

Freddie Mac Single-Family Social MBS and Corporate Social Debt Bonds Framework

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I. Introduction

The purpose of this Framework is to provide transparency into Freddie Mac's Single-Family Social Mortgage-Backed Securities (MBS) and Corporate Social Debt Bonds. Specifically, this Framework describes the collateral that is eligible for these programs, illustrating how the programs further Freddie Mac's Environmental, Social and Governance (ESG) strategy and fit into the June 2021 (with June 2022 Appendix 1) [International Capital Market Association's \(ICMA\) Social Bond Principles](#). This Framework was developed to support our ESG strategic priorities and is intended to enable investors to join us in reducing issues surrounding equity and affordability in the U.S. housing market.

Freddie Mac

Freddie Mac is a government-sponsored enterprise 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 2008, Freddie Mac has been operating in conservatorship, with the Federal Housing Finance Agency (FHFA) as conservator. The conservatorship significantly affects our business activities.

Freddie Mac ESG Strategy and Governance

We interpret our mission – to provide liquidity, stability, and affordability to the housing market – expansively to meet the country's broader housing needs. This includes integrating ESG strategies into our business and operations, which we accomplish through four pillars: purpose, planet, people, and practices.

- **Purpose:** *Mission:* Deliver solutions to meet the country's housing needs in good times and bad. Promote greater access to affordable and sustainable homes and rental properties.
- **Planet:** *Climate:* Promote environmentally sustainable single-family and multifamily housing to help reduce climate-related risks and increase affordability.
- **People:** *DEI & Talent:* Develop our future workforce and strengthen the housing market through diversity, equity, inclusion, and accessibility (DEI).
- **Practices:** *Sustainable Operation:* Provide stability to the housing industry through outstanding risk management.

Our ESG strategic framework strengthens our commitment to our mission of making home possible for owners and renters across the nation. We have created an ESG Steering Committee comprised of officers across the company to define, oversee, and integrate this strategy into our business. The ESG Steering Committee reports to our executive leadership team.



We have also established a Single-Family ESG Bond Executive Committee to oversee implementation of our ESG priorities in the Single-Family Green and Social Mortgage-Backed Securities (“MBS”) programs. This Committee meets regularly to evaluate the impact and opportunities provided by our Single-Family Green and Social MBS. This Committee includes representatives from the Sustainability Office, the Investments & Capital Markets (I&CM) Division, Single-Family Division, Legal Division, Enterprise Risk Management Division, and Information Technology Division, and is charged with developing and evaluating the Single-Family Green and Social MBS Program strategy and performance. Additionally, the Mission and Housing Sustainability Committee of the Board was created to oversee the developing, planning, implementation, performance, and execution of Freddie Mac’s strategies and significant initiatives related to delivering on its commitment to promote affordability, equity, and sustainability in housing. This committee was formed in 2Q 2022.

Freddie Mac Single-Family Social MBS

Freddie Mac provides liquidity and support to the single-family market through a variety of activities that include the purchase, securitization and guarantee of single-family loans originated by lenders. We are committed to helping more families attain affordable and sustainable housing and to increasing equitable access to housing finance, and certain loan products and programs have been designed to address ESG issues, such as energy efficiency and affordability challenges, particularly in underserved markets.

Freddie Mac’s Single-Family Social MBS issuance is a natural extension of our role in providing standards and scale to the nation’s housing market. By devoting resources specifically to encourage an increased supply of affordable and sustainable housing, we believe we can help expand availability and market demand for these products. Freddie Mac has a team of experts across the Single-Family and I&CM Divisions participating in the Single-Family ESG Bond Executive Committee and supporting the underwriting, purchasing, and pooling of these products.

For more information, see the offering circular and related documents for our [Uniform Mortgage-Backed Securities™ and Mortgage-Backed Securities](#).

Freddie Mac Social Debt Bonds

The Treasury group within I&CM manages Freddie Mac’s debt funding programs and liquidity risk. The group issues short and long-term unsecured debt securities to finance the purchase of mortgage and non-mortgage assets, to meet specific asset and liability management requirements, and to meet the company’s current and expected future daily cash needs.

For more information, see the offering circular and related documents for our [debt offerings](#).

II. Social Impact and Framework Overview

To support the mission of providing liquidity, stability, and affordability to the U.S. housing market and promote equitable access to affordable and sustainable housing, Freddie Mac established a Social financing framework that focuses on advancing the ICMA social project categories of affordable housing, access to finance and socioeconomic advancement and empowerment.



