FEDERAL HOME LOAN MORTGAGE CORP
Form 10-Q
November 07, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 2013
or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from to
Commission File Number: 001-34139

Federal Home Loan Mortgage Corporation
(Exact name of registrant as specified in its charter)
Freddie Mac

Federally chartered corporation	8200 Jones Branch Drive McLean, Virginia 22102-3110	52-0904874	(703) 903-2000
(State or other jurisdiction of incorporation or organization)	(Address of principal executive offices, including zip code)	(I.R.S. Employer Identification No.)	(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ý
Non-accelerated filer (Do not check if a smaller reporting company) ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
As of October 24, 2013, there were 650,039,533 shares of the registrant’s common stock outstanding.

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PART I — FINANCIAL INFORMATION

We continue to operate under the conservatorship that commenced on September 6, 2008, under the direction of FHFA as our Conservator. The Conservator succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any shareholder, officer or director thereof, with respect to the company and its assets. The Conservator has delegated certain authority to our Board of Directors to oversee, and management to conduct, day-to-day operations. The directors serve on behalf of, and exercise authority as directed by, the Conservator. See "BUSINESS — Conservatorship and Related Matters" in our Annual Report on Form 10-K for the year ended December 31, 2012, or 2012 Annual Report, for information on the terms of the conservatorship, the powers of the Conservator, and related matters, including the terms of our Purchase Agreement with Treasury.

This Quarterly Report on Form 10-Q includes forward-looking statements that are based on current expectations and are subject to significant risks and uncertainties. These forward-looking statements are made as of the date of this Form 10-Q and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q. Actual results might differ significantly from those described in or implied by such statements due to various factors and uncertainties, including those described in: (a) the "FORWARD-LOOKING STATEMENTS" sections of this Form 10-Q, our 2012 Annual Report, and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013; (b) the "RISK FACTORS" sections of this Form 10-Q and our 2012 Annual Report; and (c) the "BUSINESS" section of our 2012 Annual Report.

Throughout this Form 10-Q, we use certain acronyms and terms that are defined in the "GLOSSARY."

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this MD&A in conjunction with our consolidated financial statements and related notes for the three and nine months ended September 30, 2013 included in "FINANCIAL STATEMENTS" and our 2012 Annual Report.

EXECUTIVE SUMMARY

Overview

Freddie Mac is a GSE chartered by Congress in 1970 with a public mission to provide liquidity, stability, and affordability to the U.S. housing market. We have maintained a consistent market presence since our inception, providing mortgage liquidity in a wide range of economic environments. We are working to support the recovery of the housing market and the nation's economy by providing essential liquidity to the mortgage market and helping to stem the rate of foreclosures. We believe our actions are helping communities across the country by providing America's families with access to mortgage funding at low rates while helping distressed borrowers keep their homes and avoid foreclosure, where feasible.

Summary of Financial Results

During the third quarter of 2013, we continued to observe improvement in the housing market, which contributed positively to our financial results. Our comprehensive income for the third quarter of 2013 was $30.4 billion, consisting of $30.5 billion of net income and $(49) million of other comprehensive loss. By comparison, our comprehensive income for the third quarter of 2012 was $5.6 billion, consisting of $2.9 billion of net income and $2.7 billion of other comprehensive income. Our net income for the third quarter of 2013 includes a benefit for federal income taxes of $23.9 billion that resulted from our conclusion to release our valuation allowance against our net deferred tax assets. Absent the benefit for federal income taxes, our comprehensive income for the third quarter of 2013 was $6.5 billion.

Our total equity was $33.4 billion at September 30, 2013, reflecting our total equity balance of $7.4 billion at June 30, 2013, comprehensive income of $30.4 billion for the third quarter of 2013, and a $4.4 billion dividend payment on the senior preferred stock in September 2013 based on our Net Worth Amount at June 30, 2013. As a result of our positive net worth at September 30, 2013, no draw is being requested from Treasury under the Purchase Agreement for the third quarter of 2013. Based on our Net Worth Amount at September 30, 2013, our dividend obligation to Treasury in December 2013 will be$30.4 billion.

Our Primary Business Objectives

Our business objectives reflect direction we have received from the Conservator, including the 2013 Conservatorship Scorecard. We are focused on the following primary business objectives: (a) providing credit availability for

mortgages and maintaining foreclosure prevention activities; (b) managing our credit losses; (c) developing mortgage market enhancements in support of a proposed new infrastructure for the secondary mortgage market; (d) maintaining sound credit quality on the loans we purchase or guarantee; (e) contracting the dominant presence of the GSEs in the marketplace; and (f) strengthening our infrastructure and improving operating efficiency.

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The 2013 Conservatorship Scorecard details specific priorities for Freddie Mac and Fannie Mae in 2013 that build upon the three strategic goals announced in FHFA's Strategic Plan for Freddie Mac and Fannie Mae: (a) build a new infrastructure for the secondary mortgage market; (b) gradually contract Freddie Mac and Fannie Mae's dominant presence in the marketplace while simplifying and shrinking their operations; and (c) maintain foreclosure prevention activities and credit availability for new and refinanced mortgages. We continue to align our resources and internal business plans to meet the goals and objectives provided to us by FHFA. For information on the 2013 Conservatorship Scorecard and the Strategic Plan, see our current report on Form 8-K dated March 8, 2013 and "BUSINESS — Regulation and Supervision — Legislative and Regulatory Developments — FHFA's Strategic Plan for Freddie Mac and Fannie Mae Conservatorships" in our 2012 Annual Report.

Providing Credit Availability for Mortgages and Maintaining Foreclosure Prevention Activities

Our consistent market presence provides lenders with a constant source of liquidity for conforming mortgage products even when other sources of capital have withdrawn. We believe this liquidity provides our customers with confidence to continue lending in difficult environments. We estimate that we, Fannie Mae, and Ginnie Mae collectively guaranteed more than 90% of the single-family conforming mortgages originated during the first nine months of 2013. We also enable mortgage originators to offer homebuyers and homeowners lower mortgage rates on conforming loan products, in part because of the value investors place on GSE-guaranteed mortgage-related securities. Historically, interest rates on 30-year, fixed-rate conforming loans have been less than those on non-conforming loans. However, in recent periods the average gap in interest rates between these loan types has declined. We estimate that borrowers were paying an average of 20 basis points less on 30-year, fixed-rate conforming loans than on non-conforming loans in September 2013, as compared to 43 basis points less in December 2012. These estimates are based on data provided by HSH Associates, a third-party provider of mortgage market data.

In addition to being a source of liquidity for the market, we have also been engaged in efforts to assist our seller/servicers improve their underwriting processes for loans that they sell to us. As part of these efforts and in accordance with the 2013 Conservatorship Scorecard, we have made progress in the following areas during 2013:

- Began an initiative for enhanced early-risk assessment by seller/servicers, including implementation of a new automated tool for use in evaluating the credit eligibility of loans and identifying non-compliance issues;
- Announced requirements for our seller/servicers in response to certain final rules from the Consumer Financial Protection Bureau, including rules concerning the requirements for borrowers' ability to repay and high-cost mortgages, that are to be implemented beginning in 2014. See "BUSINESS — Legislative and Regulatory Developments — Dodd-Frank Act" in our 2012 Annual Report for further information on the final rules;
- Implemented standard timelines, appeal requirements, and alternative remedies for resolution of repurchase obligations as part of our efforts to enhance post-delivery quality control practices and transparency associated with our representation and warranty framework; and
- Expanded our loan review sampling strategy, specifically focused on newly purchased mortgage loans, to evaluate compliance with our standards.

