

Exhibit E:
Annual Loan Purchase Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2018 REPORT

LOAN PURCHASE

ACTIVITY:

Activity 1 – Low Income Housing Tax Credits (Debt): Statutory Activity

OBJECTIVE:

Objective A -- Provide liquidity and stability through LIHTC loan purchases

SUMMARY OF RESULTS:

	LIHTC Units	Properties
Baseline (2014-2016)	19,773	143
2018 Target (lesser of)	20,500	150
2018 Volume¹	41,926	306
Incomes Targeted	As required by LIHTC program	

In 2018, Freddie Mac dramatically exceeded our annual targets — and historical performance — for purchases of mortgages with LIHTC debt. Our success resulted from investment in our business, innovative loan offerings, and our ability to leverage the capital markets to distribute risk away from taxpayers and access cost-effective private investment capital at significant scale.

In our 2018 DTS Plan, our projected goal was to exceed our 3-year average from 2014-2016, and we ambitiously set our target over our baseline as the lesser of 20,500 units or 150 properties, which is well above the historical volume of competitors in the market. While there are no reliable estimates of the total annual LIHTC debt market size, we have long been the GSE leader in this market. As such, we set our goals to ensure we could achieve a numerical measure of success without sacrificing market discipline, given that market challenges could limit opportunities to support LIHTC debt. Indeed, in 2017 we saw decreased purchase activity compared to 2016 (from 196 to 178 properties and from 25,432 to 22,807 units), demonstrating that the potential for reduced volume was being realized.

In 2018, we set new records. We purchased more loans on LIHTC properties and supported more DTS qualifying units than ever before while maintaining market discipline. Our 2018 loan purchases represent an increase of 112% over our baseline number of units, and 105% over our target, which was already aggressive given market context. Moreover, our 2018 purchases represent an 84% increase in units over 2017 (22,807 units) and a 65% increase over our previous record year of 25,432 units in 2016, when LIHTC equity pricing was higher and the 10-year Treasury rate was at historical lows.

¹ Freddie Mac's total 2018 purchases of LIHTC debt reflects the total volume from our retail platform, including both our TAH retail network and our conventional regional network, as well as TAH individually negotiated transactions. The total 2018 purchase volume was calculated in a manner that is consistent with the Baselines and Targets in our DTS Plan. During the preparation of the annual report we discovered that while the baselines and targets in our Plan reflect this complete view, the text accompanying the Baselines and Targets in our Plan indicated they were based only on volume from our TAH retail seller/ servicer network or via TAH negotiated transactions. For consistency with the stated Baselines and Targets in the Plan and to provide a more accurate representation of our impact to this market, we are reporting on the total volume of DTS qualifying mortgages and units from our retail platform in this report. Our previously reported volume for the first three quarters had been limited to volume from our TAH network. Notably, we exceed our purchase targets when only sourced from our TAH network; we are reporting on total volume to provide accurate comparison of our purchase volume to our Baselines.

In 2018, we were also able to attract record amounts of private investment capital and distribute risk away from taxpayers through credit risk transfer programs such as our K-Deal — an ability that is central to our vision of DTS as being integrated into our fundamental business. 95% of the loans on LIHTC properties which we purchased in 2018 have already undergone risk transfer or have risk transfer pending, while the remaining 5% await determination of the optimal risk transfer method. Our loan volumes, coupled with the breadth and distribution of properties we supported, and the unique ability of our business model to attract private capital and distribute risk, made a substantial impact on the LIHTC debt market in 2018.

SELF-ASSESSMENT RATING OF PROGRESS:

Select the category that best describes progress on this objective for the year.

- Objective met
- Objective exceeded
- Objective partially completed:
 - 75-99% (substantial amount)
 - 50-74% (limited amount)
 - 25-49% (minimal amount)
 - 1-24% (less than a minimal amount)
- No milestones achieved

IMPACT:

Provide a self-assessment of the level of impact that actions under the objective have accomplished.