This Framework addresses the four core components of the ICMA Social Bond Principles (SBP)¹:

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

III. Use of Proceeds

Single-Family Social MBS

Freddie Mac’s Social MBS finances the purchase of mortgages that align to the ICMA Social Project categories and United Nations (UN) Sustainable Development Goals (SDGs) that are listed below². Specifically, the securities backed by eligible mortgages as described below are sold to investors to help finance additional purchases of mortgages, including mortgages that meet our Social MBS investment criteria. See “Management of Proceeds” for more information.

| ICMA Social Project Categories | UN SDGs | Freddie Mac Social MBS Investment Criteria |
|--------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Affordable Housing | 11. Sustainable Cities and Communities | Investments that may include: <ul style="list-style-type: none"> - Loan purchases supporting affordable homes for very low- and low-income borrowers* while: <ul style="list-style-type: none"> • Providing low down payment options • Requiring lower mortgage insurance coverage • Allowing flexible sources of down payments • Allowing and, in some cases, providing down payment assistance • Charging lower credit fees Investments may also include: <ul style="list-style-type: none"> - Loan purchases targeting low- and moderate-income* borrowers while supporting affordable housing opportunities |
| Access to Finance | 10. Reduced Inequalities | |

¹ In June 2022, ICMA added Appendix I to its SBP to distinguish between different types of Social Bonds that have emerged in this developing market. ICMA defines four types of Social Bonds in the Appendix. Freddie Mac’s Social MBS may be considered to fall under what ICMA describes as “Social Collateral Bonds,” as the mortgages being used for collateral of the Social MBS already exist and have been packaged into Social MBS under the eligibility criteria defined in this Framework.

² https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Mapping-SDGs-to-GSS-Bonds_June-2022-280622.pdf



| | | |
|-------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Socioeconomic Advancement and Empowerment | | <ul style="list-style-type: none"> - Loan purchases targeting underserved borrowers and underserved markets - Loan purchases with requirements to complete our enhanced CreditSmart program, fostering socioeconomic advancement |
|-------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

* Very low-income is 50% or below of Area Median Income (AMI), low-income is 80% or below of AMI, and moderate-income is 100% or below of AMI.

Social Debt Bonds

Freddie Mac allocates an amount equal to the net proceeds from the sale of any Social Debt Bonds to finance or refinance in whole or in part existing or new Eligible Assets. Eligible Assets are defined as any loans that fit the criteria for securitization into Freddie Mac Single-Family Social MBS. Freddie Mac’s Social Debt Bonds will support the existing and future initiatives described below by either financing or refinancing Eligible Assets described in this Framework.

The proceeds will typically be allocated within three to six months, but in all cases within 24 months, following the issuance of a given Social Debt Bond and proceeds may support existing Eligible Assets that were funded by Freddie Mac 24 or fewer months prior to the issuance date of a given Social Debt Bond. Pending allocation (or re-allocation), funds will be invested in accordance with Freddie Mac’s liquidity management.

IV. Process for Project Evaluation and Selection

Freddie Mac has an existing process for acquiring loans from lenders today. This process is designed to provide that loans being securitized into a Social MBS fit the defined investment criteria described below.

Freddie Mac sellers who deliver mortgages must make certain representations and warranties that the mortgages are being delivered in accordance with the requirements in the Freddie Mac Single-Family Seller/Servicer Guide (the “Guide”), including underwriting requirements and data delivery requirements.

In order for a loan to be included in a Social MBS, the lender must represent, or Freddie Mac must otherwise be able to ascertain, that the loan satisfies one of the Social MBS Criteria as described below.

Currently, Freddie Mac has adopted a concept of shared economics with sellers delivering mortgages eligible for Single-Family Social MBS. While the ability to offer, and level at which to offer, shared economics may fluctuate based on market conditions, we aim to continue this benefit going forward with existing and new sellers as appropriate.

Single-Family Social MBS Criteria

Each loan included in a Single-Family Social MBS is underwritten through an eligible affordable lending offering or through the Manufactured Homes offering targeting very low-, low-, and moderate-income borrowers. These offerings have benefits to borrowers and/or underserved communities described in the



highlights below. Freddie Mac will continue to evaluate and develop offerings that may be eligible for our Single-Family Social MBS. Eligible offerings³ include:

Home Possible® - Focuses on the home financing needs of very low- to low-income borrowers looking for low down payment options, and flexible sources of funds.

