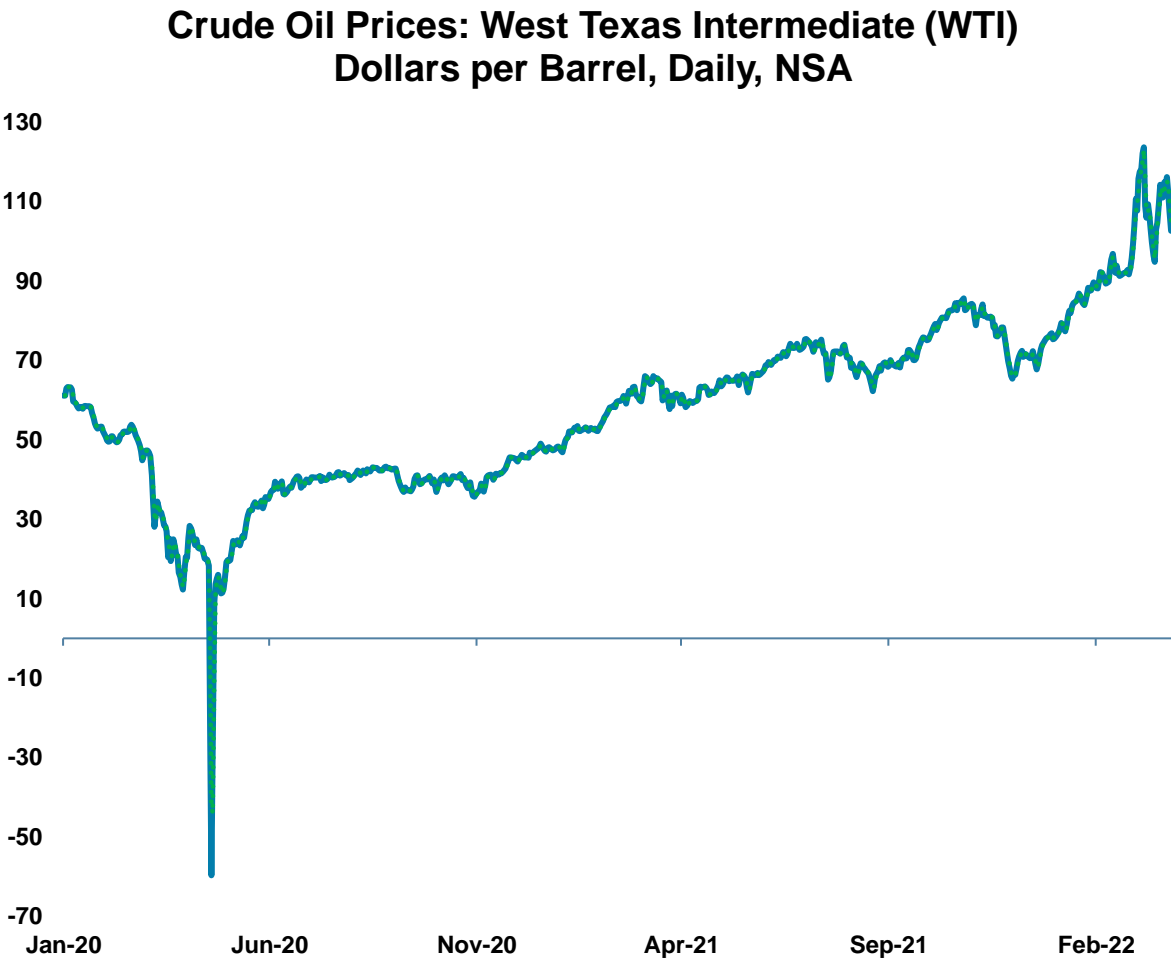


Source: BLS: Consumer Price Index for All Urban Consumers; BEA; FRB of Dallas

The Top Three Contributors of CPI are Vehicle & Related Parts, Energy, and Shelter



Shelter Inflation and Pressures on Energy Prices Likely to Keep Inflation Elevated Longer