- 50 – Substantial Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

IMPACT EXPLANATION:

Answer the following questions.

1. How and to what extent were actions under this objective impactful in addressing underserved market needs or laying the foundation for future impact in addressing underserved market needs? (Character limit: 3,000 characters, including spaces)

Freddie Mac’s record purchase activity in 2018 had a substantial impact on the LIHTC debt market based on volume alone, however, there were many additional factors that demonstrated its value and impact. These factors support the long-term provision of persistent liquidity to this segment of the market and are a direct result of the efforts of Freddie Mac, our OptigoSM lenders and the structure of our market-leading credit risk transfer model, which allows us to have a high impact on the market without added risk to the taxpayer.

- A. We support high impact properties
 - a. Cypress Park apartments in New Orleans provides affordable housing for disabled residents who receive supportive services.
 - b. Dolores Frances apartments in Los Angeles is owned and operated by a non-profit, which is a first-time Freddie Mac borrower. As a result of this loan they were able to buy out the LIHTC limited partner and pay off all other debt on the property, leaving them with lower operating costs. This gives them greater flexibility to further their mission and maintain long term affordability with or without new tax credits.
 - c. White Oak and Orchard Apartments in Bossier, Louisiana was refinanced by the original LIHTC developer to make capital improvements and support affordable housing in the Bossier-Shreveport market.
- B. We support affordable housing broadly in terms of geography and size of property

- C. *Our support was national in scope, with properties in 38 states and 233 different localities as large as New York, NY (pop. 8.5 million) and as small as Pine Bush, NY (Pop. 1,454).*
- D. *The properties varied in size from 16 LIHTC units in St. Paul, MN to 559 LIHTC units in Cleveland, OH.*
- E. *We maximize the value of public subsidies*
 - a. *We leveraged not just LIHTC equity, but also state and local programs to support local priorities. 32% of the LIHTC properties we funded in 2018 included state or local program support as well.*
- F. *We attract private capital to distribute risk*
- G. *Under our securitization models, such as our K-Deals and ML-Deals, we execute near complete risk transfer away from taxpayers and Freddie Mac.*
 - a. *95% of the LIHTC properties on which we purchased loans in 2018 have already undergone risk transfer (70.6%) or have risk transfer pending (24.5%), while the remaining 5% await determination of the optimal risk transfer method.*
- H. *At the same time, we maintain strong credit standards*
 - a. *In our history of securitizations, we have never had any delinquencies² on any of our LIHTC loans in a K- or ML-Deal.*
- I. *And we attract private capital from a wide variety of investors to support affordable housing*
 - a. *Our K-Deals have attracted nearly 550 different investors since the inception of the program in 2009, with 241 participating in 2018.*

2. **Optional:** How do actions under this objective support future actions detailed in the Plan for the underserved market? If there have been any changes in the planned next steps or timeline for work under or related to this objective, describe the changes and provide a brief explanation. *(Character limit: 1,500 characters, including spaces)*

Our success in 2018 is the result of the strong fundamentals of our business in credit and risk distribution, our innovative set of loan offerings, and the reach of our Optigo network. Looking ahead, we will lead the market as we continue working with our lenders to support more states, communities and borrowers in their efforts to preserve affordable housing, and to continue to provide liquidity, distribute risk, and act with disciplined credit in support of this market.

3. **Optional:** Are there any market factors that adversely impacted the actions under this objective? If so, describe. *(Character limit: 3,000 characters, including spaces)*

Two factors made this objective more difficult when compared to the prior years in our baseline, particularly our prior record year of 2016.