Current Offering Highlights

- Total Loan-To-Value (LTV) ratio up to 105% to accommodate down payment assistance
- Borrower income limited to 80% or less of AMI
- Mortgage insurance (MI) on 1-unit properties can be cancelled after loan balance drops below 80% of the home's appraised value and cancellation criteria are met
- Reduced MI coverage for LTV ratios above 90%, at 25% standard and 18% custom
- Maximum LTV ratio of 97%, with no minimum contribution from borrower
- Flexible sources of down payment including sweat-equity, gifts, grants, and non-occupying co-borrowers
- May include mortgages financed through **BorrowSmartSM**, a sub-set of Home Possible loans that help lower income homebuyers purchase homes.
 - Provides grants to be used towards down payment and closing costs
 - Borrowers are provided with individualized one-on-one telephonic counseling

HFA Advantage® - Conventional mortgage product available exclusively to housing finance agencies (HFAs) seeking strategic solutions to diversify their product offerings and portfolio mix while expanding homeownership responsibly.

Current Offering Highlights

- Maximum LTV ratio of 97% and 105% Total LTV mortgage
- Loan level credit fees reduced or waived for HFA borrowers earning 80% or less of AMI
- Funding options for down payment and closing costs
- Minimum MI coverage required for HFA borrowers earning 80% or less of AMI
- Lender-paid and financed MI premiums permitted

Refi PossibleSM - Provides low- to moderate-income borrowers, who currently hold a Freddie Mac mortgage, the opportunity to reduce their monthly mortgage expenses through refinance, enhancing their capability to save more and build housing stability and generational wealth through housing. Refi Possible offers desirable features to create opportunities for homeowners who may not believe that they could benefit from refinance.

Current Offering Highlights

- Borrower income limited to 100% or less of AMI
- Expanded eligibility guidelines (such as credit scores, debt to income ratios, etc.)
- Credit to cover the cost of appraisal

³ The Current Offering Highlights described in this section are accurate as of the publication date of this Framework. Freddie Mac updates its offerings from time to time, and it can be expected that these offerings will be updated in the future. Loans underwritten under any future updated versions of these offerings can be included in a Single-Family Social MBS.



- Opportunity to roll portions of the closing costs into the mortgage

Manufactured Housing - Freddie Mac's participation in financing manufactured housing increases liquidity for lenders and enables more housing choices for low- to moderate-income borrowers. Our requirements for manufactured homes are designed so that the mortgages we purchase are originated, underwritten, and serviced to help qualified borrowers buy homes they can both afford and maintain. Manufactured Housing loans designated as owner-occupied, and with an AMI of 100% or below, are eligible for securitization into Single-Family Social MBS.

Current Offering Highlights

- Designed to expand affordable housing supply in rural areas
- Acquisition costs are generally lower than standard site-built construction costs
- Designed to enhance affordability for low- and moderate-income borrowers

Social Debt Bonds Criteria

Freddie Mac's Social Debt Bond advisory group, which includes representatives from the I&CM and Legal Divisions, will govern the process for asset evaluation and selection.

The process for evaluation and selection of Eligible Assets will generally be as follows:

1. **Identification.** The team requesting Social Debt Bond funding will identify assets that potentially meet the Eligible Asset criteria and propose those assets to the Social Debt Bond advisory group. Any proposal will include:
 - a. Estimation of the amount of funding needed;
 - b. Projected timeline for use of funds; and
 - c. Description of the asset, and the relationship between the asset and the Eligible Asset criteria.
2. **Determination.** The Social Debt Bond advisory group will assess proposals independently against the Eligible Assets criteria and decide if the asset is approved under the criteria.
3. **Allocation.** Following its decision, the Social Debt Bond advisory group will assess the types and volumes of proposed Eligible Assets and recommend the initial, projected allocations of the proceeds available from Social Debt Bond issuances. This assessment may include determining the need and size for additional Social Debt Bond issuances.
4. **Evaluation.** The Social Debt Bond advisory group will evaluate the uses of proceeds from Social Debt Bond issuances across approved Eligible Assets regularly, and at least twice per year, to ensure compliance with the assets approved.

Freddie Mac Single-Family Risk Management Practices

In 2021, our Climate Advisory Group engaged leadership on climate matters to drive climate-related activities and facilitate cross-divisional collaboration and decision-making. We are also developing a corporate framework for incorporating climate risks into the existing risk management structure to help ensure that climate risk is considered in key business decisions

In December 2021, FHFA instructed us to designate climate change as a priority concern and actively consider its effects in our decision making and, to this end, included climate change as a priority for Freddie Mac in the 2022 Conservatorship Scorecard. We are exploring the role that we, along with FHFA and others, can play in helping to address climate risk. Developing solutions to these challenges is complicated by the range and diversity of affected stakeholders, the possible need for legislative or



regulatory action, insurance industry capacity, and the need to balance risk mitigation, affordability, and sustainability.

Freddie Mac employs multiple strategies to maintain loan quality:

- Underwriting standards, as published in our Guide and incorporated in Freddie Mac Loan Advisor®, establish the requirements for eligibility, documentation, and representations and warranties;
- Loan quality control practices, including post-close credit review and the remedy management repurchase process, help to validate that the loan origination process is acceptable to us and loans are produced to perform at or above expected levels; and
- Seller/servicer management, including review of their in-house quality control as well as our loan performance monitoring, helps to maintain quality control for loans sold and/or serviced by third parties.

