Exhibit G:

Annual Loan Products Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2018 REPORT

EVALUATION AREA: PRODUCT

ACTIVITY:

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

OBJECTIVE:

Objective B: Develop a new mezzanine financing offering to close capital gaps for LIHTC preservation transactions

ACTIONS:

Over the course of 2018, Freddie Mac exceeded our DTS plan goals for this objective. We not only developed a mezzanine loan offering that enables borrowers to better leverage their equity in support of the preservation of affordability of seasoned LIHTC properties, we also purchased our first mezzanine loan on a LIHTC property earlier than expected. With this loan, the borrower can plan in advance for a resyndication in 10 years and achieve an additional 20 or more years of continued affordability beyond the term of our mezzanine loan until after 2060 for the 120 units on the property.

With a growing affordability crisis, significant numbers of LIHTC units exiting the program each year starting in 2019, and limited public subsidy, the need for a private market solution has never been greater.

This loan offering meets that need. It is innovative and transformative in the market, with no similar private market solution. It not only enables borrowers to preserve affordable housing through more cost-effective capital higher up the capital stack, it requires that they embed ongoing affordability requirements into the loan agreement through our unique Preservation of Affordable Rents Covenant (PARC). PARC limits rent growth on unrestricted units to the greater of CPI +1% or 2% per year, which is generally below market rent growth. The PARC goes further than rent growth limitations. It also requires the borrower to (1) forego the opportunity to pursue the qualified contract process (which, in the LIHTC program, allows a borrower to exit affordability requirements), and (2) retain or extend any social services offered at a property at the time of loan purchase (even if other subsidy programs on the property allow for a reduction).

Consistent with our existing suite of offerings, it is our intention to attract private capital and distribute risk away from taxpayer. As part of offering development in 2018, we began work on the risk distribution method (a 2019 activity under our plan) and included that method in our mezzanine loan submission for approval to FHFA. When we reach sufficient scale, we will be able to execute on risk distribution.

This offering took extraordinary effort and creative thinking to develop completely from the ground up: from concept, to FHFA approval, to implementation, to loan purchase all in just over a year. We formed working groups, developed terms, formulated a complete set of loan documents and the innovative PARC, built a compliance monitoring process and tool from scratch, and trained our Optigo^{SM} lenders to market this offering across the country.

With the introduction of our mezzanine loan offering, we are now able to further support the preservation of seasoned LIHTC properties and preserve more rents as affordable, even on properties that are not fully rent restricted or have no rent restrictions at all. This also benefits rents in terms of affordability and extending the value of available public subsidy.