In addition, we attempt to manage our exposure to mortgage insurers by establishing eligibility standards and monitoring our exposure to individual insurers. Our monitoring includes performing periodic analysis of the estimated financial capacity of individual insurers under different adverse economic conditions. We are also working on developing counterparty risk management standards for mortgage insurers that include eligibility requirements. We expect to publish changes to the capital requirements and other standards for mortgage insurer eligibility by the end of 2013. In addition, working with FHFA and Fannie Mae, we have guided mortgage insurers in their adoption of new master policies, for which the mortgage insurers are expected to seek state regulatory approval.

We also remain focused on reducing the number of foreclosures and helping to keep families in their homes. Since 2009, we have helped approximately 913,000 borrowers experiencing hardship complete a loan workout. Our relief refinance initiative, including HARP (which is the portion of our relief refinance initiative for loans with LTV ratios above 80%), is a significant part of our effort to keep families in their homes. We purchased $54.9 billion and $65.1 billion in UPB of HARP loans in the first nine months of 2013 and 2012, respectively. We have purchased HARP loans provided to more than 1.2 million borrowers since the initiative began in 2009, including approximately 297,000 borrowers during the first nine months of 2013.

During the three and nine months ended September 30, 2013, we purchased or issued other guarantee commitments for $97.8 billion and $359.6 billion in UPB of single-family conforming mortgage loans, representing approximately 472,000 and 1,753,000 homes, respectively.

Under our loan workout programs, our servicers contact borrowers experiencing hardship with a goal of helping them stay in their homes or avoid foreclosure. Our servicers seek and also facilitate the completion of foreclosure alternatives when a home retention solution is not possible. In July 2013, as part of the servicing alignment initiative, we implemented a new

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streamlined modification initiative, which provides an additional modification opportunity to certain borrowers who are at least 90 (but not more than 720) days delinquent. See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk" for more information about loss mitigation activities and our efforts to provide credit availability, including through our loan modification initiatives, and our relief refinance mortgage initiative, which includes HARP.
The table below presents our single-family loan workout activities for the last five quarters.

Table 1 — Total Single-Family Loan Workout Volumes[1]

	For the Three Months Ended				
	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
	(number of loans)				
Loan modifications[2]	20,541	19,277	20,613	19,898	20,864
Repayment plans	6,603	7,268	7,644	6,964	7,099
Forbearance agreements[3]	2,586	3,198	3,104	2,442	2,190
Short sales and deed in lieu of foreclosure transactions	10,998	11,727	14,157	13,849	14,383
Total single-family loan workouts	40,728	41,470	45,518	43,153	44,536

(1) Based on actions completed with borrowers for loans within our single-family credit guarantee portfolio. Excludes those modification, repayment, and forbearance activities for which the borrower has started the required process, but the actions have not been made permanent or effective, such as loans in modification trial periods. Also excludes certain loan workouts where our single-family seller/servicers have executed agreements in the current or prior periods, but these have not been incorporated into certain of our operational systems due to delays in processing. These categories are not mutually exclusive and a loan in one category may also be included within another category in the same period.

(2) As of September 30, 2013, approximately 34,000 borrowers were in modification trial periods, including approximately 28,000 borrowers in trial periods for our non-HAMP modification.

(3) Excludes loans with long-term forbearance under a completed loan modification. Many borrowers enter into a short-term forbearance agreement before another loan workout is pursued or completed. We only report forbearance activity for a single loan once during each quarterly period; however, a single loan may be included under separate forbearance agreements in separate periods.

Our short sale activity has remained high compared to historical levels, while the volume of completed foreclosures has declined in recent quarters. Our short sale activity declined for the two most recent quarters, which we believe is due to increasing interest rates and strengthening home prices in most geographical areas.

Managing Our Credit Losses

To help manage the credit losses related to our guarantee activities, we are focused on:

- pursuing a variety of loan workouts, including foreclosure alternatives, in an effort to reduce the severity of losses we experience over time;
- managing foreclosure timelines to the extent possible, given the lengthy foreclosure process in many states;
- managing our inventory of foreclosed properties to reduce costs and maximize proceeds; and
- pursuing contractual remedies against seller/servicers, and insurers, as appropriate.

We establish guidelines for our servicers to follow and provide them default management tools to use, in part, in determining which type of loan workout to pursue with borrowers that would be expected to provide us with the opportunity to manage our exposure to credit losses. Our servicers pursue repayment plans and loan modifications for borrowers facing financial or other hardships because the level of recovery (if a loan reperforms) may often be much higher than would be the case with foreclosure or foreclosure alternatives. In cases where repayment plans and loan modifications are not possible or successful, a short sale transaction typically provides us with a comparable or higher level of recovery than what we would receive through foreclosure and subsequent property sale from our REO

inventory. In large part, the benefit of a short sale arises from the avoidance of costs we would otherwise incur to complete the foreclosure and dispose of the property, including maintenance and other property expenses associated with holding REO property.

We continue to face challenges with respect to the performance of certain of our seller/servicers in managing our seriously delinquent loans. As part of our efforts to address this issue and mitigate our credit losses, we have continued to facilitate the transfer of servicing for certain pools of loans with higher credit risk from underperforming servicers to other servicers that specialize in workouts of problem loans.

We have contractual arrangements with our seller/servicers under which they agree to sell us mortgage loans, and represent and warrant that those loans meet specified eligibility and underwriting standards. In addition, our servicers represent and warrant to us that those loans will be serviced in accordance with our servicing contract. If we subsequently discover that the representations and warranties were breached (i.e., contractual standards were not followed), we can exercise certain contractual remedies, including requesting repurchase, to mitigate our actual or potential credit losses.

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Historically, we have used a process of reviewing a sample of the loans we purchase to validate compliance with our underwriting standards. In addition, as part of our loss mitigation efforts, we review loans that become delinquent. FHFA set a goal for us (in the 2013 Conservatorship Scorecard) to complete our demands for remedies for breaches of representations and warranties related to pre-conservatorship loan origination activity. As of September 30, 2013 and December 31, 2012, the UPB of loans subject to repurchase requests issued to our single-family seller/servicers was approximately $3.4 billion and $3.0 billion, respectively (these figures include repurchase requests for which appeals were pending). During the third quarter of 2013, we entered into agreements with certain of our seller/servicers (as discussed below), which we believe will contribute to our substantial completion of the FHFA goal. Due to our efforts to complete this goal, our repurchase request volume with our seller/servicers was high in the third quarter of 2013 and may remain high in the near term.

During the third quarter of 2013, we entered into agreements with Wells Fargo Bank, N.A., CitiMortgage, Inc., Citibank, N.A., and SunTrust Mortgage, Inc. to release specified loans from certain repurchase obligations in exchange for one-time cash payments. In connection with these agreements, we received $1.3 billion in the aggregate (less credits of $0.2 billion for repurchases already made and other reconciling adjustments), related to approximately 10.7 million loans that we had purchased from them. As of September 30, 2013, there was an aggregate of $184.1 billion in UPB of single-family mortgage loans that were subject to these agreements.