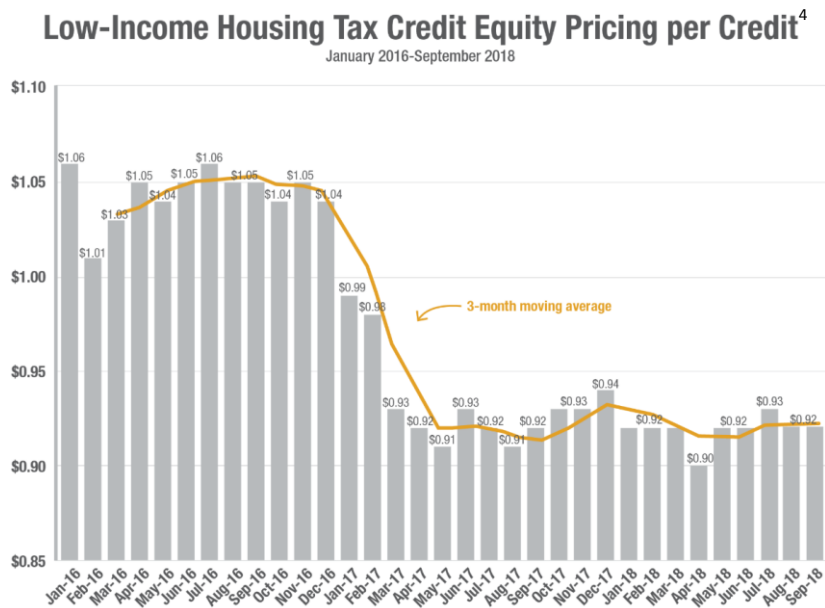
In 2018, the 10-year Treasury increased from 2.46 on 1/2/18 to 2.69 at year-end, with a high of 3.24 on 11/8/18. Comparing annual Treasury rates between 2016 and 2018, we find that the 10-year Treasury is up from an average of 1.84 in 2016 to an average of 2.91 in 2018 – a substantial increase of 107 bps compared to our peak baseline year. This equates to a difference of over \$1 million in additional funding required for a \$10 million property. Some of this money could come from additional tax credits, while the remainder could come from additional subordinate debt or other subsidies, neither of which are unlimited resources.

² Delinquencies are defined here as 60+ day delinquencies, which is the point at which action could be taken to address any issues.



*Historic Treasury rates can be found on treasury.gov

We have also continued to see reduced LIHTC equity pricing as compared to peaks in 2016. As of the end of 3Q2018, per Novogradac, LIHTC equity pricing was \$0.92 per credit as compared to the peak rate in July 2016 of \$1.06 per credit.³ This difference creates a substantial funding gap and increases the need for either additional tax credits, public subsidy or subordinate debt to create or preserve the same number of units. Alternatively, fewer units could be created or preserved under lower price per credit scenarios.



We were able to mitigate these challenges while maintaining market discipline, using the following strategies.

1. We continued to invest in our platform and are realizing the benefits of strategic, long-term investment in our people and our innovative loan offerings from both 2018 and before.
2. We leveraged the breadth of our loan offerings to support this market.

³ <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/data-tools/lihtc-pricing-trends>

⁴ <https://www.novoco.com/atom/175071>

3. *We better leveraged our capital markets executions, such as our K-Deal and ML-Deal, to tap into capital markets demand for first-loss positions in Freddie Mac securities. This allowed us to bid more aggressively for LIHTC debt transactions and offset a substantial portion of the Treasury spread increases while still distributing nearly all of the risk to private investors.*
4. *We directed our Optigo lenders to increase focus on LIHTC debt transactions and they adjusted their business accordingly.*

*Optional: How did the actions under this objective contribute to increased or future loan purchases for the underserved market?
(Character limit: 1,500 characters, including spaces)*

Each year we assess both the activity of prior years and market opportunities in the upcoming year, among other factors, to determine lending targets for our Optigo network. Fundamental to this exercise is a focus on market discipline and ensuring we operate a stable, market-leading business that can provide consistent liquidity over the long-term. While we dramatically exceeded our DTS target in 2018, we also recognize that we have a responsibility to be disciplined. Should the market allow us to maintain the high level of volume in future years, we expect to do so, but will continue to be mindful that dramatic short-term shifts in numerical targets can have negative unintended consequences at the expense of market discipline and the long-term health of the market.