Planned Actions	*2018 Actions*
If necessary, obtain FHFA approval to offer mezzanine financing.	*FHFA approved Freddie Mac's Mezzanine loan offering on May 22, 2018.*
Subject to FHFA approval, distribute term sheet (details below) to the TAH seller/servicer network.	*Freddie Mac published two term sheets: one for TAH Mezzanine loans and a second for Workforce Mezzanine loans. We published these term sheets on our website to make them available to our Optigo^{SM} lender network. Under the DTS framework, credit is only available on TAH Mezzanine loans that support seasoned LIHTC properties, but the offering is available more broadly for the purpose of preserving affordable and workforce housing.*
Develop underwriting parameters, as evidenced by an offering term sheet.	*Freddie Mac developed underwriting parameters that are documented on the offering term sheet.*
Include at least the following elements in the term sheet: *1. Product overview and loan purpose* *2. Sponsor and/or property eligibility* *3. requirements* *4. Loan-to-Value limits* *5. Debt coverage limits* *6. Allowable lengths of loan term* *7. Allowable length of amortization* *8. Affordability requirements*	*The term sheet contains all of the terms identified in the DTS plan plus 11 more, including:* *1. Product description (overview and loan purpose)* *2. Borrower requirements* *3. Eligible properties/affordable units* *4. Term* *5. Interest rate* *6. Amortization* *7. Maximum combined LTV ratio* *8. Minimum combined DCR* *9. Guarantor* *10. Collateral for mezzanine loan* *11. Recourse/guarantees* *12. Prepayment structure and limitations* *13. PARC* *14. Permitted pass-throughs* *15. Monitoring and enforcement* *16. Origination fee* *17. Transfers and assumptions* *18. Cross default* *In addition to the term sheet, we also provided our lenders with "Good Fit Guidance" for TAH Mezzanine loans to ensure it is being offered in ways that benefit tenants. The Guidance lays out fundamental mission-based requirements for the program, such as that the borrower must covenant not to pursue the qualified contract process and must preserve or extend existing social services at the property.*
Develop a mezzanine loan refinance test for internal use to control for risks that the property will not be able to refinance at maturity of the senior and mezzanine loans.	*We developed and implemented a refinance test for mezzanine loans. This test looks at the maturity LTV and DCR for the combined senior and mezzanine loans and analyzes whether the properties will be able to refinance at loan maturity.*
Appoint or hire at least one mezzanine finance production lead for structuring transactions and at least one mezzanine finance underwriting lead for underwriting transactions.	*We appointed two production leads for mezzanine loans, one focused on TAH Mezzanine loans and the other focused on Workforce Mezzanine loans. We also appointed a VP-level centralized underwriting lead for mezzanine loans, as well as an underwriting support team consisting of an underwriting director, an underwriter and two analysts.*
Develop a cross-departmental internal mezzanine financing working group including production, underwriting, legal, asset management and risk distribution representatives.	*We launched a working group to support product development and implementation including representatives from 16 departments including production, underwriting, legal, asset management, purchase and risk distribution.*
Engage outside counsel to draft legal documents, including the following: *a. Loan and Security Agreement*	*We engaged one of the leading affordable housing law firms to draft all of the loan documents identified in our plan. In addition, in partnership with outside counsel, we also created our innovative PARC, which*

b. Note *c. Pledge Agreement* *d. Guaranty* *e. Subordination of the Management Agreement* *f. Omnibus Assignment* *g. Inter-creditor Agreement* *h. UCC Financing Statement*	*requires the borrower to limit rent growth to the greater of 2% or CPI + 1% on units not already covered by a LURA or HAP contract. These enforce steep penalties if violated, including default on the mezzanine loan.*
Create and document affordability restrictions monitoring and enforcement terms and process.	*We created and documented affordability restrictions and monitoring requirements as part of the PARC. In addition to the affordability restrictions described above, the PARC requires borrowers to go further: the borrower must forego the opportunity to pursue the qualified contract process and may not reduce or remove any social services offered at a property at the time of loan purchase. These additional protections ensure tenants will materially benefit in exchange for the borrower receiving our mezzanine loan.*
Provide one to three training sessions covering product process and parameters, including underwriting and ongoing monitoring to internal staff via webinar or in person training sessions as appropriate for the audience.	*We provided training via webinar to internal staff that covered product process and parameters, including underwriting and ongoing monitoring, on both Workforce Housing mezzanine loans and TAH Mezzanine loans. This session had 130 participants.* *In addition, we held several informal staff trainings and discussions on the offering on an ad hoc basis. We also provided internal staff with the Good Fit Guidance documentation described above.*
Provide one to three training sessions covering product process and parameters, including underwriting and ongoing monitoring to Optigo^{SM} lenders via webinar or in-person training sessions as appropriate for the audience.	*We provided one webinar training to our national Optigo lender network that covered product process and parameters, including underwriting and ongoing monitoring, on TAH Mezzanine loans. These sessions had 106 participants.* *In addition, we held several lender-specific trainings and discussions upon request, presented the TAH Mezzanine loan offering to our TAH Optigo^{SM} lender advisory council and provided Good Fit Guidance documentation to our lenders to help them identify properties that are a good fit for TAH Mezzanine loans and enable them to represent the mission-based requirements of the offering.*

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

PARTIAL CREDIT JUSTIFICATION:

N/A

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:

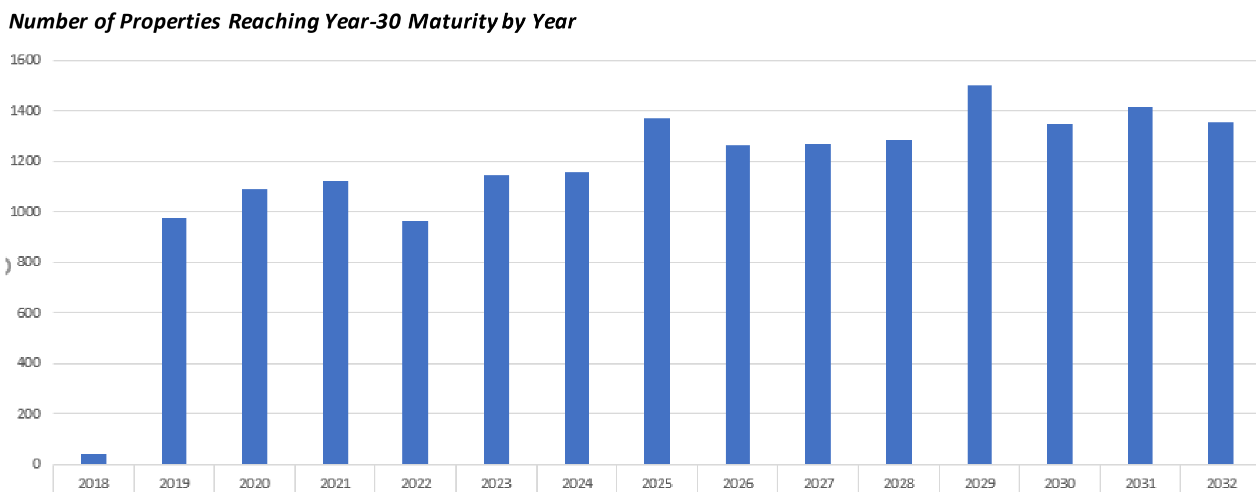
Answer the following questions.

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)*

Nationwide there is a profound shortage of affordable housing, and significant numbers of LIHTC units will exit the program each year starting in 2019. With limited public subsidy, the need for a private market solution has never been greater. The introduction of our mezzanine loan offering is innovative and timely and of substantial impact to the LIHTC debt market where preserving and improving properties without new LIHTC is both challenging and vital to addressing the affordability crisis. Our offering has five major direct impacts:

A. *Allows borrowers to acquire and preserve more affordable properties and units for the same amount of equity contribution, as each property will require less equity.*
B. *Enables the general partner in the borrowing entity to get additional debt to buy out the limited partner at the end of the compliance period and continue to operate the property as affordable for the remainder of the extended use period, while performing necessary improvements to the property.*
C. *Allows LIHTC equity investors to exit partnerships after the tax credit compliance period so they can reinvest their equity in new LIHTC transactions, thereby promoting more affordable housing to support more very low-, low-, and moderate-income renters.*
D. *Enables borrowers to recapitalize and preserve more properties as affordable at year 30 or beyond relative to the market, even without new tax credits.*
E. *Goes beyond the requirements of the LIHTC program by requiring that borrowers forego the opportunity to pursue the qualified contract process and retain or extend any social services offered at a property at the time of loan purchase (even if other subsidy programs on the property allow for a reduction).*

The value of each area of substantial impact could differ over time or based on the particular needs of a property. At this stage in the history of the LIHTC program, perhaps the largest impact is the ability to leverage equity to preserve properties exiting the extended use period. The LIHTC program began in 1986, and starting in 2019, the first substantial wave of properties that had been placed in service in the 1980s have begun coming to the end of their extended use periods. This creates a tremendous influx of properties previously guaranteed to be affordable suddenly becoming candidates for value-add conversions to market-rate housing. This wave, combined with the continued need for new LIHTC properties, puts unprecedented pressure on public subsidy programs to keep these units affordable while supporting the need for new units.