On October 25, 2013, we entered into agreements with JPMorgan Chase & Co. and certain affiliated entities (collectively, JPMorgan). Under the terms of the agreements, JPMorgan will pay: (a) approximately $2.7 billion to Freddie Mac to settle litigation related to our investments in certain residential non-agency mortgage-related securities we hold that were largely originated, issued or underwritten by JPMorgan; and (b) approximately $0.5 billion to release specified loans from certain repurchase obligations. These agreements will be reflected in our fourth quarter 2013 financial results.

We use mortgage insurance, which is a form of credit enhancement, to partially mitigate our credit loss exposure. Primary mortgage insurance is generally required to be purchased, typically at the borrower’s expense, for certain mortgages with higher LTV ratios. We received payments under primary and other mortgage insurance of $1.6 billion and $1.5 billion in the first nine months of 2013 and 2012, respectively, which helped to mitigate our credit losses. However, many of our mortgage insurers remain financially weak. We expect to receive substantially less than full payment of our claims from three of our mortgage insurance counterparties that are currently partially paying claims under orders of their state regulators. During the third quarter of 2013, we entered into an agreement with Radian Guaranty Inc. (Radian) that generally resolves outstanding and future primary mortgage insurance claims by us against Radian with respect to a large group of loans. This did not have a significant impact on our consolidated statements of comprehensive income in the third quarter of 2013. See “RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Mortgage Insurers” for information on these counterparties as well as our agreement with Radian. See “NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES —Table 4.5 — Recourse and Other Forms of Credit Protection” for more information about credit enhancements of our single-family credit guarantee portfolio.

Developing Mortgage Market Enhancements in Support of a Proposed New Infrastructure for the Secondary Mortgage Market

Under the direction of FHFA, we continue efforts to build the infrastructure for a future housing finance system. In this regard, the 2013 Conservatorship Scorecard established the following goals for 2013:

- Common Securitization Platform: Continue the foundational development of the common securitization platform that can be used in a future secondary mortgage market, including by establishing initial ownership and governance for a new business entity that will undertake the effort of building and operating this platform. On October 7, 2013, FHFA announced the formation of Common Securitization Solutions, LLC℠ (CSS). In addition, FHFA announced that: (a) office space has been leased for CSS; and (b) an executive recruitment firm has been retained to identify candidates for the positions of Chief Executive Officer and Chairman of the Board of Managers of CSS. CSS is equally-owned by Freddie Mac and Fannie Mae. In connection with the formation of CSS, we entered into a limited liability company agreement with Fannie Mae in October 2013 and anticipate entering into additional agreements with Fannie Mae relating to CSS in the future.
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- Contractual and Disclosure Framework: Continue the development of the contractual and disclosure framework to meet the requirements for investors in mortgage securities and credit risk, including by identifying and developing standards in mortgage-related data, disclosure of mortgage security information, and seller/servicer contracts.
- Uniform Mortgage Data Program: Continue the development of various data standards for the mortgage industry by working with industry participants and government agencies on the scope and implementation of these standards, including effective dates. We are building on the successful completion of our uniform loan data delivery and uniform appraisal data programs in the development of the uniform closing data and uniform loan application data standards. We currently plan to announce the implementation dates and scope of the first phase of our uniform mortgage servicing data program by the end of 2013.

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Maintaining Sound Credit Quality on the Loans We Purchase or Guarantee

We continue to focus on maintaining credit policies, including our underwriting standards, that allow us to purchase and guarantee loans made to qualified borrowers that we believe will provide management and guarantee fee income, over the long-term, that exceeds our expected credit-related and administrative expenses on such loans.

The credit quality of the single-family loans we acquired beginning in 2009 (excluding HARP and other relief refinance mortgages) is significantly better than that of loans we acquired from 2005 to 2008, as measured by original LTV ratios, FICO scores, and the proportion of loans underwritten with fully documented income. The improvement in the credit quality of loans we have purchased since 2008 (excluding HARP and other relief refinance mortgages) is primarily the result of: (a) changes in our credit policies, including changes in our underwriting standards; (b) fewer purchases of loans with higher risk characteristics; and (c) changes in mortgage insurers' and lenders' underwriting practices.

Underwriting procedures for relief refinance mortgages are limited in many cases, and such procedures generally do not include all of the changes in underwriting standards we have implemented since 2008. As a result, relief refinance mortgages generally reflect many of the credit risk attributes of the original loans. However, our relief refinance mortgage initiative may help reduce our exposure to credit risk in cases where the borrowers' payments under their mortgages are reduced, thereby strengthening the borrowers' potential to make their mortgage payments.

Mortgages originated after 2008 (including HARP and other relief refinance mortgages) represented 73% and 63% of the UPB of our single-family credit guarantee portfolio as of September 30, 2013 and December 31, 2012, respectively, while the mortgages originated from 2005 through 2008 represented 17% and 24% of this portfolio at these dates, respectively. Approximately 96% and 95% of the single-family mortgages we purchased in the first nine months of 2013 and 2012, respectively, were fixed-rate, first lien amortizing mortgages, based on UPB.

The table below presents single-family loan purchases and other guarantee commitment issuances during the nine months ended September 30, 2013 and 2012, by loan purpose.

Table 2 — Single-Family Mortgage Loan Purchases and Other Guarantee Commitment Issuances, by Loan Purpose[(1)]

	For the Three Months Ended											
	September 30, 2013			June 30, 2013			March 31, 2013			December 31, 2012		
	UPB	% of Total		UPB	% of Total		UPB	% of Total		UPB	% of Total	
	(dollars in millions)											
Loan Purpose:												
Purchase loans	$33,937	35	%	$30,185	23	%	$20,545	16	%	$23,970	18	%
Refinance loans:												
HARP loans	13,181	13		20,311	16		21,458	16		21,796	17	
Other relief refinance loans	8,372	9		11,901	9		11,415	9		10,521	8	
Total relief refinance loans	21,553	22		32,212	25		32,873	25		32,317	25	
Other refinance loans	42,343	43		67,461	52		78,466	59		73,998	57	
Total refinance loans	63,896	65		99,673	77		111,339	84		106,315	82	
Total single-family mortgage loan purchases and other guarantee commitment issuances	$97,833	100	%	$129,858	100	%	$131,884	100	%	$130,285	100	%

(1) Based on UPB. Excludes mortgage loans traded but not yet settled. Also excludes the removal of seriously delinquent loans and balloon/reset mortgages from PC trusts under the terms of the trust agreements. Includes other guarantee commitments associated with mortgage loans.

Due to our participation in HARP, we purchase a significant number of loans that have original LTV ratios over 100%. The proportion of HARP loans we purchased with LTV ratios over 100% was 8% and 13% of our single-family mortgage purchases in the first nine months of 2013 and 2012, respectively. Over time, HARP loans may not perform as well as other refinance mortgages because the continued high LTV ratios and reduced

underwriting standards of these loans increase the probability of default. In addition, HARP loans may not be covered by mortgage insurance for the full excess of their UPB over 80%. However, relief refinance mortgages (including HARP loans) generally have performed better than loans with similar characteristics remaining in our single-family credit guarantee portfolio that were originated prior to 2009.

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The table below presents the composition and certain other information about loans in our single-family credit guarantee portfolio, by year of origination at September 30, 2013 and December 31, 2012, and for the first nine months of 2013 and the year ended December 31, 2012.