Attach the data specified for Loan Purchase objectives in Section 3 of this document.

Quarterly Loan Purchase Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

1Q REPORT

EVALUATION AREA: PURCHASE

ACTIVITY:

Activity 1 – Low Income Housing Tax Credits (Debt): Statutory Activity

OBJECTIVE:

Objective A -- Provide liquidity and stability through LIHTC loan purchases

SUMMARY OF RESULTS:

	Units	Properties
Baseline	19,773	143
2018 Target (lesser of)	20,500	150
1Q 2018 Volume	9,801	77

As of March 31, 2018, we are on track to meet or exceed our 2018 targets despite two key challenges in the market this year: rising treasury rates and reduced LIHTC equity pricing relative to our baseline years, particularly 2016.

In 2018, the 10-year treasury has increased from 2.46 on 1/2/18 to 2.74 at the end of Q1, with a high of 2.94 on 2/21/18. When compared to the rate of 1.78 at the end of 1Q2016, the treasury index is up nearly 100 bps compared to our peak baseline year, which means that first mortgage funding would be smaller under higher interest rates. This equates to a difference of nearly \$1 million in additional funding required for a \$10MM property as compared to our baseline period. Some of this money could come from additional tax credits, while the remainder could come from additional subordinate debt or other subsidies, neither of which are unlimited resources.

Additionally, we have continued to see reduced LIHTC equity pricing as compared to peaks in 2016. As of the end of 1Q2018, per Novogradac, LIHTC equity pricing was \$0.92 per credit as compared to the peak of July 2016, when it was \$1.06 per credit.¹ This difference creates a substantial funding gap as compared to peak years, leading to the need for either additional tax credits, public subsidy, or subordinate debt to create or preserve the same number of units. Alternatively, fewer units could be created or preserved under lower price per credit scenarios.

Despite these challenges, we expect to meet or exceed our targets because we have continued to place deliberate focus on LIHTC debt transactions, and have seen strong performance of our recent ML securitizations that have enabled us to offset these challenges, at least in part.

SELF-ASSESSMENT RATING OF PROGRESS:

Select the category that best describes progress on this objective for the reporting period.

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

¹ <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/data-tools/lihtc-pricing-trends>

ADDITIONAL INFORMATION (IF APPLICABLE):

N/A

Attach the data specified for Loan Purchase objectives in Section 3 of this document.

Exhibit A:

Quarterly Loan Purchase Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2Q REPORT

EVALUATION AREA: PURCHASE

ACTIVITY:

Activity 1 – Low Income Housing Tax Credits (Debt): Statutory Activity

OBJECTIVE:

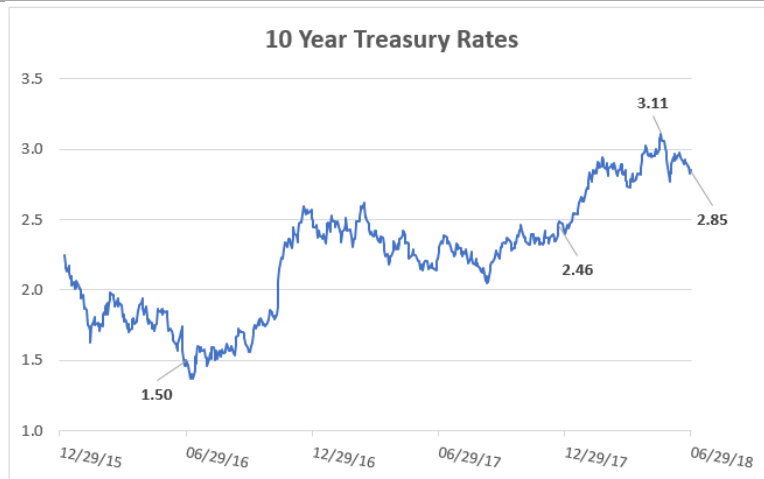
Objective A -- Provide liquidity and stability through LIHTC loan purchases

SUMMARY OF RESULTS:

	LIHTC Units	Properties
Baseline	19,773	143
2018 Target (lesser of)	20,500	150
YTD 2018 Volume	23,472	162

Low Income Housing Tax Credits (LIHTC) have become the most important source of funding for the creation and preservation of affordable rental housing. As such, providing debt financing on properties with LIHTCs is a critical way to preserve long term affordability nationwide. Through 2Q2018, we have exceeded our annual targets for loan purchases as a result of investment in our platform and our ability to leverage the capital markets to distribute risk and access cost-effective private investment capital. We have done so despite two market challenges: rising treasury rates and reduced LIHTC equity pricing relative to our baseline years.

In 2018, the 10-year treasury has increased from 2.46 on 1/2/18 to 2.85 at the end of Q2, with a high of 3.11 on 5/17/18. When compared to the rate of 1.50 and the end of 2Q2016, the treasury index is up 135 bps compared to our peak baseline year. This equates to a difference of over \$1MM in additional funding required for a \$10MM property as compared to our baseline period.

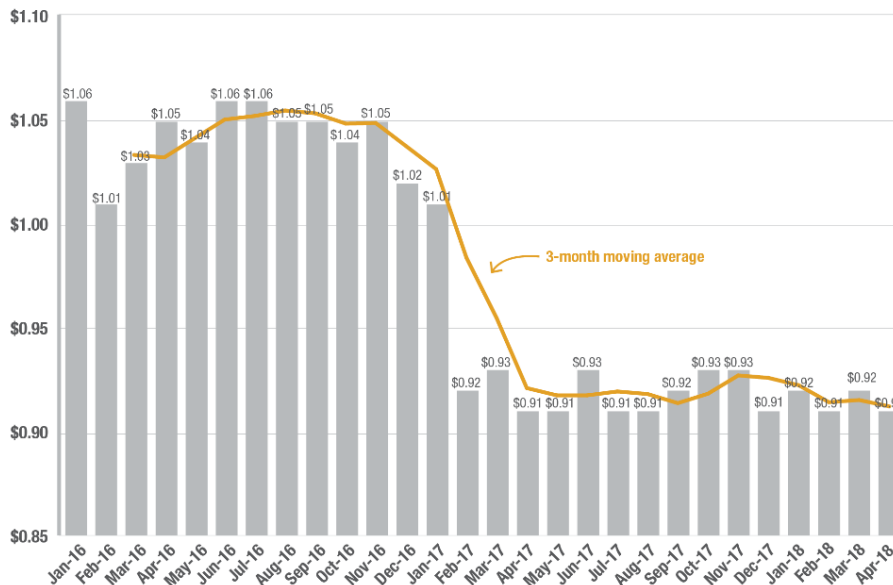


Historic 10 Year treasury rates can be found on treasury.gov

We have also continued to see reduced LIHTC equity pricing as compared to peaks in 2016. As of the end of 1Q2018, per Novogradac, LIHTC equity pricing was \$0.92 per credit as compared to the peak of July 2016, when it was \$1.06 per credit.¹ This difference creates a substantial funding gap as compared to peak years, leading to the need for either additional tax credits, public subsidy, or subordinate debt to create or preserve the same number of units. Alternatively, fewer units could be created or preserved under lower price per credit scenarios.

Low-Income Housing Tax Credit Equity Pricing per Credit

January 2016-April 2018



This low-income housing tax credit equity pricing chart is presented for general information purposes only. Per credit equity pricing is based on syndicator Letter of Intent (LOIs) provided to Novogradac & Company LLP by market participants. The equity price reported for each month is the average equity price for LOIs issued in that month. No adjustments to equity pricing are made for timing of capital contributions or other considerations. Data labels are rounded to the nearest cent.

¹ <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/data-tools/lihtc-pricing-trends>

² <https://www.novoco.com/atom/169786>

We have been able to mitigate these constraints through several strategies while maintaining market discipline.

