

Exhibit G:
Annual Loan Products Narrative Reporting Template

FREDDIE MAC

HIGH-NEEDS RURAL REGIONS

2018

LOAN PRODUCT

ACTIVITY:

Activity 1 – Support for High-Needs Rural Regions; Regulatory Reporting

OBJECTIVE:

Objective C: Design Improved Product Flexibilities to Facilitate the Origination of Renovation Mortgages.

ACTIONS:

Freddie Mac exceeded our Plan goals to design product flexibilities and features that can support the renovation of homes that are aging or affected by natural disasters, a market need identified while developing our Plan. These activities have and will continue to be impactful because we are providing valuable options to potential homebuyers to purchase affordable homes that need renovation. The renovation options will specifically benefit many low- to moderate-income families in the high-needs rural areas due to the significant number of affordable, but aging, housing stock in these areas.

2018 highlights:

- We assessed our current renovation product's features, which revealed that we need to add more features to our offering to better serve the needs of this underserved market segment.*
- We engaged with key stakeholders and researched renovation trends and market-growth forecasts. Through these efforts, we found that demand for renovation financing is growing; households are using savings, credit cards, home equity lines of credit, and personal loans to pay for home repairs, in part because of the lack of renovation mortgage products.*
- We conducted extensive outreach to gather feedback from housing finance industry stakeholders to inform the product terms. We engaged with 26 experienced lenders, facilitated three roundtable discussions with lenders and interacted with non-profits, community development financial institutions (CDFIs), mortgage insurance companies, and housing finance agencies (HFAs).*
- We issued a negotiated term of business (TOB) with two lenders as well as purchased mortgages used to finance repairs and/or improvements so that we could trend characteristics from the loan profiles to further inform our policy - all while increasing support for the market.*
- We developed the underwriting and operational flexibilities for a single-close solution, which lets the borrower finance renovation expenses as part of a home purchase or refinance. We initiated the operational assessment for implementation of the requirements, and our new renovation product will be released in 2019.*
- We updated our Home Possible® policy in our Seller/Servicer Guide, redefining our sweat equity parameters to support homebuyers in using their construction skills and labor, in lieu of cash, to cover their down payment and closing costs.*
- We developed and implemented sweat equity product training and a marketing campaign aimed at lenders. As a direct result of these efforts, lenders are now aware of the sweat equity offering and have learned about product flexibilities and parameters. Plans are under way to bring the sweat equity training to the appraisal community to increase understanding of the parameters and confidence in appraising properties where sweat equity was used.*

Activity	2018 Actions
<p>1. Conduct an analysis of existing renovation product features to determine underwriting and operational flexibilities needed to support renovation financing in high-needs rural regions for very low-, low-, and moderate-income households. The findings will be submitted in a report to FHFA and we will implement resulting policy changes in 2019.</p>	<ul style="list-style-type: none"> • We analyzed our existing product and concluded that we need to introduce additional features to our product offering to better support the renovation of affordable homes that require repairs and the needs of homebuyers and homeowners at every stage of life. • Through market research and discussions with key stakeholders, we discovered that the lack of renovation product options drives many households to pay for home repairs with savings, credit cards, home equity lines of credit, and personal loans. • We submitted our findings to FHFA. • Our new single-close renovation solution will launch in 2019.
<p>2. Engage with lenders, non-profits, housing finance agencies, and community development financial institutions that have successful rehab programs and/or provide direct renovation financing to understand the opportunities to support programs and loan structures. We would also engage mortgage insurers as part of the outreach effort.</p>	<ul style="list-style-type: none"> • We engaged with 26 experienced lenders, facilitated three roundtable discussions with lenders, and interacted with non-profits, CDFIs, mortgage insurance companies, and HFAs. • The feedback helped us define appropriate terms to address challenges in high-needs rural areas, including flexibilities that are typically dictated by the term of the loan, subordinate financing, occupancy, low down payment, closing cost options, and additional options, including a single-close provision.
<p>3. Purchase renovation loans from at least one regional or national lender or community development financial institution to further inform product design.</p>	<ul style="list-style-type: none"> • We issued a negotiated TOB with two lenders. • We purchased renovation loans from both lenders. In this way, we increased market support. We also gained insight into loan amounts, program parameters, initial performance data, and credit attributes associated with renovations that informed our product design.
<p>4. Provide underwriting flexibilities with lenders via the Seller/Service Guide or a negotiated term of business to facilitate borrowers' use of sweat equity and/or participation in self-help programs.</p>	<ul style="list-style-type: none"> • We completed a Guide update to provide flexibilities in Home Possible, our low-down payment offering, around the use of sweat equity. • Our marketing efforts and monthly training raised lenders' awareness of the sweat equity product and educated them on how to use it to benefit very low-, low-, and moderate-income borrowers.

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:

If the self-assessment above indicated that the objective was partially completed, briefly explain the basis for the share of the objective that was completed. In the explanation, include a discussion of the level of effort expended for the completed actions compared to the level of effort required to complete the entire objective.

(Character limit: 3,000 characters, including spaces)

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*)

The market made clear that a robust renovation program is needed; they were also clear they had the expertise to oversee the construction process and requested we take their feedback when developing the new renovation program. By preparing lenders to use the product to benefit their customers and then sell the loans to us, we will make a significant impact on liquidity and access to affordable credit.