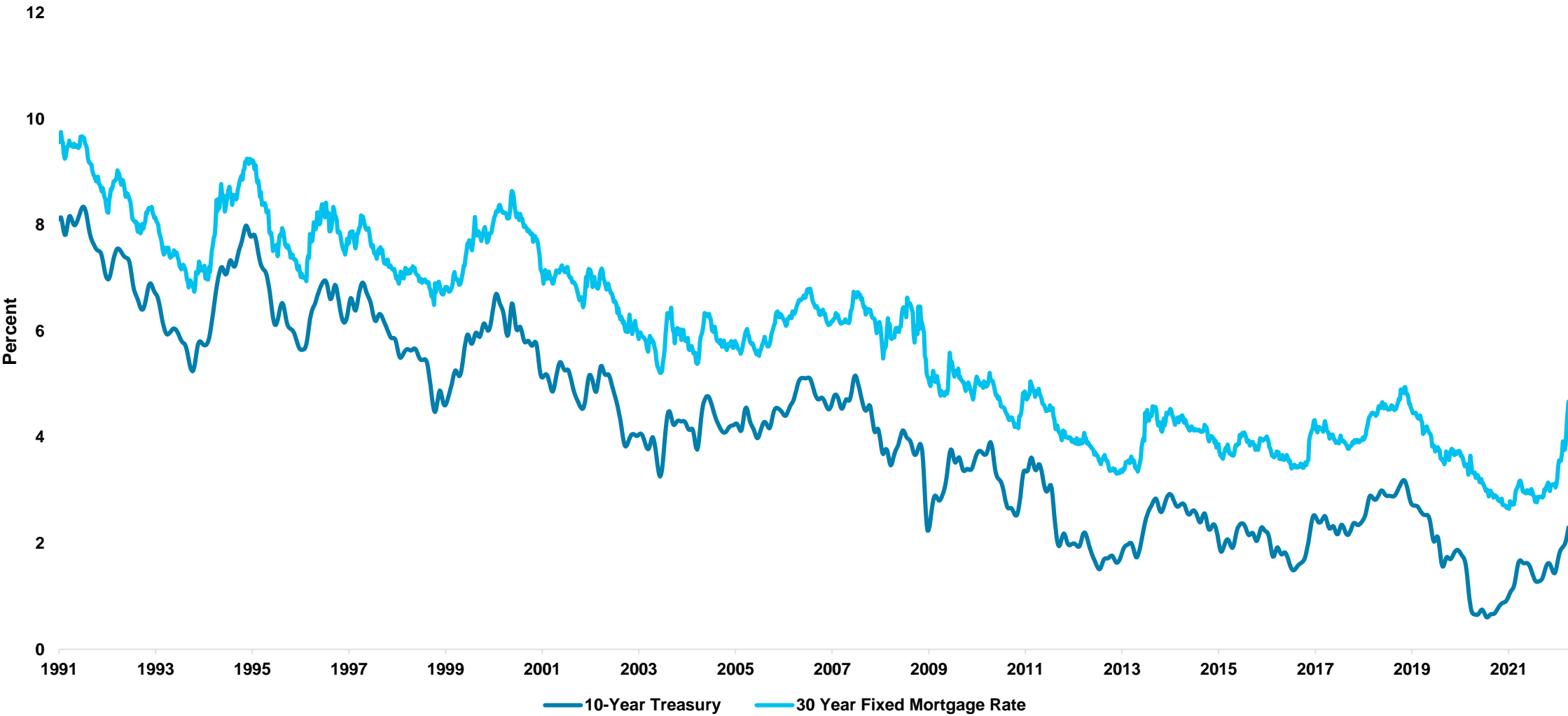
Source: EIA, BLS



Housing and Mortgage Market Outlook

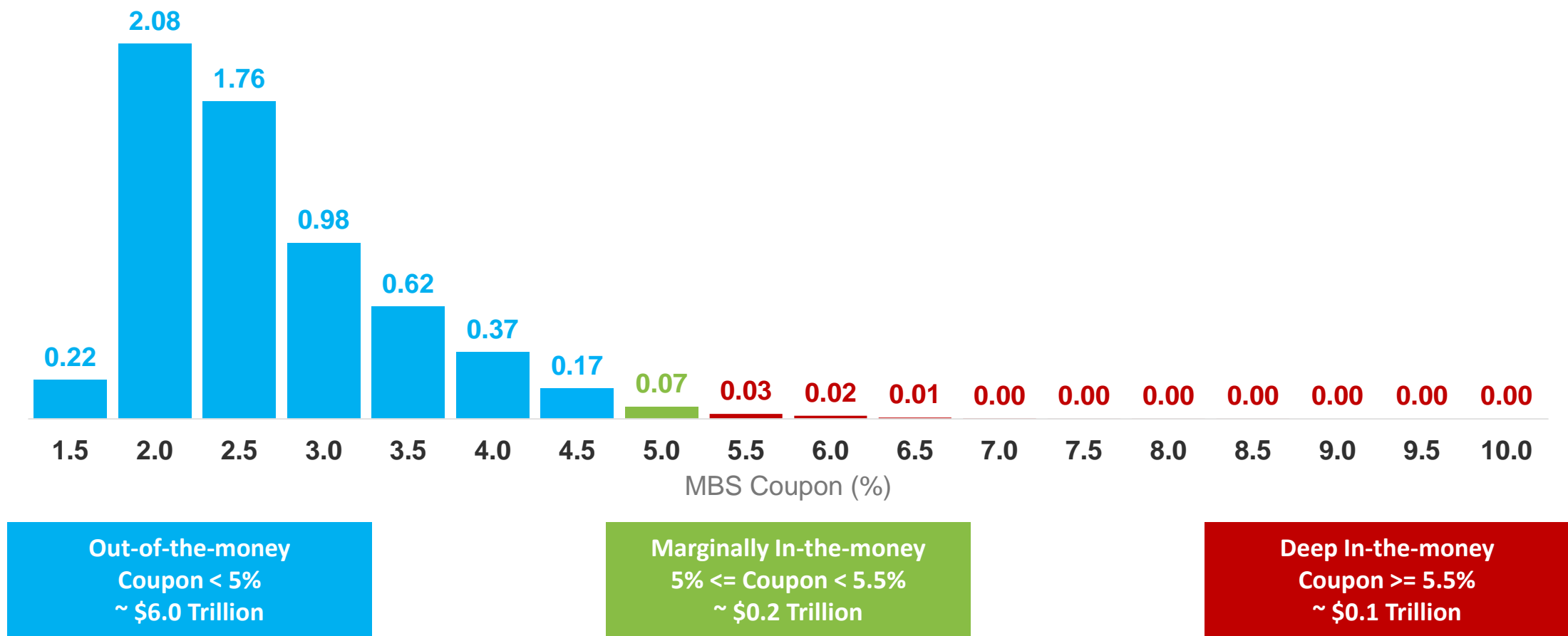
Mortgage Rates Up 1.5% - the Largest One Year Increase This Century; Expected to Increase Further

Mortgage Rate vs. 10-year Treasury Rate (%)



Jump in Rates Means Only \$121B in the Money for a Refinance

Outstanding 30-year Conforming Balance by Coupon (\$T's)

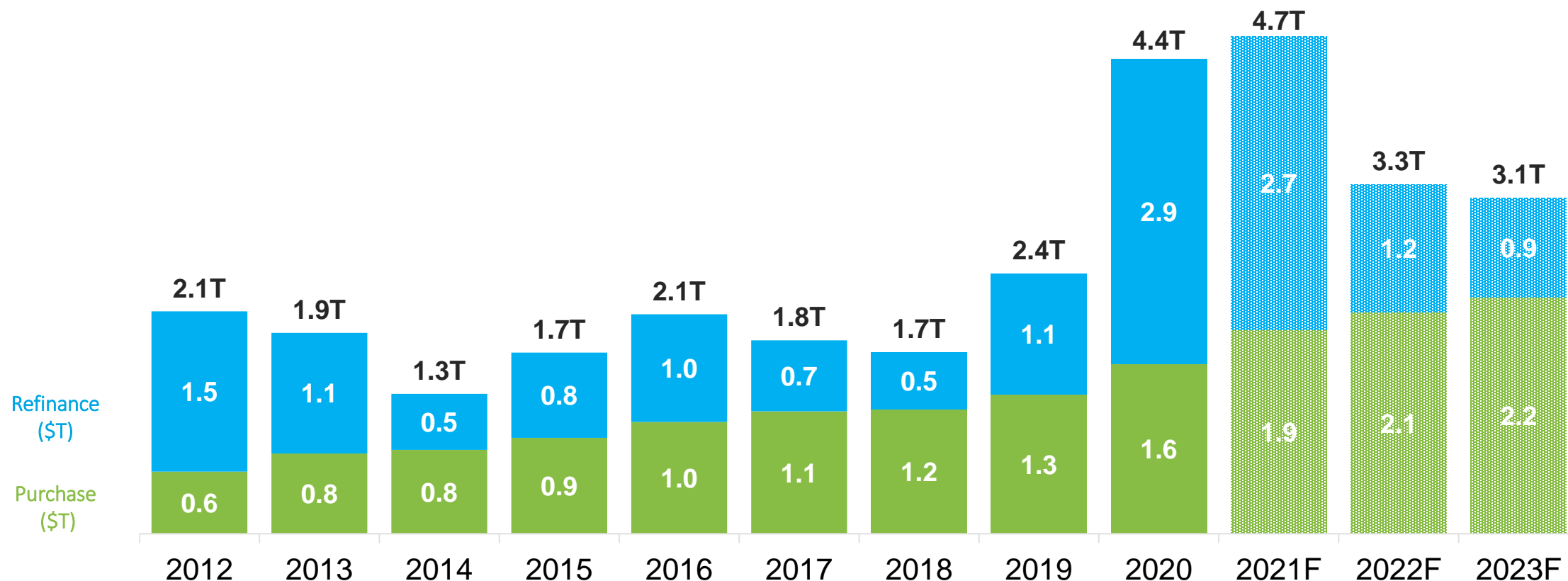


Source: Bloomberg as of 4/8/2022
Conforming includes Freddie Mac, Fannie Mae, Ginnie Mae 30-year fixed MBS Outstanding (UMBS, GNMA1, GNMA 2)

Mortgage Originations Hit a Record High in 2020, Set to Decline as Refinances Fade



Annual Single-Family Mortgage Originations (\$Trillions)