Table 3 — Single-Family Credit Guarantee Portfolio Summary[1]

	At September 30, 2013					Nine Months Ended September 30, 2013
	Percent of Portfolio	Average Credit Score[2]	Current LTV Ratio[3]	Current LTV Ratio >100%[3][4]	Serious Delinquency Rate[5]	Percent of Credit Losses[6]
Loans originated — 2009 to 2013:						
Relief refinance loans:						
HARP loans	13 %	732	98 %	36 %	0.88 %	5.6 %
Other relief refinance loans	8	744	55	—	0.31	0.5
All other loans	52	757	63	<1	0.25	2.5
Subtotal — 2009 to 2013 originations	73	751	68	7	0.36	8.6
Loans originated — 2005 to 2008	17	704	89	31	9.15	82.0
Loans originated — 2004 and prior	10	712	51	3	3.29	9.4
Total	100 %	739	70	11	2.58	100.0 %

	At December 31, 2012					Year Ended December 31, 2012
	Percent of Portfolio	Average Credit Score[2]	Current LTV Ratio[3]	Current LTV Ratio >100%[3][4]	Serious Delinquency Rate[5]	Percent of Credit Losses[6]
Loans originated — 2009 to 2012:						
Relief refinance loans:						
HARP loans	11 %	735	100 %	40 %	0.98 %	2.0 %
Other relief refinance loans	7	749	58	—	0.32	0.2
All other loans	45	757	66	<1	0.27	1.4
Subtotal — 2009 to 2012 originations	63	753	71	7	0.39	3.6
Loans originated — 2005 to 2008	24	708	98	42	9.56	87.3
Loans originated — 2004 and prior	13	715	56	6	3.20	9.1
Total	100 %	737	75	15	3.25	100.0 %

(1) Based on the loans remaining in the portfolio at September 30, 2013 and December 31, 2012, which totaled $1.7 trillion and $1.6 trillion in UPB, respectively, rather than all loans originally guaranteed by us and originated in the respective period. Includes loans acquired under our relief refinance initiative, which began in 2009. For credit

scores, LTV ratios, serious delinquency rates, and other information about the loans in our single-family credit guarantee portfolio, see "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk."

(2) Credit score data is based on FICO scores, which are ranked on a scale of approximately 300 to 850 points. Although we obtain updated credit information on certain borrowers after the origination of a mortgage, such as those borrowers seeking a modification, the scores presented in this table represent the credit score of the borrower at the time of loan origination and may not be indicative of the borrowers' current creditworthiness.

(3) We estimate current market values by adjusting the value of the property at origination based on changes in the market value of homes in the same geographical area since origination. See endnote (3) to "Table 34 — Characteristics of the Single-Family Credit Guarantee Portfolio" for information on our calculation of current LTV ratios.

(4) Calculated as a percentage of the aggregate UPB of loans with LTV ratios greater than 100% in relation to the total UPB of loans in the category.

(5) See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-family Mortgage Credit Risk — Delinquencies" for further information about our reported serious delinquency rates.

(6) Historical credit losses for each origination year may not be representative of future results.

Contracting the Dominant Presence of the GSEs in the Marketplace

We continue to take steps toward the goal of gradually contracting our presence in the marketplace. For example, the 2013 Conservatorship Scorecard established the following goals for 2013 (with credit for partial completion allowed):

- Single-family: Demonstrate the viability of multiple types of risk transfer transactions involving single-family mortgages with at least $30 billion in aggregate UPB, subject to certain limitations. These transactions are intended to shift mortgage credit risk from us to private capital investors. In July 2013, we executed one transaction representing $22.5 billion of UPB, of which we believe $18.5 billion qualifies toward this goal. A second transaction, representing $35.3 billion of UPB, is scheduled to settle on November 12, 2013. We plan to execute an additional risk transfer transaction in the fourth quarter of 2013;

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- Multifamily: Reduce the UPB amount of new multifamily business activity (purchases of loans and issuances of other guarantee commitments) relative to 2012 by at least 10% by tightening underwriting, adjusting pricing, and limiting product offerings, while not increasing the proportion of retained risk. Although multifamily new business activity was strong during the first half of 2013, new business activity moderated during the third quarter due to certain recent measures we have taken, combined with the impacts of rising interest rates and increased competition from other market participants; and
- Mortgage-related investments portfolio: Reduce the December 31, 2012 mortgage-related investments portfolio balance by selling 5%, or $15.7 billion in UPB, of mortgage-related assets (exclusive of agency securities, multifamily loans classified as held-for-sale, and single-family loans purchased for cash). Through September 30, 2013, we have sold $11.7 billion in UPB of assets that are intended to qualify toward this goal.

The 2013 Conservatorship Scorecard states that our transactions related to these goals should be economically sensible, operationally well-controlled, involve a meaningful transference of credit risk, and be transparent to the marketplace. FHFA has stated that changes in market and regulatory conditions will be taken into consideration when evaluating our performance against these goals.

Other steps we have taken to gradually contract our presence in the marketplace include the two across-the-board increases in guarantee fees we implemented in 2012, at the direction of FHFA, including one increase associated with the Temporary Payroll Tax Cut Continuation Act of 2011. Pursuant to this Act, we increased our guarantee fees on single-family mortgages by 10 basis points in April 2012, and the proceeds are remitted to Treasury to fund the payroll tax cut. We generally refer to this as the legislated 10 basis point increase in guarantee fees. For additional information, see “BUSINESS — Executive Summary — Our Primary Business Objectives — Contracting the Dominant Presence of the GSEs in the Marketplace” in our 2012 Annual Report.

Strengthening Our Infrastructure and Improving Operating Efficiency

We continue to work to enhance the quality of our infrastructure and improve our operating efficiency. We are focusing our resources on supporting various multi-year FHFA initiatives, including those under the Conservatorship Scorecard, and making improvements to our infrastructure to, among other things, replace legacy hardware and software applications and strengthen our disaster recovery capabilities.

Our administrative expenses increased in the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012, primarily due to an increase in professional services expense related to: (a) FHFA-led lawsuits regarding our investments in certain residential non-agency mortgage-related securities; (b) quality control reviews for single-family loans we acquired prior to being placed in conservatorship; (c) Conservatorship Scorecard initiatives, including development of the common securitization platform; and (d) infrastructure improvement projects, including establishment of an off-site, back-up data facility.

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Single-Family Credit Guarantee Portfolio

The table below provides certain credit statistics for our single-family credit guarantee portfolio.

Table 4 — Credit Statistics, Single-Family Credit Guarantee Portfolio

	As of				
	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
Payment status —					
One month past due	1.68 %	1.80 %	1.70 %	1.85 %	2.02 %
Two months past due	0.55 %	0.55 %	0.56 %	0.66 %	0.66 %
Seriously delinquent(1)	2.58 %	2.79 %	3.03 %	3.25 %	3.37 %
Non-performing loans (in millions)(2)	$121,154	$123,681	$126,302	$128,599	$131,106
Single-family loan loss reserve (in millions)(3)	$24,783	$26,197	$28,299	$30,508	$33,298
REO inventory (in properties)	47,119	44,623	47,968	49,071	50,913
REO assets, net carrying value (in millions)	$4,366	$3,997	$4,246	$4,314	$4,459

	For the Three Months Ended				
	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
	(in units, unless noted)				
Seriously delinquent loan additions(1)	58,176	57,024	65,281	72,626	76,104
Loan workout volume(4)	40,728	41,470	45,518	43,153	44,536
REO acquisitions	19,441	16,418	17,881	18,672	20,302
REO disposition severity ratio:(5)					
Florida	40.5 %	42.9 %	44.5 %	46.2 %	48.1 %
California	28.7 %	30.2 %	35.2 %	38.1 %	41.4 %
Illinois	43.7 %	47.2 %	49.9 %	50.1 %	51.3 %
Nevada	36.4 %	37.9 %	44.1 %	49.0 %	53.6 %
Maryland	38.0 %	39.0 %	42.3 %	47.8 %	49.2 %
Total U.S	34.9 %	35.8 %	39.1 %	39.5 %	40.3 %
Short sale severity ratio(6)	34.5 %	36.5 %	38.0 %	38.6 %	39.6 %
Single-family provision (benefit) for credit losses (in millions)	$(1,110)	$(518)	$(469)	$(658)	$650
Single-family credit losses (in millions)	$564	$1,763	$2,063	$2,396	$2,936

(1) See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk — Delinquencies" for further information about our reported serious delinquency rates.