The level of effort under this objective was extensive, including acquiring market feedback to determine Guide policy updates on the Home Possible sweat equity parameters and the new renovation offering development. Further the effort to find experienced lenders with renovation products we wanted to learn from and engaging in the exercise to develop two TOBs to purchase renovation loans and review their parameters took a significant undertaking by several divisions and extensive time to achieve. To develop the new renovation program, Freddie Mac mobilized several divisions, and created working groups and sub-committees to perform the tasks necessary to achieve these actions.

Specifically:

- *We are demonstrating our commitment to, and leadership in, encouraging the collaboration required to address market challenges in meaningful ways.*
 - *We worked with lenders that originate renovation mortgages to provide liquidity and direct access to the secondary mortgage market through a negotiated TOB. These purchases also afforded us insight into renovation loan data that factored into development of a new product that will provide affordable financing and flexibilities with a single-close transaction, creating efficiencies for lenders and reducing costs for homeowners.*
 - *Expanding product flexibilities around Home Possible sweat equity parameters creates significant opportunities to promote affordable homeownership and to increase the availability of habitable, affordable homes. It offers an alternative to homebuyers who lack the resources for down payment and closing costs. It also provides an option for financing needed repairs and deferred maintenance.*
 - *We provide the support and leadership needed to expand the use of mortgage financing for renovations. Because of our marketing and training efforts around the updated sweat equity policy, lenders are aware of the increased flexibility on the source of funds and policy requirements to use a conventional product that allows sweat equity as a source of down payment and closing costs.*
 - *Effective financing options will encourage renovations that promote homeownership opportunities generally and make homes more appealing to Millennials, allow older homeowners to age in place, and create accommodations for multigenerational households. Access to renovation financing also is critical in disaster-prone areas, where homeowners may need to repair their homes and install resiliency features to recover from environmental disasters and withstand future events.*
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 2018 work is foundational to our 2019 product development. Freddie Mac will continue efforts to fully develop the new product based on our 2018 assessment. We plan to complete product development by 2019. We will release our offering through a Freddie Mac Seller/Servicer Guide Bulletin and provide extensive marketing and training to educate lenders on the enhanced product offering and give them the confidence to make renovation mortgage loans that they can sell to us. There are no changes to next steps or timeline.

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)

Significant challenges in high-needs rural areas regarding accessing mortgage lenders, pre-purchase counseling, and homebuyer education along with access to contractors and appraisers could adversely impact our actions. The market is also challenged simply by the number of aging homes, properties with extensive deferred maintenance, and vacant homes that need renovation assistance at a reasonable cost. Further, the complexity of renovation lending requires a significant amount of outreach and training for lenders and borrowers alike. However, current housing market conditions and forecasts make us optimistic about our actions under this objective as they create an environment conducive to home improvement and renovation activity.

4. **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)

Our product offering will increase loan purchases in the future. The feedback we received from experienced renovation lenders, our analysis of the product, and operational policies provided by the TOBs to purchase renovation loans greatly benefitted our renovation product development. The renovation purchases provided insight into effective renovation parameters, various operational processes to manage a renovation product, and view into the time required to complete a project.

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

RURAL HOUSING

Q2: JANUARY THROUGH JUNE 2018

LOAN PRODUCT

ACTIVITY:

Activity 1 – Support for High-Needs Rural Regions: Regulatory Activity

OBJECTIVE:

Objective C: Design Improved Product Flexibilities to Facilitate the Origination of Renovation Mortgages.

ACTIONS:

During the first half of 2018, we engaged with several lenders, CDFIs, non-profits, and industry experts that provide renovation financing in order to better understand the opportunities to support programs and loan structures. We engaged with eight small, regional and national lenders that use both agency and proprietary products. They have suggested financing that allows a buyer or homeowner to renovate the home in one transaction and allow the lender to approve that loan subject to completion of renovation activity is needed in the market. We are exploring the efficacy of operational execution of this financing structure, either through a Guide offering or conducting a pilot.

Through an analysis of our existing renovation product features, we determined that the sweat equity product feature in our Home Possible product lacks sufficient guidance for lenders to have confidence in using sweat equity as a source of down payment. We further found that we may need to provide additional training for lenders and appraisers as well as additional product flexibilities in order to be impactful in the high-needs areas. Through our outreach, we also found the need for more guidance on appraisal methodologies and how to incorporate the value of labor and the consideration of higher combined loan-to-value ratios to facilitate flexibility for down payment requirements.

In the second half of 2018, Freddie Mac will publish a Guide change to support the sweat equity product offering that provides additional flexibilities and guidance around sweat equity in the Home Possible product. We will be developing a framework for the renovation product enhancement. We intend to complete this objective through continued engagement with lenders, mortgage insurance companies, housing finance agencies, appraisers, CDFIs manufactured housing trade organizations and non-profits. In addition, we will purchase renovation loans from one regional or national lender of a community development institution to obtain data on loan characteristics in order to help design improved product flexibilities to facilitate loan originations, specifically renovation mortgages.

Activity	Action Reference – Activity 1; Objective C	Status
Analyze product & report findings	Action 1	• <i>In Progress</i>
Engage lenders, non-profits, HFAs, CDFIs & MIs	Action 2	• <i>In Progress</i>
Purchase renovation loans	Action 3	• <i>In Progress</i>
Provide underwriting flexibilities to lenders to facilitate a borrower’s use of sweat equity via the Guide or negotiated term of business	Action 4	• <i>In Progress</i>

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):

If the Enterprise is not on target to meet or exceed the objective, briefly explain why. (Character limit: 1,000 characters, including spaces)