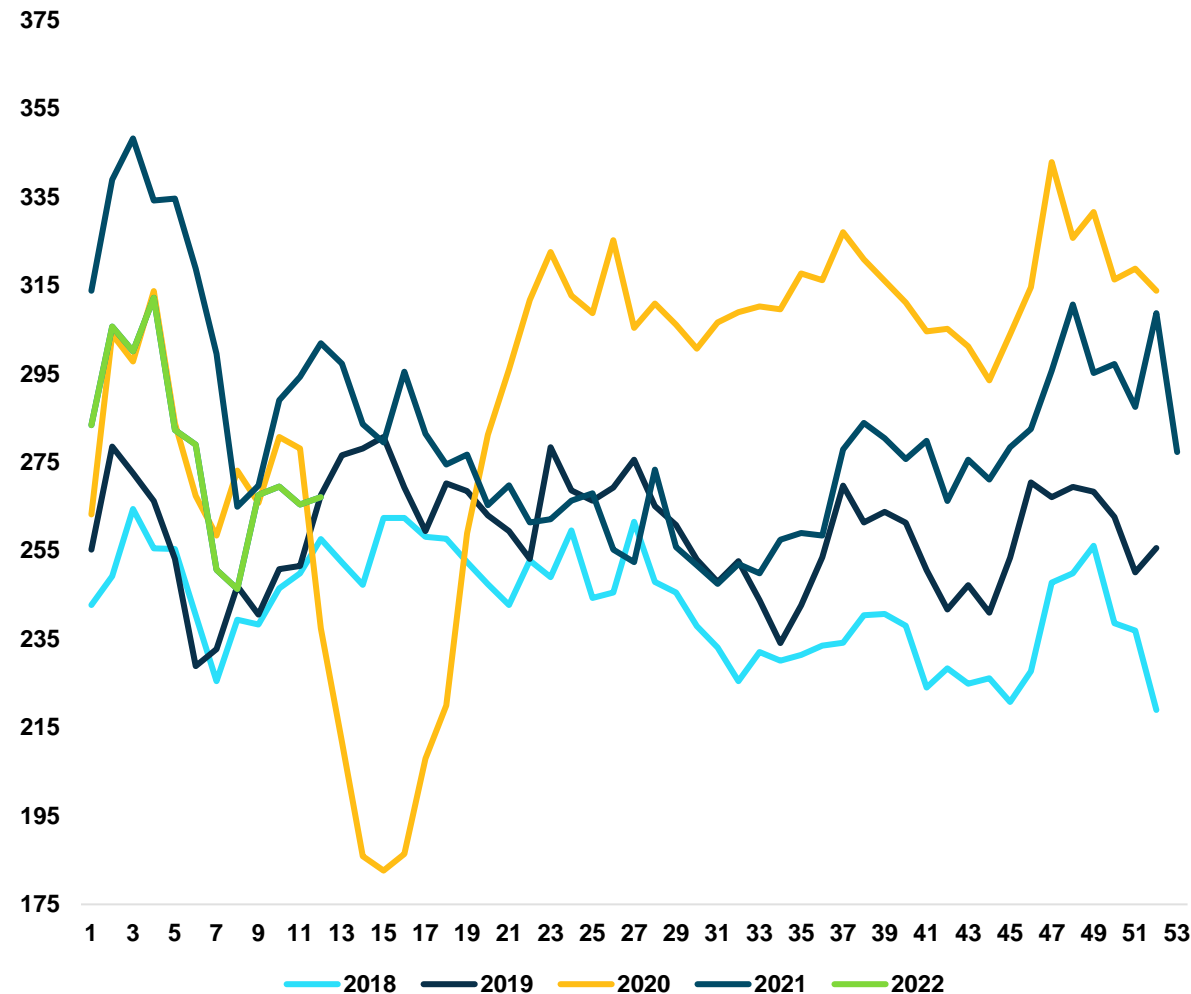


Source: Freddie Mac Q12022 Economic and Housing Research Outlook
Note: Totals may not add due to rounding ; * Includes only 1st liens

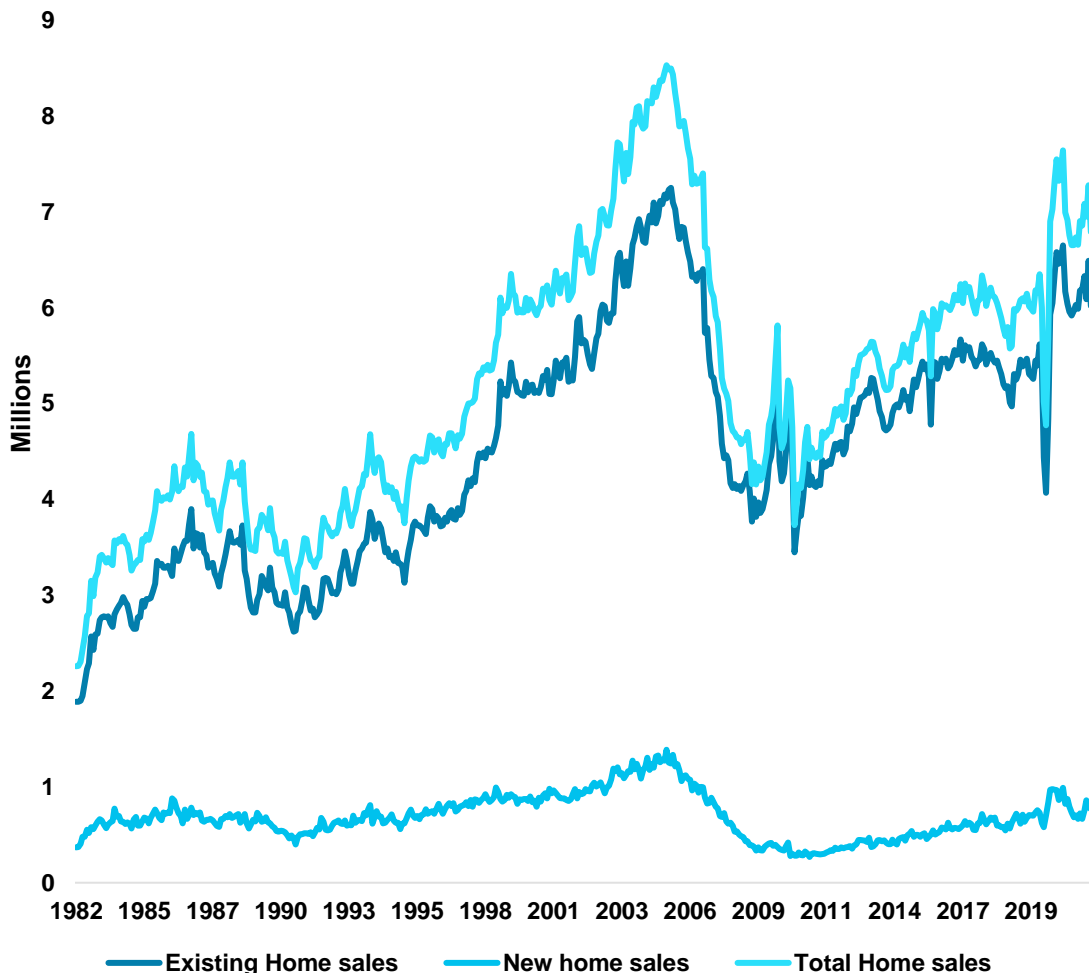
Housing Demand Stable as we Enter Spring Homebuying Season