(2) Consists of the UPB of loans in our single-family credit guarantee portfolio that have undergone a TDR or that are seriously delinquent. As of September 30, 2013 and December 31, 2012, approximately $73.4 billion and $65.8 billion in UPB of TDR loans, respectively, were no longer seriously delinquent.

(3) Consists of the combination of: (a) our allowance for loan losses on mortgage loans held for investment; and (b) our reserve for guarantee losses associated with non-consolidated single-family mortgage securitization trusts and other guarantee commitments.

(4) See "Table 1 — Total Single-Family Loan Workout Volumes" for information about our problem loan workout activities.

(5) States presented represent the five states where our credit losses were greatest during the nine months ended September 30, 2013. Calculated as the amount of our losses recorded on disposition of REO properties during the

respective quarterly period, excluding those subject to repurchase requests made to our seller/servicers, divided by the aggregate UPB of the related loans. The amount of losses recognized on disposition of the properties is equal to the amount by which the UPB of the loans exceeds the amount of sales proceeds from disposition of the properties, net of selling expenses.

(6) Calculated as the amount of our losses recorded on short sales during the respective quarterly period divided by the aggregate UPB of the related loans. The amount of losses recognized on short sales is equal to the amount by which the UPB of the loans exceeds the amount of sales proceeds, net of selling expenses.

In discussing our credit performance, we often use the terms “credit losses” and “credit-related (benefit) expense”. These terms are significantly different. Our “credit losses” consist of charge-offs, net of recoveries, and REO operations expense, while our “credit-related (benefit) expense” consists of our provision (benefit) for credit losses and REO operations expense. Our single-family credit losses in the third quarter of 2013 benefited from approximately $1.1 billion of charge-off recoveries related to agreements with certain of our seller/servicers to release specified loans from certain repurchase obligations in exchange for one-time cash payments.

Since the beginning of 2008, on an aggregate basis, we have recorded provision for credit losses associated with single-family loans of approximately $73.1 billion (net of benefits in certain periods), and have recorded an additional $3.7 billion in

losses on loans purchased from PC trusts, net of recoveries. The majority of these losses are associated with loans originated in 2005 through 2008. While loans originated in 2005 through 2008 will give rise to additional credit losses that have not yet been incurred and, thus, have not yet been provisioned for, we believe that, as of September 30, 2013, we have reserved for or charged-off the majority of the total expected credit losses for these loans. Nevertheless, various factors, such as increases in unemployment rates or future declines in home prices, could require us to provide for losses on these loans beyond our current expectations.

Our loan loss reserves for single-family loans declined in each of the last seven quarters, which in part reflects improvement in both borrower payment performance and lower severity ratios for both REO dispositions and short sale transactions due to the improvements in home prices in most areas during these periods. These declines also reflect continued high levels of loan charge-offs compared to levels before 2009.

Although our REO inventory has generally declined in recent periods, it increased in the third quarter of 2013 as foreclosure activity increased in judicial foreclosure states and disposition activity moderated. We observed improvements to our average REO disposition severity ratio in most areas during the first nine months of 2013, primarily due to increasing home prices. Our average REO disposition severity ratio improved to 34.9% for the third quarter of 2013 compared to 35.8% and 40.3% for the second quarter of 2013 and third quarter of 2012, respectively. This ratio improved in each of the last seven quarters, but remains high as compared to our experience in periods before 2008. Additionally, our REO disposition severity ratios have also been positively affected by changes made to our process for evaluating the market value and determining the list price for our REO properties when we offer them for sale, as well as repairing a higher percentage of our REO properties prior to listing them.

The serious delinquency rate for our single-family credit guarantee portfolio was 2.58% at September 30, 2013, compared to 3.25% at December 31, 2012, and has improved in each of the last seven quarters and is at the lowest level since April 2009. Excluding relief refinance loans, the improvement in borrower payment performance during these periods reflects an improved credit profile of borrowers with loans originated since 2008. However, several factors, including the lengthening of the foreclosure process, have resulted in loans remaining in serious delinquency for longer periods than experienced prior to 2008, particularly in states that require a judicial foreclosure process. At both September 30, 2013 and December 31, 2012, the percentage of seriously delinquent loans that have been delinquent for more than six months was 72%, and most of these loans have been delinquent for more than one year. The longer a loan remains delinquent, the more challenging and costly it is to resolve.

Although the balance of our non-performing loans declined during the first nine months of 2013, it remained high at September 30, 2013, compared to periods prior to 2009. The credit losses and loan loss reserves associated with our single-family credit guarantee portfolio remained elevated in the first nine months of 2013, due, in part, to:

- Losses associated with the continued high volume of foreclosures and foreclosure alternatives. These actions relate to the continued efforts of our servicers to resolve our large inventory of seriously delinquent loans. Due to the length of time necessary for servicers either to complete the foreclosure process or pursue foreclosure alternatives on seriously delinquent loans in our portfolio, we expect our credit losses will continue to remain elevated even if the volume of new seriously delinquent loans continues to decline.
- Continued negative effect of certain loan groups within the single-family credit guarantee portfolio, such as: (a) loans originated in 2005 through 2008; and (b) loans with higher-risk characteristics (such as those underwritten with certain lower documentation standards and interest-only loans), a significant portion of which were originated in 2005 through 2008. These groups continue to be large contributors to our credit losses.
- Although we estimate national home prices increased 11% from September 2012 to September 2013, based on our own index, there has been a cumulative decline in national home prices of 14% since June 2006. As a result of this price decline, approximately 11% of loans in our single-family credit guarantee portfolio, based on UPB, had estimated current LTV ratios in excess of 100% (i.e., underwater loans) as of September 30, 2013.
- Weak financial condition of many of our mortgage insurers, which has reduced our actual recoveries from these counterparties since several of them are deferring payments under regulatory orders.

Some of our loss mitigation activities create fluctuations in our delinquency statistics. See “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-family Mortgage Credit Risk — Credit Performance — Delinquencies” for further information about factors affecting our reported delinquency rates.

Conservatorship and Government Support for Our Business

We continue to operate under the direction of FHFA, as our Conservator. We are also subject to certain constraints on our business activities imposed by Treasury due to the terms of, and Treasury's rights under, the Purchase Agreement. We are dependent upon the continued support of Treasury and FHFA in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding the appointment of a receiver

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by FHFA under statutory mandatory receivership provisions. The conservatorship and related matters have had a wide-ranging impact on us, including our regulatory supervision, management, business, financial condition, and results of operations.