1. We directed our sellers to focus strongly on LIHTC debt transactions.
2. We have continued to invest in our platform: (1) we hired new staff and rebalanced assignments so we can process more transactions; (2) our new offerings have led to transactions we would not have otherwise seen; and (3) we have seen an increase in Green Advantage adoption, which yields more proceeds from underwriting projected water and energy efficiency savings, offsetting some of the capital gaps.
3. We have included more LIHTC debt transactions in our K-deals, which allows us to tap into capital markets demand and bid more aggressively for LIHTC debt transactions and offset a substantial portion of the treasury spread increases while still distributing nearly all of the risk to private investors.
4. We have successfully marketed several ML securitizations, which, like our K-deals, have enabled us to access the capital markets more efficiently and bid more aggressively for LIHTC Tax-Exempt Loan transactions and offset a substantial portion of the treasury spread increases and declining LIHTC equity pricing and distribute nearly all of the risk to private investors.

SELF-ASSESSMENT RATING OF PROGRESS:

Select the category that best describes progress on this objective for the reporting period.

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

N/A

AHP_LIHTC_A_Narrative_Q2

Attach the data specified for Loan Purchase objectives in Section 3 of this document.

Exhibit A:

Quarterly Loan Purchase Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

3Q REPORT

EVALUATION AREA: PURCHASE

ACTIVITY:

Activity 1 – Low Income Housing Tax Credits (Debt): Statutory Activity

OBJECTIVE:

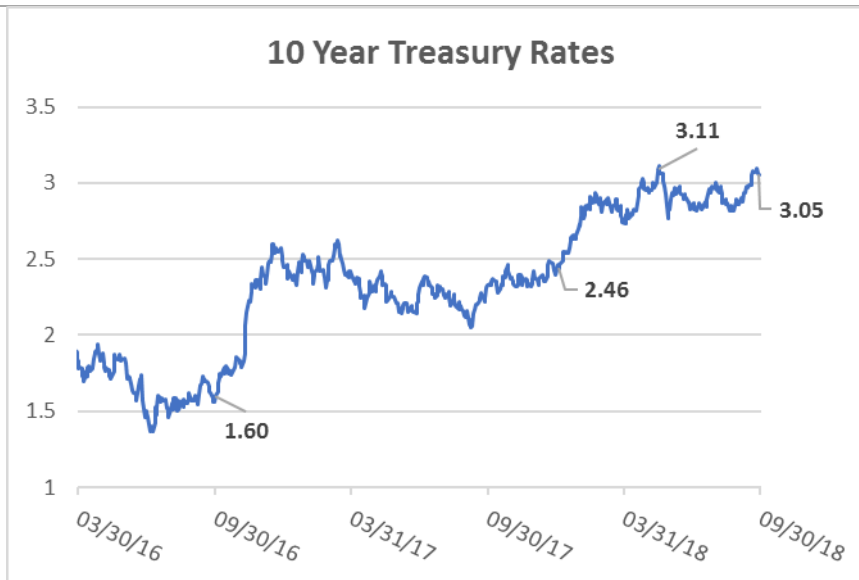
Objective A -- Provide liquidity and stability through LIHTC loan purchases

SUMMARY OF RESULTS:

	LIHTC Units	Properties
Baseline	19,773	143
2018 Target (lesser of)	20,500	150
YTD 2018 Volume	31,550	228

Low Income Housing Tax Credits (LIHTC) have become the most important source of funding for the creation and preservation of affordable rental housing. As such, providing debt financing on properties with LIHTCs is a critical way to preserve long term affordability nationwide. Through 3Q2018, we have exceeded our annual targets for loan purchases as a result of investment in our platform and our ability to leverage the capital markets to distribute risk and access cost-effective private investment capital. We have done so despite two market challenges: rising treasury rates and reduced LIHTC equity pricing relative to our baseline years.