Total Market Purchase Index, SA

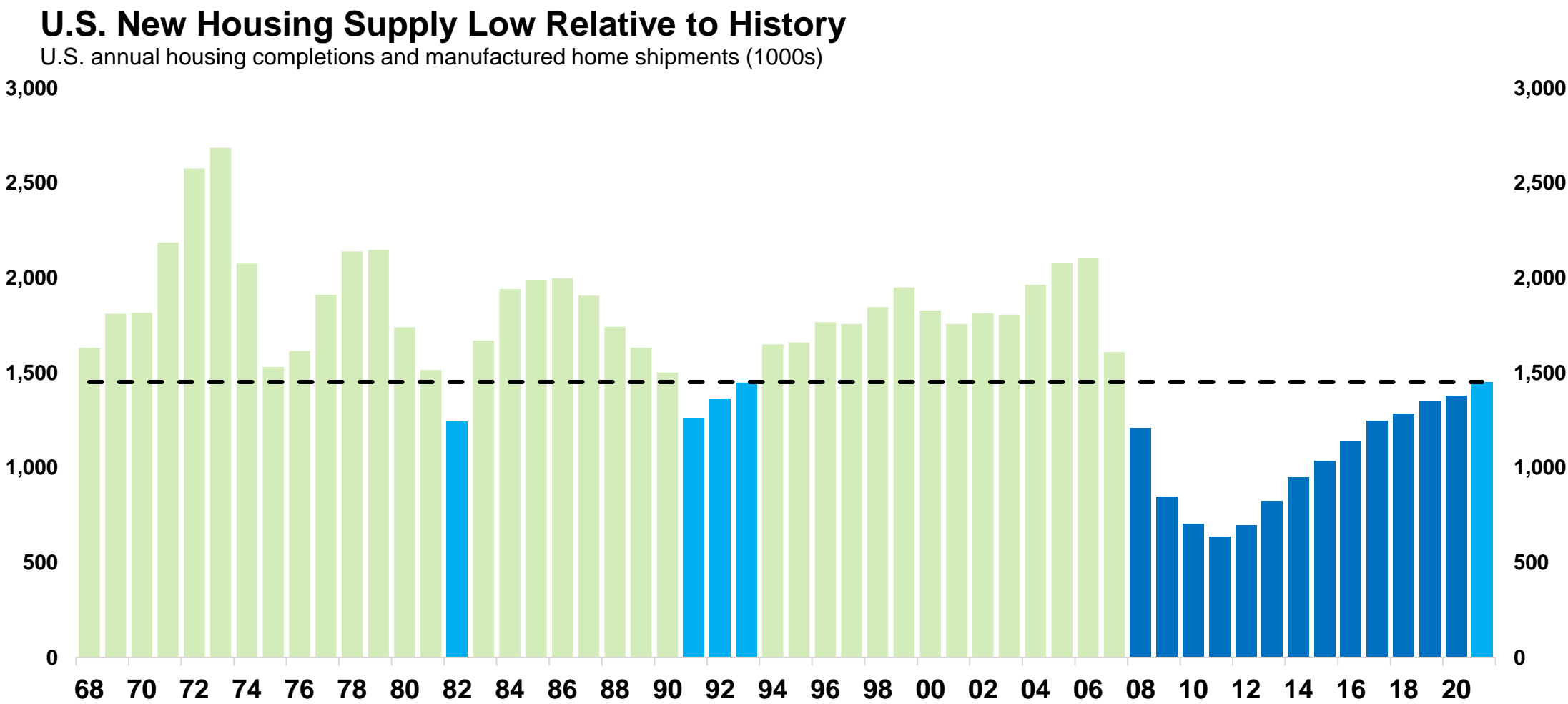


Total Home Sales



Sources : National Association of Realtors (NAR); U.S. Census Bureau

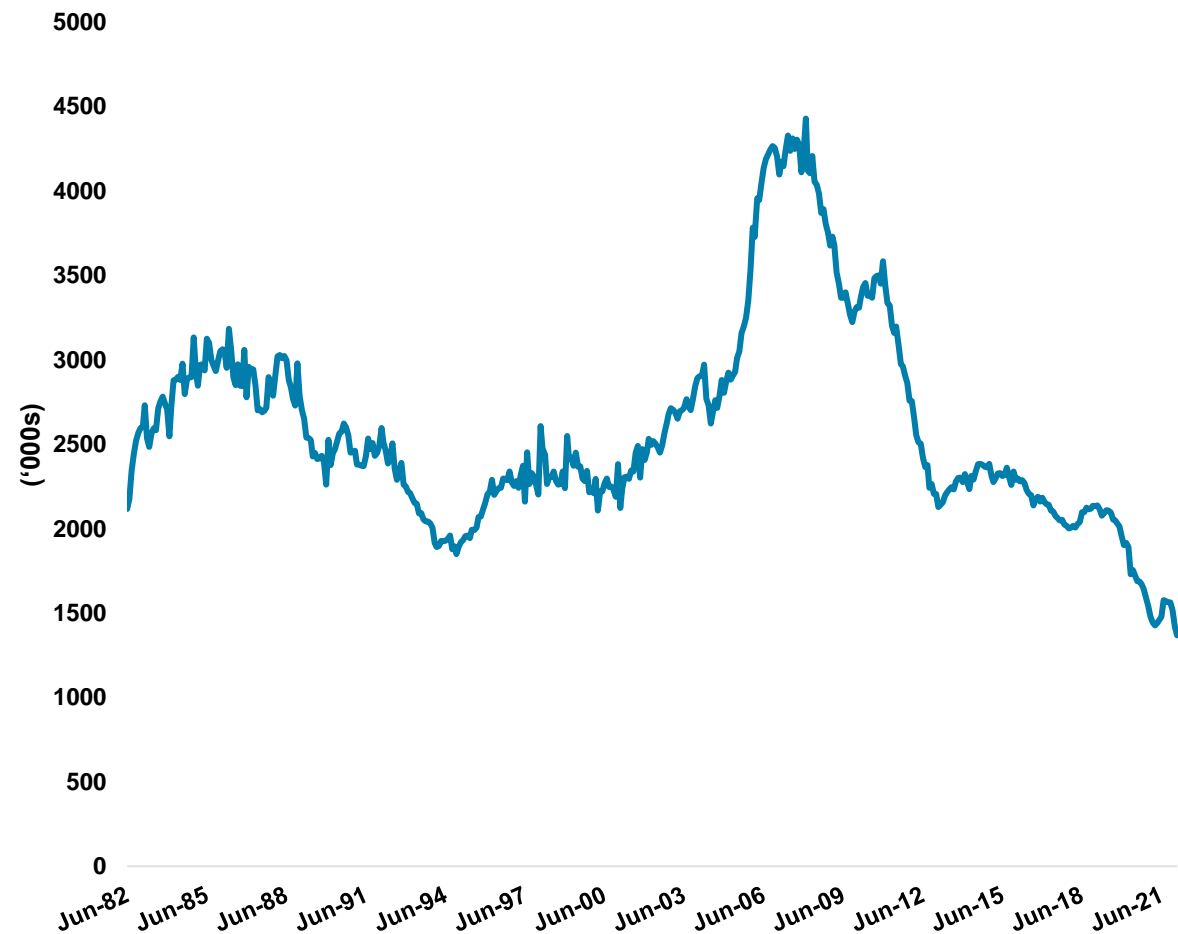
Housing Supply Continue To Be At Historically Low Levels