Our mezzanine loan can make a profound difference in these cases because (1) we require ongoing affordability, which will prevent these properties from converting to market rate, (2) we allow for reasonable capital expenditures, which can refresh a property as it prepares for greater subsidy over time, and (3) we can reduce the need for costly equity or other public subsidy by lending higher in the capital stack and at attractive rates. In these ways, our mezzanine loans can be used to balance and extend the use of public subsidy to preserve more affordable properties and address this increasingly pressing need.

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)*

Developing our mezzanine loan offering in 2018 supports two additional actions under our plan: (1) the execution of risk distribution on mezzanine loans, and (2) the continued purchase of loans supporting LIHTC, Section 8 and High Opportunity Areas over time in accordance with our DTS plan targets. Beyond this, we have already seen impact of our mezzanine loan offering outside the limits of DTS credit under this specific regulatory category, with properties in our firm pipeline consisting of a Section 8 preservation property and a veterans supportive housing property with a non-profit owner/operator, as well as other workforce housing properties.

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)*

Prior to our mezzanine loan offering, there was no market precedent. While mezzanine loans have existed for some time, mezzanine loans with affordability and mission-based requirements did not exist and it was not clear that the market would support them. We had no templates to build from for the most innovative aspect of our program - the PARC. We had to develop the PARC requirements, documentation, and ongoing monitoring from the ground up. This required participants from across the organization–-ranging from production, underwriting, legal and asset management—to devise and test numerous different parameters for preservation against likely scenarios in the market, and to document the final parameters and process in the PARC form legal document. We also had to develop a compliance tool to enable us to test rents on each property every year to ensure compliance. While these factors were overcome in our development, the highly innovative nature of this offering increased the difficulty substantially.

In addition to the complexities in developing the offering, we also overcame market adoption challenges. With something this new, borrowers are naturally reluctant to agree to terms that, while of high impact to tenants, can restrict borrowers' economics and flexibility to refinance or sell a property prior to the end of the loan term. We will continue to assess the offering and market adoption to determine whether – and to what extent – additional flexibility is needed.

4. <u>Optional</u>: 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)*

Developing our mezzanine loan offering in 2018 enhances our ability to purchase loans supporting LIHTC, Section 8, and High Opportunity Areas over time in accordance with our DTS plan targets. Beyond this, we have already seen impact of our mezzanine loan offering outside the limits of DTS credit, with properties in our firm pipeline consisting of a Section 8 preservation property and a veterans supportive housing property with a non-profit owner/operator, as well as other workforce housing properties.

Attach the information detailed in the list of documentation specific to the objective that was provided by FHFA.

Exhibit C:

Second Quarter Loan Products Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2Q REPORT

EVALUATION AREA: PRODUCT

ACTIVITY:

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

OBJECTIVE:

Objective B: Develop a new mezzanine financing offering to close capital gaps for LIHTC preservation transactions

ACTIONS:

Preserving the affordability of LIHTC properties at the end of their compliance period is necessary to enable the continued availability of affordable housing in markets across the country, as this is often a point in time when properties are in need of recapitalization and are most at risk. Through our mezzanine financing offering, we expect to be able to support LIHTC preservation for the benefit of communities nationwide.

In the first half of 2018, we have made considerable progress on this objective, will complete all actions by the end of the year, and expect to exceed our product development targets as we begin screening potential mezzanine transactions.

Action Category	**Action Reference – Activity 1; Objective B**	**Status**
Market Actions	Action 1	FHFA Approval – Complete
	Action 2	Term Sheet Distribution – Outstanding
Underwriting Actions	Action 1	Develop Underwriting Parameters – Complete
	Action 2A-G	Develop Term Sheet – Complete
	Action 3	Develop Refinance Test – Complete

Resource Actions	Action 1	Appoint Mezz UW and Production lead – Complete
	Action 2	Develop Mezz Working Group – Complete
	Action 3A-H	Engage outside counsel to draft legal docs – Complete
	Action 4	Create & document affordability restrictions monitoring – Complete
	Action 5	Training sessions to internal staff - Complete
	Action 6	Training sessions to S/S – Outstanding

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