In 2018, the 10-year treasury has increased from 2.46 on 1/2/18 to 3.05 at the end of Q3, with a high of 3.11 on 5/17/18. When compared to the rate of 1.60 and the end of 3Q2016, the treasury index is up 145 bps compared to our peak baseline year. This equates to a difference of over \$1MM in additional funding required for a \$10MM property as compared to our baseline period. Some of this money could come from additional tax credits, while the remainder could come from additional subordinate debt or other subsidies, neither of which are unlimited resources.

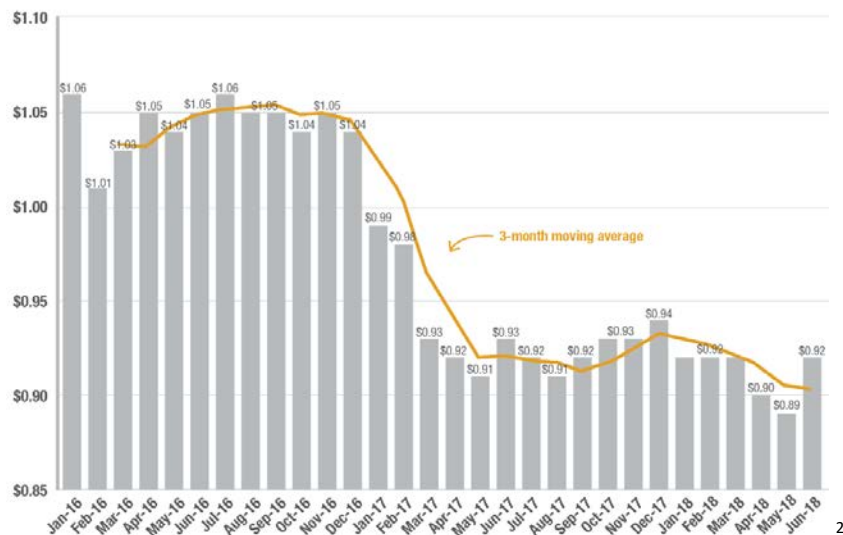


*Historic Treasury rates can be found on treasury.gov

We have also continued to see reduced LIHTC equity pricing as compared to peaks in 2016. As of the end of 2Q2018, per Novogradac, LIHTC equity pricing was \$0.92 per credit as compared to the peak of July 2016, when it was \$1.06 per credit.¹ This difference creates a substantial funding gap as compared to peak years, leading to the need for either additional tax credits, public subsidy, or subordinate debt to create or preserve the same number of units. Alternatively, fewer units could be created or preserved under lower price per credit scenarios.

Low-Income Housing Tax Credit Equity Pricing per Credit

January 2016-June 2018



We have been able to mitigate these constraints through several strategies, while maintaining market discipline.

1. We directed our sellers to focus strongly on LIHTC debt transactions.

¹ <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/data-tools/lihtc-pricing-trends>

² <https://www.novoco.com/atom/169786>

2. We have continued to invest in our platform: (1) we hired new staff and rebalanced assignments so we can to process more transactions; (2) our new offerings have led to transactions we would not have otherwise seen; and (3) we have seen an increase in Green Advantage adoption, which yields more proceeds from underwriting projected water and energy efficiency savings, offsetting some of the capital gaps.
3. We have included more LIHTC debt transactions in our K-deals, which allows us to tap into capital markets demand and bid more aggressively for LIHTC debt transactions and offset a substantial portion of the treasury spread increases while still distributing nearly all of the risk to private investors.
4. We have successfully marketed several ML securitizations, which, like our K-deals, have enabled us to access the capital markets more efficiently and bid more aggressively for LIHTC Tax-Exempt Loan transactions and offset a substantial portion of the treasury spread increases and declining LIHTC equity pricing and distribute nearly all of the risk to private investors.

SELF-ASSESSMENT RATING OF PROGRESS:

Select the category that best describes progress on this objective for the reporting period.

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

ADDITIONAL INFORMATION (IF APPLICABLE):

N/A

AHP_LIHTC_A_Narrative_Q3

Attach the data specified for Loan Purchase objectives in Section 3 of this document.