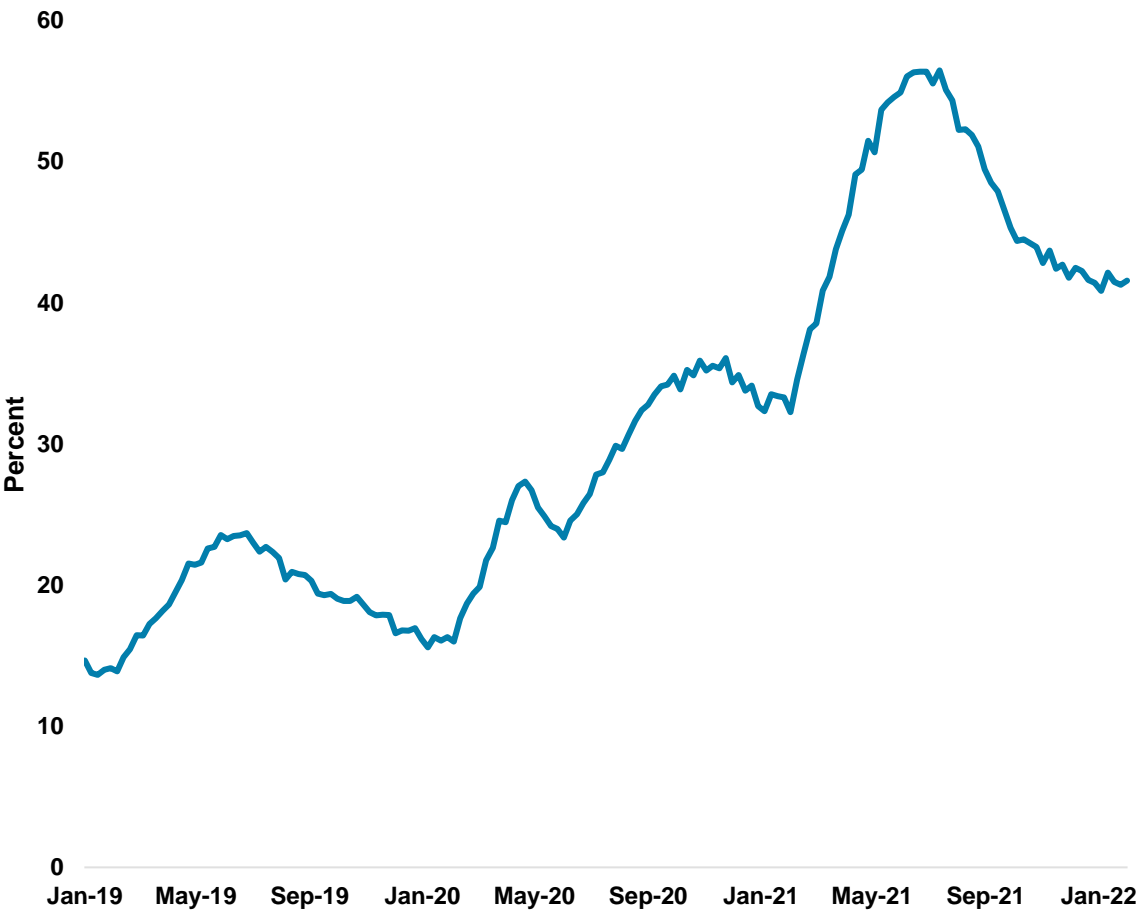
Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety, Freddie Mac Estimate of Housing Shortage

Homes Available For Sale Continue To Be At Historically Low Levels

Homes Available for Sale ('000s)