There is significant uncertainty as to whether or when we will emerge from conservatorship, as it has no specified termination date, and as to what changes may occur to our business structure during or following conservatorship, including whether we will continue to exist. We are not aware of any current plans of our Conservator to significantly change our business model or capital structure in the near-term. Our future structure and role will be determined by the Administration and Congress, and there are likely to be significant changes beyond the near-term. We have no ability to predict the outcome of these deliberations.

Under the Purchase Agreement, we are required to pay dividends to Treasury to the extent that our Net Worth Amount exceeds the permitted Capital Reserve Amount, established at $3 billion for 2013 and declining to zero in 2018. Accordingly, we do not have the ability over the long term to build and retain the capital generated by our business operations, or return capital to stockholders other than Treasury.

We paid dividends of $4.4 billion in cash on the senior preferred stock during the three months ended September 30, 2013, based on our Net Worth Amount at June 30, 2013. Through September 30, 2013, we have paid aggregate cash dividends to Treasury of $40.9 billion, an amount equal to 57% of our aggregate draws received under the Purchase Agreement. Under the Purchase Agreement, the payment of dividends cannot be used to reduce prior draws from Treasury. Based on our Net Worth Amount at September 30, 2013, our dividend obligation to Treasury in December 2013 will be $30.4 billion. Once this dividend payment is made to Treasury, we will have paid slightly more in aggregate cash dividends to Treasury than aggregate cash draws received from Treasury under the Purchase Agreement.

The aggregate liquidation preference of the senior preferred stock was $72.3 billion at September 30, 2013, which includes the initial $1.0 billion liquidation preference of senior preferred stock that we issued to Treasury in September 2008 as an initial commitment fee and for which no cash was received. The remaining funding commitment from Treasury under the Purchase Agreement is $140.5 billion. This amount will be reduced by any future draws. Under the Purchase Agreement, our ability to repay the liquidation preference of the senior preferred stock is limited and we will not be able to do so for the foreseeable future, if at all. The aggregate liquidation preference of the senior preferred stock will increase further if we receive additional draws. For a discussion of factors that could result in additional draws, see “RISK FACTORS — Conservatorship and Related Matters — We may request additional draws under the Purchase Agreement in future periods” in our 2012 Annual Report.

For more information on the conservatorship and government support for our business, including the Purchase Agreement, see “BUSINESS — Conservatorship and Related Matters” and “— Treasury Agreements” in our 2012 Annual Report.

Consolidated Financial Results

Net income was $30.5 billion for the third quarter of 2013 compared to net income of $2.9 billion for the third quarter of 2012. Our net income for the third quarter of 2013 includes a benefit for federal income taxes of $23.9 billion that resulted from our conclusion to release our valuation allowance against our net deferred tax assets. For a discussion of the factors that led to our conclusion to release the valuation allowance against our net deferred tax assets, see “CONSOLIDATED BALANCE SHEETS ANALYSIS – Deferred Tax Assets and Liabilities” and “NOTE 12: INCOME TAXES.” Key highlights of our financial results include:

- Net interest income was $4.3 billion for both the third quarter of 2013 and the third quarter of 2012. The third quarter of 2013 reflects a lower balance of our higher-yielding mortgage-related assets offset by improved returns on mortgage loans held by consolidated trusts and lower funding costs on our other debt.
- Benefit (provision) for credit losses for the third quarter of 2013 was $1.1 billion, compared to $(610) million for the third quarter of 2012. The shift from a provision for credit losses in the third quarter of 2012 to a benefit for credit losses in the third quarter of 2013 primarily reflects: (a) $0.9 billion related to counterparty agreements in the third quarter of 2013; (b) declines in the volume of newly delinquent loans (largely due to a decline in the portion of our single-family credit guarantee portfolio originated in 2005 through 2008); and (c) lower estimates of incurred loss due

to the positive impact of an increase in national home prices.

- Non-interest income (loss) was $1.7 billion for the third quarter of 2013, compared to $(560) million for the third quarter of 2012. The improvement was largely driven by an increase in gains on sales of available-for-sale securities and settlement agreements regarding our investments in certain non-agency mortgage-related securities.
- Non-interest expense increased to $577 million for the third quarter of 2013, from $473 million for the third quarter of 2012, primarily due to an increase in expense related to the Temporary Payroll Tax Cut Continuation Act of 2011 during the third quarter of 2013 compared to the third quarter of 2012.

- Comprehensive income was $30.4 billion for the third quarter of 2013 compared to $5.6 billion for the third quarter of 2012. Comprehensive income for the third quarter of 2013 consisted of $30.5 billion of net income and $(49) million of other comprehensive loss. The other comprehensive loss primarily related to the reversal of fair value gains deferred in AOCI associated with certain available-for-sale securities that were sold and fair value losses on our agency mortgage-related available-for-sale securities, partially offset by fair value gains on our single-family non-agency mortgage-related available-for-sale securities.

Mortgage Market and Economic Conditions

Overview

The U.S. real gross domestic product for the third quarter of 2013 was not available due to the U.S. government shutdown in October. However, we believe that modest growth continued following the 2.5% increase during the second quarter of 2013 that was reported by the Bureau of Economic Analysis. The national unemployment rate was 7.2% in September 2013, compared to 7.6% in June and March 2013, based on data from the U.S. Bureau of Labor Statistics. In the data underlying the unemployment rate, an average of approximately 178,000 monthly net new jobs were added to the economy during the first nine months of 2013, which shows evidence of a slow, but steady positive trend for the economy and the labor market. Long-term interest rates, such as those of 30-year fixed-rate mortgages, generally increased during the first nine months of 2013. For example, based on our weekly Primary Mortgage Market Survey, the rate on 30-year fixed-rate conforming mortgages with an average LTV ratio of 80% averaged 4.4% in the third quarter of 2013 compared to 3.7% and 3.5% in the second and first quarters of 2013, respectively.

Single-Family Housing Market

The single-family housing market continued to show improvement in the third quarter of 2013 despite continued high unemployment rates in most areas of the U.S. and a significant inventory of seriously delinquent loans and REO properties in the market.

Based on data from the National Association of Realtors, sales of existing homes in the third quarter of 2013 averaged 5.36 million (at a seasonally adjusted annual rate), increasing 6% from 5.06 million homes in the second quarter of 2013. Based on data from the U.S. Census Bureau and HUD, new home sales in July and August of 2013 averaged approximately 406,000 (at a seasonally adjusted annual rate) declining approximately 8% from approximately 443,000 in the second quarter of 2013. Home prices increased during the third quarter of 2013, with our nationwide index registering approximately a 2.2% increase from June 2013 through September 2013 without seasonal adjustment. From September 2012 through September 2013 our nationwide home price index increased approximately 11%. These estimates were based on our own price index of mortgage loans on one-family homes funded by us or Fannie Mae. Other indices of home prices may have different results, as they are determined using different pools of mortgage loans and calculated under different conventions than our own.