More information on Freddie Mac's climate risk management, underwriting standards, quality control practices and management of seller/servicers can be found in our [2021 10-K](#). All loans included in the Social MBS satisfy the criteria set forth in the [Guide](#), including the section on [Responsible Lending](#).

V. Management of Proceeds

Single-Family Social MBS

The management of proceeds for Freddie Mac Single-Family Social MBS is consistent with the management of proceeds across all of Freddie Mac's Single-Family MBS. Our Single-Family Social MBS only contain mortgages that satisfy the criteria set forth in the Guide. The mortgages backing our Single-Family Social MBS leverage Freddie Mac's existing mortgage purchase process to determine compliance with the Guide. Once the mortgages are acquired, they are securitized into Single-Family Social MBS per the criteria described in this Framework, and sold to investors. Freddie Mac's proceeds from sales of these securities (including Single-Family Social MBS) are used to help finance ongoing purchases of mortgages that meet the criteria described in the Guide, including additional purchases of the specific mortgages that are eligible for future issuances of Single-Family Social MBS.

Social Debt Bonds

The proceeds will be tracked internally across approved assets consistent with the Eligible Assets criteria. This internal process will track the difference between the net proceeds received from the issuance of the Social Debt Bonds and the amounts allocated to Eligible Assets. In the event that an Eligible Asset funded by the Social Debt issuance is securitized, sold, or it prepays, the proceeds used for such Eligible Asset will be re-allocated to fund the purchase of additional Eligible Assets.

Payment of principal and interest on the Social Debt Bonds will be made from Freddie Mac's general funds and will not be directly linked to the performance of any Eligible Asset. Proceeds that are not immediately allocated to Eligible Assets will be invested in accordance with Freddie Mac's liquidity management, such as in cash or cash equivalents, or other liquid marketable instruments. Freddie Mac's Treasury group will coordinate with finance, business planning, accounting, and other internal resources for the internal tracking of assets and accounting for the allocation of the net proceeds from the Social Debt Bonds to Eligible Assets defined in the Social Debt Bonds Criteria section.

VI. Reporting

Single-Family Social MBS Reporting



Freddie Mac discloses security, loan-level and other product data on the [Mortgage Securities website](#). [Special Eligibility Program](#) information, such as Home Possible, HFA Advantage and Refi Possible designation, is available for all Single-Family MBS as a loan- and pool-level attribute. Property Type classification, such as Manufactured Housing, and Occupancy Status, including whether the property is a Primary Residence, are also available for all Single-Family MBS as a loan- and pool-level attribute.

Securities issued under the Single-Family Social MBS program will be listed on Freddie Mac's Single-Family Social Bonds website.

Third-party data providers obtain the disclosures from Freddie Mac's website and distribute it to their customers.

Social Debt Bond Reporting

Within one year of issuance and during the term of the Social Debt Bond, Freddie Mac expects to provide information on the allocations of the net proceeds of the Social Debt Bonds, to be updated at least annually until full allocation of such net proceeds and as necessary thereafter in the event of material developments. These reports will include affirmation that the assets funded align with our Eligible Asset criteria and the amount of allocated and unallocated proceeds.

Impact Reporting

Freddie Mac intends to publish an annual report summarizing our Single-Family Social MBS activities, including benefits to borrowers and community impacts related to these activities. The report will include a description of our various affordable lending programs and related mortgages that can be included in our Social MBS, as well as a description of the borrower benefits that are part of those programs. We will also include information on the number of borrowers benefitted by the mortgage offerings included in our Social MBS, broken out by affordable lending offering type, for the Social MBS program as a whole and on the security (CUSIP) level. We may also include additional information, such as an AMI and geographic distribution of borrowers and estimates of direct cost savings to borrowers as a result of the subsidies and other benefits that are inherent in these programs.

Second Opinion

Freddie Mac engaged an independent third party, Sustainalytics, to evaluate our Freddie Mac Single-Family Social MBS and Corporate Social Debt Bonds Framework. The opinion is published on our Single-Family Social Bonds website.

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This is not an offer to buy or 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 most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC); all other reports Freddie Mac files with the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934 (Exchange Act), 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.



The financial and other information contained in this Framework and in the documents that may be accessed through this Framework is provided for your general information only and speaks only as of the date of those documents. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained in 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. No liability whatsoever is or will be accepted by Freddie Mac for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in those documents.

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These materials may 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 most recent Annual Report on Form 10-K, 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 <http://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 Framework.