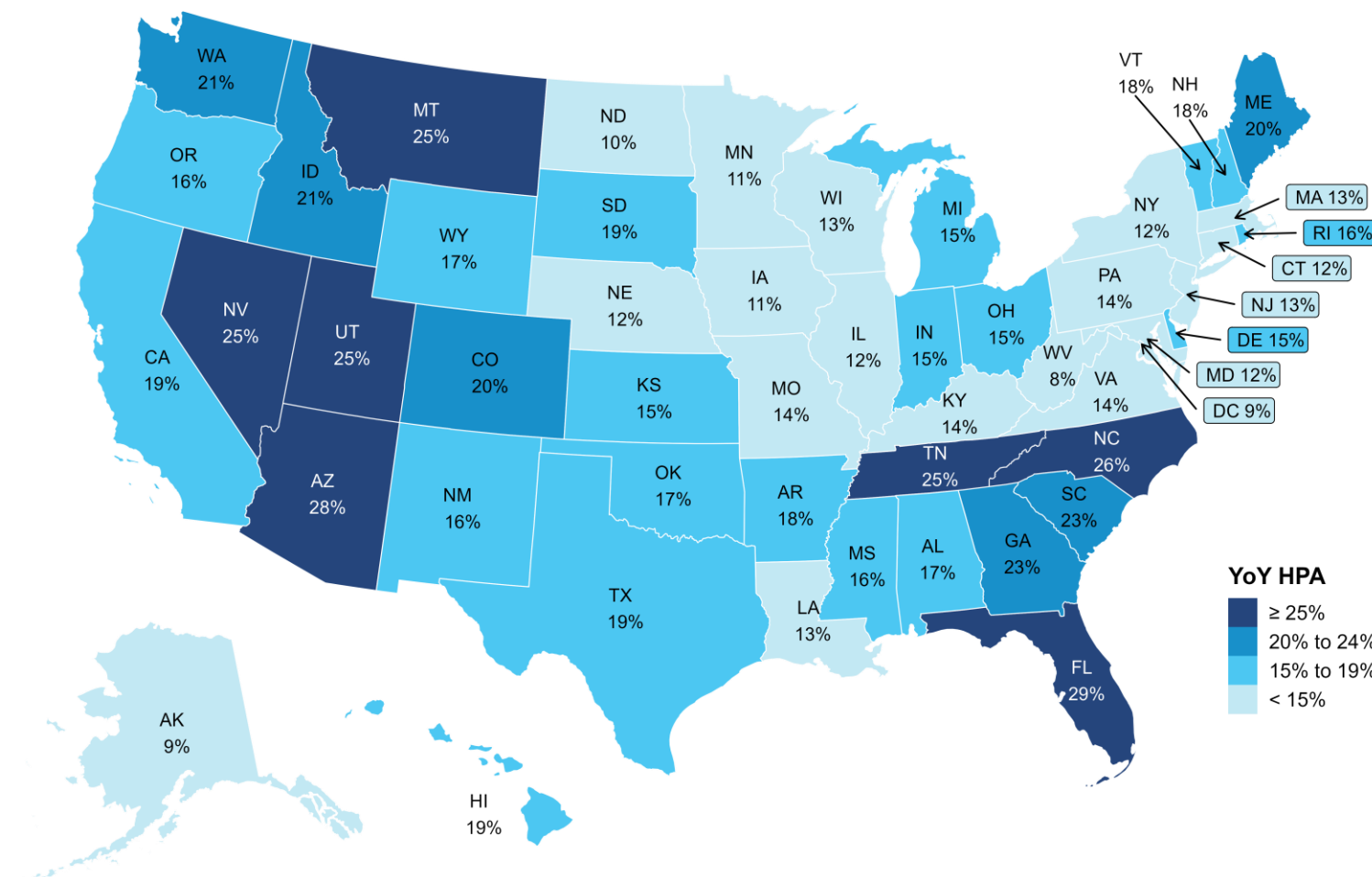


% Sold Above List Price



Source: US Census Bureau, Freddie Mac Estimate of Housing Shortage

House Price Growth at Historical Highs – 18% in February 2022



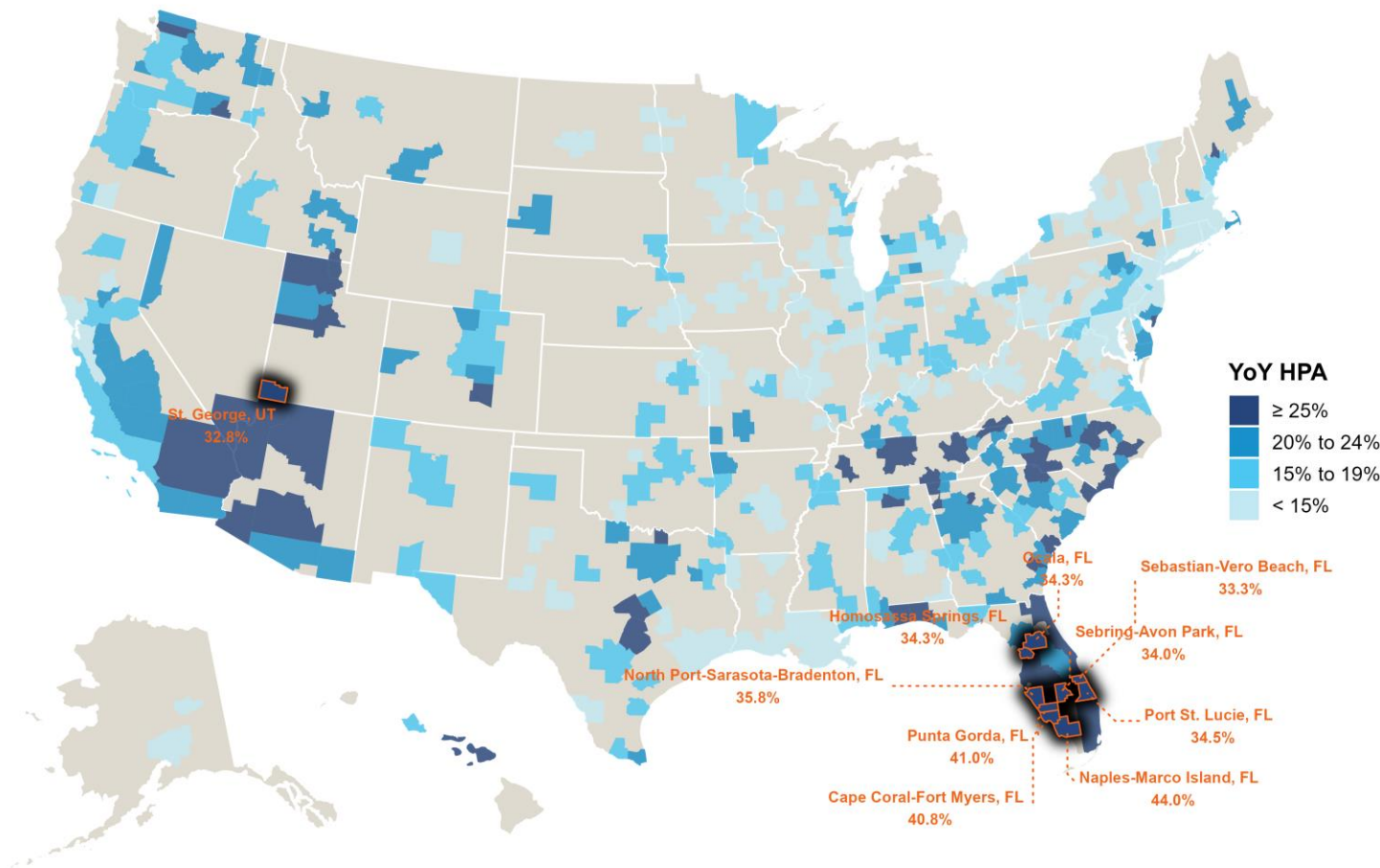
The Freddie Mac House Price Index for the U.S. is a value-weighted average of the state indexes where the value weights are based on Freddie Mac's single-family credit guarantee portfolio. Other indices of home prices may have different results, as they are determined using different pools of mortgage loans and calculated under different conventions. The Freddie Mac House Price Index for the U.S. is a non-seasonally adjusted monthly series. Percent changes were rounded to nearest whole percentage point