Multifamily Housing Market

The multifamily market has experienced very strong rent and occupancy trends over the last few years, although the pace slowed in recent periods. The most recent preliminary data reported by Reis, Inc. indicated that the national apartment vacancy rate declined by 10 basis points during the third quarter of 2013 to 4.2% and represents the lowest level since 2001. In addition, Reis, Inc. reported that effective rents grew by 1% during the third quarter of 2013, compared to 0.7% during the second quarter of 2013. Vacancy rates and effective rents are important to loan performance because multifamily loans are generally repaid from the cash flows generated by the underlying property and these factors significantly influence those cash flows. According to the latest available information from Moody's Analytics, Inc. and Real Capital Analytics, Inc., apartment prices have risen more than 15% nationally in the first half of 2013 and have returned to the peak values experienced in 2007 for most markets. As a result, the multifamily sector continued to experience strong investor interest and continued to outperform other commercial real estate sectors in the first nine months of 2013. We expect multifamily market fundamentals (i.e., vacancy rates and effective rents) to remain at favorable levels for the remainder of 2013 and into 2014.

Mortgage Market and Business Outlook

Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond our control. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates, and projections. Actual results may differ significantly from those described

in or implied by such forward-looking statements due to various factors and uncertainties. For example, a number of factors could cause the actual performance of the housing and mortgage markets and the U.S. economy in the near term to be significantly worse than we expect, including adverse changes in national or international economic conditions and changes in the federal government's fiscal or monetary policies.

On October 17, 2013, President Obama signed legislation that reopened the federal government until January 15, 2014, and extended the federal statutory debt limit until February 7, 2014. The legislation also provided for budget negotiations over major deficit issues, which are to conclude by December 13, 2013. It is uncertain if Congress will be able to meet these or any

future deadlines with respect to the federal budget and the debt limit. Sustained uncertainty relating to the U.S. government's inability to provide a long-term resolution to its budget and debt limit issues could have adverse impacts on the U.S. and global financial markets, the U.S. mortgage market and on our business and financial results. For more information, see "RISK FACTORS - Sustained uncertainty relating to the U.S. government's inability to provide a long-term resolution to its budget and debt limit issues could adversely affect our business and financial results." See "FORWARD-LOOKING STATEMENTS" for additional information.

Sustainability of Earnings

Our level of earnings in recent periods is not sustainable over the long term. Our recent financial results have benefited significantly from strong home price appreciation, and we expect home price growth to moderate in future periods. Our recent financial results have also included benefits related to settlements of both private-label securities litigation and loan repurchase claims. In addition, declines in the size of our mortgage-related investments portfolio, as required by FHFA and the Purchase Agreement with Treasury, will reduce earnings over time. Our financial results will also continue to be affected by changes in interest rates and mortgage spreads, which can cause significant mark-to-market variability in our results.

Single-Family

We continue to expect key macroeconomic drivers of the economy, such as income growth, employment, and inflation, to affect the performance of the housing and mortgage markets in the near term. Since we expect that moderate economic growth will continue and mortgage interest rates will remain relatively low in the near term, compared to historical levels, we believe that housing affordability will also remain high in the remainder of 2013 and into 2014 for potential home buyers. We also expect that the volume of home sales will likely increase in 2014, compared to 2013. However, we believe that the recent increase and potential further increases in mortgage interest rates will result in a decline, which could be significant, in overall single-family mortgage originations in 2014 compared with 2013, driven by a decline in refinancings. During the third quarter of 2013, refinancings, including HARP, comprised approximately 65% of our single-family purchase and issuance volume, compared with 81% in the first half of 2013 and approximately 82% for all of 2012. As a result of the expected declines in overall originations, our purchase volumes will likely also decline, potentially significantly, during the fourth quarter of 2013 and the full year of 2014. However, we expect the UPB of our single-family credit guarantee portfolio will be relatively unchanged at the end of December 2014 compared to September 30, 2013, due to an expected decline in prepayments resulting from higher mortgage interest rates.

We expect to experience continued high levels of HARP activity in the near term, but the recent increases in mortgage rates could also slow the levels of this activity. For information on the HARP initiative, see "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk — Single-Family Loan Workouts and the MHA Program."

Although national home prices have recorded gains for the last seven quarters, home prices during the first nine months of 2013 remained significantly below their peak levels in many geographical areas. Declines in the market's inventory-to-sales ratio for homes have supported stabilization and increases in home prices in a number of metropolitan areas. We believe that home sales will have only modest growth in the fourth quarter of 2013. We also believe that home prices will not continue at the same growth rate experienced in the first nine months of 2013, but will gradually moderate and will return towards growth rates that are consistent with long-term historical averages experienced prior to 2004.

Our charge-offs were elevated during the nine months ended September 30, 2013 compared to levels before 2009 and we expect they will continue to be elevated during the remainder of the year. This is in part due to the substantial number of underwater mortgage loans in our single-family credit guarantee portfolio. For the near term, we also expect:

- REO disposition and short sale severity ratios to remain high. However, our recovery rates have been positively affected by recent improvements in home prices and home sales; and
- The amount of non-performing assets and the volume of our loan workouts to remain high.

Our guarantee fee rate charged on new acquisitions increased in 2013 as a result of two across-the-board increases in guarantee fees implemented in 2012. FHFA may direct us to implement further increases in our guarantee fees in the

future. As a result of the 2012 increases, our average management and guarantee fee we charge in 2013 and thereafter will be higher than the average fee we charged in previous years.

Multifamily

During the first nine months of 2013, we continued to serve as a constant and stable source of liquidity and to support the multifamily market and the nation’s renters, as evidenced by our $18.8 billion of multifamily new business activity (the combination of our loan purchases and issuances of other guarantee commitments), which provided financing for more than 1,000 properties amounting to nearly 258,000 apartment units. The majority of these apartments were affordable to low and moderate income families. We expect to meet the 2013 Conservatorship Scorecard goal of reducing our new business volume

by at least 10% as compared to 2012 levels as a result of the measures we have taken during the first nine months of 2013 (such as adjusting prices), combined with the effects of rising interest rates and increased competition from other market participants.

New supply of multifamily housing has been relatively low following the recession of the late-2000s, but has been increasing in recent periods as market fundamentals have remained positive. Our expectation is that at the national level, new supply will not accelerate beyond sustainable levels over the near term because of constraints, such as rising construction costs and uncertainties in the capital markets. We expect that demand growth, driven by a strengthening economy and positive demographics, will generally be sufficient for the increased supply. However, there may be certain local markets where new supply could potentially outpace demand, which would be evidenced by excess supply and rising vacancy rates.

As a result of the positive market fundamentals and continuing strong portfolio performance, we expect our credit losses and delinquency rates to remain low in the fourth quarter of 2013 and into the first half of 2014. We believe the long-term outlook for the national multifamily market continues to be favorable as strong demand will support cash flows and stable property values.

Limits on Investment Activity and Our Mortgage-Related Investments Portfolio

The conservatorship has significantly affected our investment activity. FHFA has stated that we will not be a substantial buyer or seller of mortgages for our mortgage-related investments portfolio. Under the terms of the Purchase Agreement and FHFA regulation, the UPB of our mortgage-related investments portfolio is subject to a cap that decreases by 15% each year until the portfolio reaches $250 billion. As a result, the UPB of our mortgage-related investments portfolio may not exceed $553 billion as of December 31, 2013. FHFA has indicated that such portfolio reduction targets should be viewed as minimum reductions and has encouraged us to reduce the mortgage-related investments portfolio at a faster rate than required, while indicating that the pace of reducing the portfolio may be moderated by conditions in the housing and financial markets. This strategy is designed to reduce the portfolio and provide the best return to the taxpayer while minimizing market disruption.