9 of top 10 Hottest Markets Are In Florida



MSA YoY House Price Growth for February 2022

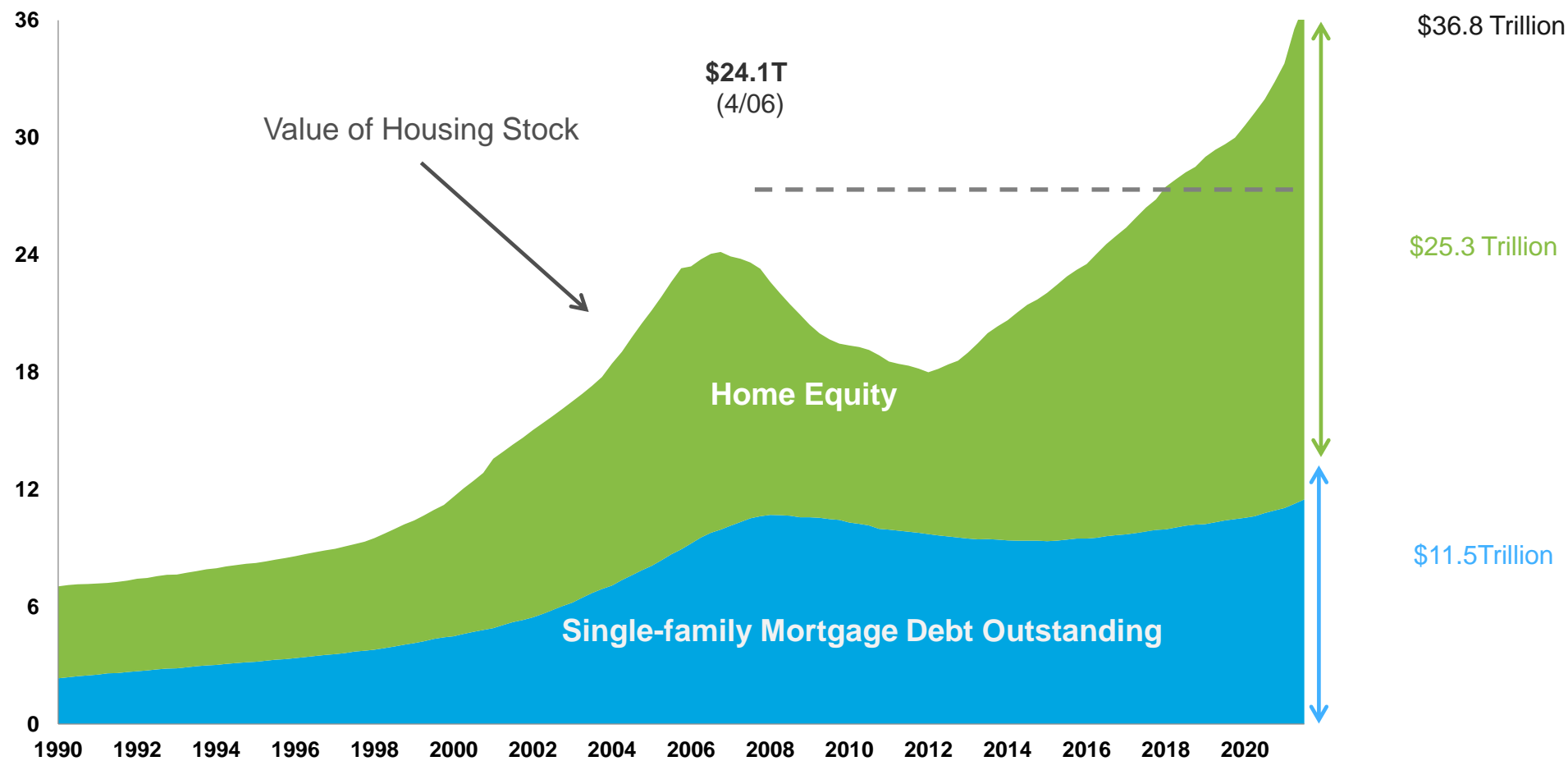
Top 10 Fastest Growing MSAs Labeled



Source: Freddie Mac House Price Index, SA

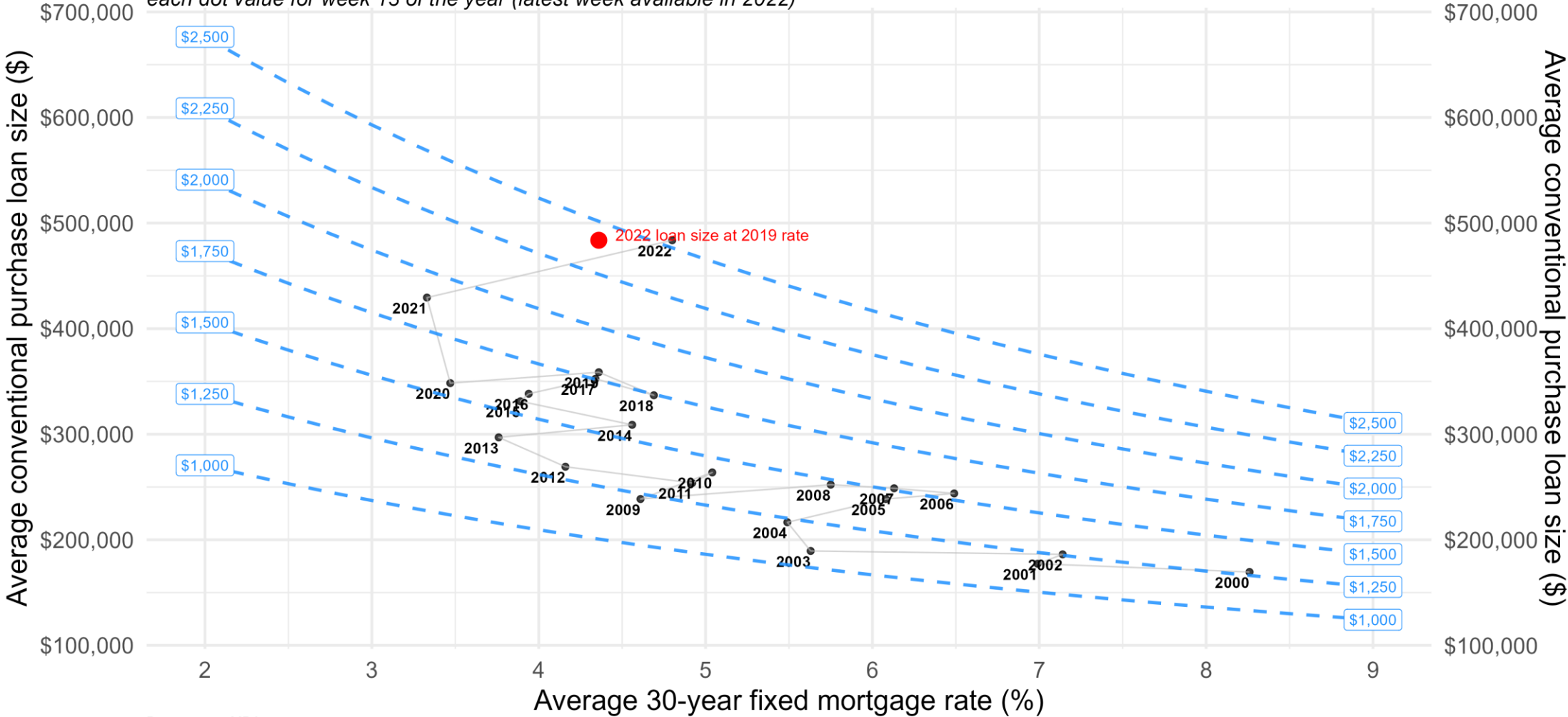
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High Home Price Increases Have Led to Rising Homeowner Equity in Real Estate...



Higher Mortgage Rates and Home Values Reduce Affordability

dotted line shows equal payment combinations of rate and loan size
each dot value for week 13 of the year (latest week available in 2022)



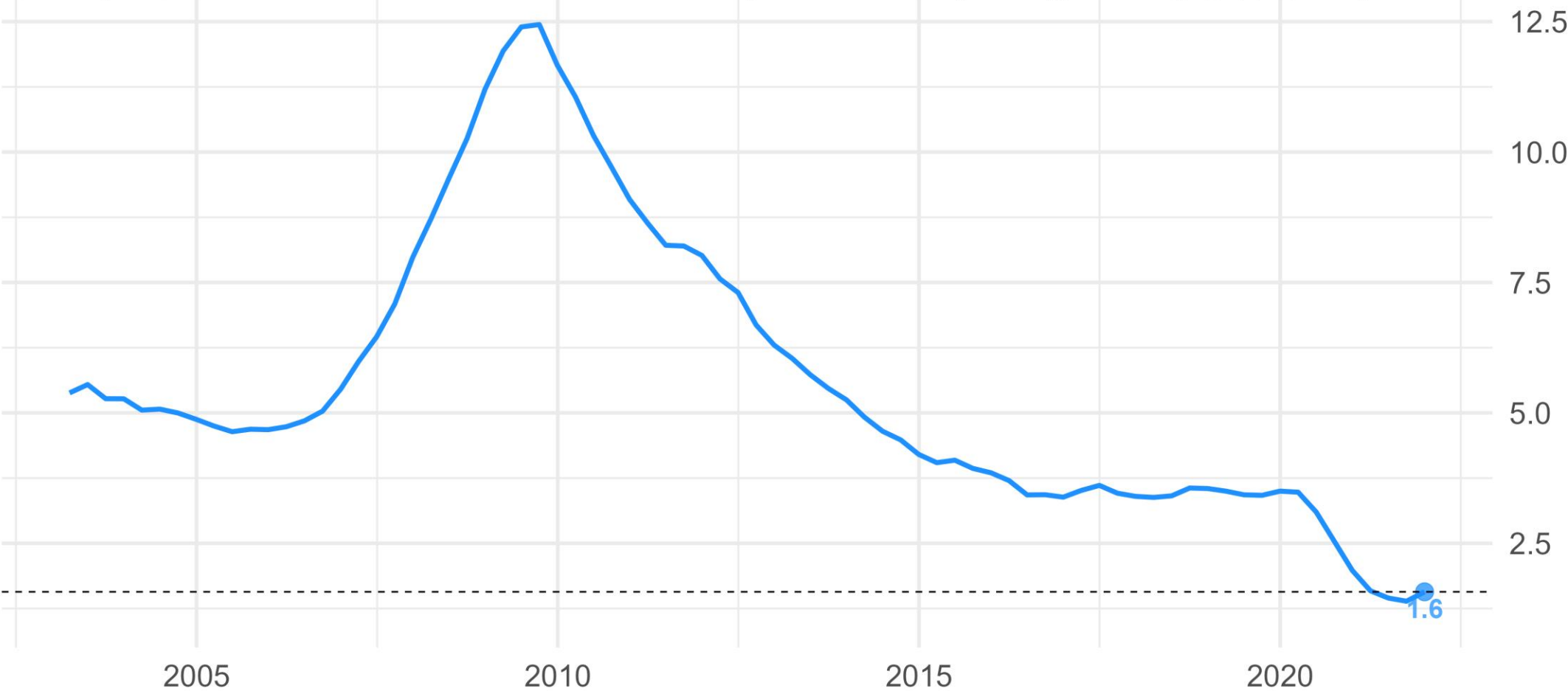
Data source: MBA
payments principal and interest (P&I) for 30-year fixed mortgage



Delinquencies and Foreclosures

Historically Low Rate of Newly Delinquent Mortgage Borrowers

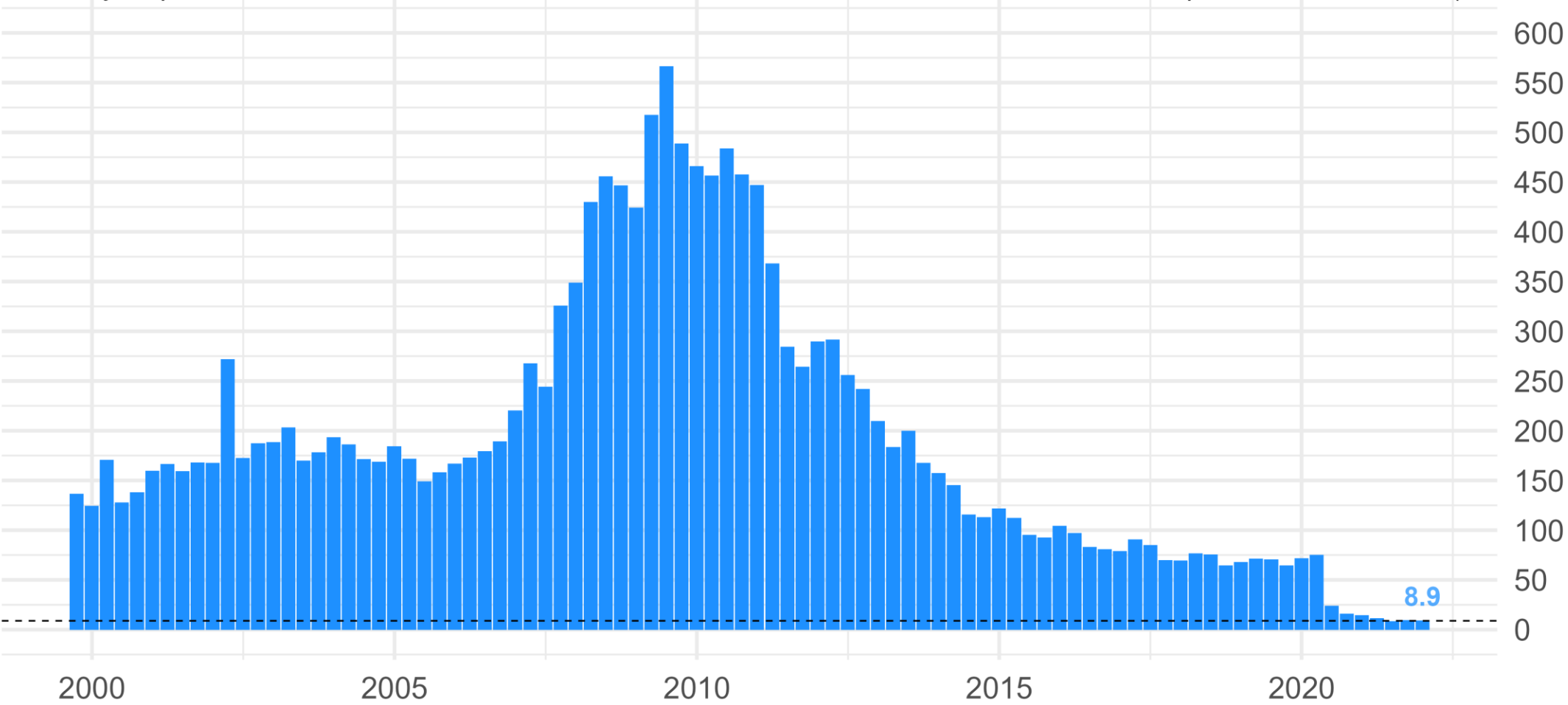
Quarterly Report on Household Debt and Credit: New delinquent balances by loan type - Mortgage, (% , NSA)



Federal Reserve Bank of New York (FRBNY): Quarterly Report on Household Debt and Credit [HHDC] - New Delinquent Balances by Loan Type

Forbearance and other policies have nearly eliminated foreclosures

Quarterly Report on Household Debt and Credit: Consumers with new foreclosures and bankruptcies - Foreclosure, (Ths. #, NSA)



Federal Reserve Bank of New York (FRBNY): Quarterly Report on Household Debt and Credit [HHDC] - Number of Consumers with New Foreclosures and Bankruptcies

To Conclude

- Economic Growth to moderate in 2022 as effect of stimulus wanes as well as due to the geopolitical tensions
- Labor market remains strong even as 1.6 mn are still out of work
- Inflationary pressures continue on supply side bottlenecks and are expected to remain high for the rest of the year
- Mortgage rates had the largest 1-year increase
- Home sales constrained by tight inventory
- House price appreciation continues at remain high
- Delinquencies and Foreclosures remain low

For More Information

Economic and Housing Research: <http://www.freddiemac.com/research>

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Questions and Poll

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