In addition, the 2013 Conservatorship Scorecard includes a goal to reduce the December 31, 2012 mortgage-related investments portfolio balance by selling 5%, or $15.7 billion in UPB, of mortgage-related assets (exclusive of agency securities, multifamily loans classified as held-for-sale, and single-family loans purchased for cash). Through September 30, 2013, we have sold $11.7 billion in UPB of assets that are intended to qualify toward this goal.

The reduction in the mortgage-related investments portfolio will result in the decline in the income from this portfolio over time.

From time to time, we also may undertake actions in an effort to support the liquidity and the relative price performance of our PCs to comparable Fannie Mae securities through a variety of activities in our Investments and Single-family Guarantee segments. These activities can include the purchase and sale of Freddie Mac mortgage-related securities, purchases of loans, and dollar roll transactions, as well as the issuance of REMICs and Other Structured Securities. Our purchases and sales of mortgage-related securities and our issuances of REMICs and Other Structured Securities influence the relative supply and demand (i.e., liquidity) for these securities, helping to support the price performance of our PCs. Depending upon market conditions, including the relative prices, supply and demand for our PCs and comparable Fannie Mae securities, as well as other factors, there may be substantial variability in any period in the total amount of securities we purchase or sell, and in the success of our efforts to support the liquidity and price performance of our PCs. In some cases, purchasing or selling PCs could adversely impact our security performance. We incur costs in connection with our efforts to support the liquidity and price performance of our PCs, including engaging in transactions that yield less than our target rate of return. For more information, see “BUSINESS — Our Business Segments — Investments Segment — PC Support Activities” in our 2012 Annual Report.

The table below presents the UPB of our mortgage-related investments portfolio, for purposes of the limit imposed by the Purchase Agreement and FHFA regulation.

Table 5 — Mortgage-Related Investments Portfolio[1]

	September 30, 2013	December 31, 2012
	(in millions)	
Investments segment — Mortgage investments portfolio	$353,044	$375,924
Single-family Guarantee segment — Single-family unsecuritized mortgage loans[2]	41,268	53,333
Multifamily segment — Mortgage investments portfolio	103,502	128,287
Total mortgage-related investments portfolio	$497,814	$557,544

(1) Based on UPB and excludes mortgage loans and mortgage-related securities traded, but not yet settled.
(2) Represents unsecuritized seriously delinquent single-family loans managed by the Single-family Guarantee segment.

The UPB of our mortgage-related investments portfolio at September 30, 2013 was $497.8 billion, a decline of $59.7 billion compared to $557.5 billion at December 31, 2012. The reduction in UPB resulted primarily from liquidations (i.e.

principal repayments) and is consistent with our efforts to reduce the size of our mortgage-related investments portfolio as described above. The mortgage-related investments portfolio is comprised of agency securities, single-family non-agency mortgage-related securities, CMBS, housing revenue bonds, and single-family and multifamily unsecuritized mortgage loans.

We consider the liquidity of the assets in our mortgage-related investments portfolio based on three categories: (a) agency securities; (b) assets that are less liquid than agency securities; and (c) illiquid assets. Assets that we consider to be less liquid than agency securities include unsecuritized performing single-family mortgage loans, multifamily mortgage loans, CMBS, and housing revenue bonds. Our less liquid assets collectively represented approximately 23% of the UPB of the portfolio at September 30, 2013, compared to 28% at December 31, 2012. Assets that we consider to be illiquid include unsecuritized seriously delinquent and modified single-family mortgage loans which we removed from PC trusts, and our investments in non-agency mortgage-related securities backed by subprime, option ARM, and Alt-A and other loans. Our illiquid assets collectively represented approximately 36% of the UPB of the portfolio at September 30, 2013, compared to 35% at December 31, 2012.

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SELECTED FINANCIAL DATA

The selected financial data presented below should be reviewed in conjunction with MD&A and our consolidated financial statements and related notes.

Table 6 — Selected Financial Data[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in millions, except share-related amounts)			
Statements of Comprehensive Income Data				
Net interest income	$4,276	$4,269	$12,685	$13,155
Benefit (provision) for credit losses	1,138	(610)	2,264	(2,590)
Non-interest income (loss)	1,689	(560)	2,769	(2,827)
Non-interest expense	(577)	(473)	(1,699)	(1,605)
Income tax benefit	23,960	302	24,036	392
Net income	30,486	2,928	40,055	6,525
Total comprehensive income	30,437	5,630	41,765	10,311
Net income (loss) attributable to common stockholders[2]	50	1,119	(1,709)	1,104
Net income (loss) per common share — basic and diluted	0.02	0.35	(0.53)	0.34
Cash dividends per common share	—	—	—	—
Weighted average common shares outstanding (in thousands) — basic and diluted[3]	3,237,771	3,239,477	3,238,196	3,240,241

	September 30, 2013	December 31, 2012
	(dollars in millions)	
Balance Sheets Data		
Mortgage loans held-for-investment, at amortized cost by consolidated trusts (net of allowances for loan losses)	$1,526,070	$1,495,932
Total assets	1,981,785	1,989,856
Debt securities of consolidated trusts held by third parties	1,419,909	1,419,524
Other debt	515,668	547,518
All other liabilities	12,772	13,987
Total Freddie Mac stockholders' equity (deficit)	33,436	8,827
Portfolio Balances[4]		
Mortgage-related investments portfolio	$497,814	$557,544
Total Freddie Mac mortgage-related securities[5]	1,584,448	1,562,040
Total mortgage portfolio[6]	1,927,394	1,956,276
Non-performing assets[7]	127,649	135,677

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Ratios[8]				
Return on average assets[9]	6.2 %	0.6 %	2.7 %	0.4 %
Non-performing assets ratio[10]	7.1	7.6	7.1	7.6
Equity to assets ratio[11]	1.0	0.1	1.1	0.1

(1) See “NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” in our 2012 Annual Report and within this Form 10-Q for information regarding our accounting policies and the impact of new accounting policies on our consolidated financial statements.

(2) For a discussion of how the senior preferred stock dividend affects net income (loss) attributable to common stockholders beginning in the fourth quarter of 2012, see “NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Earnings Per Common Share” in our 2012 Annual Report.

(3) Includes the weighted average number of shares that are associated with the warrant for our common stock issued to Treasury as part of the Purchase Agreement, because it is unconditionally exercisable by the holder at a cost of $0.00001 per share.

(4) Represents the UPB and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

(5) See ‘‘Table 29 — Freddie Mac Mortgage-Related Securities’’ for the composition of this line item.

(6) See ‘‘Table 13 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios’’ for the composition of our total mortgage portfolio.

(7) See ‘‘Table 45 — Non-Performing Assets’’ for a description of our non-performing assets.

(8) The dividend payout ratio on common stock is not presented because the amount of cash dividends per common share is zero for all periods presented. The return on common equity ratio is not presented because the simple average of the beginning and ending balances of total stockholders’ equity (deficit), net of preferred stock (at redemption value) is less than zero for all periods presented.

(9) Ratio computed as net income (loss) divided by the simple average of the beginning and ending balances of total assets.

(10) Ratio computed as non-performing assets divided by the ending UPB of our total mortgage portfolio, excluding non-Freddie Mac mortgage-related securities.

(11) Ratio computed as the simple average of the beginning and ending balances of total stockholders’ equity (deficit) divided by the simple average of the beginning and ending balances of total assets.

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CONSOLIDATED RESULTS OF OPERATIONS

The following discussion of our consolidated results of operations should be read in conjunction with our consolidated financial statements, including the accompanying notes. Also see “CRITICAL ACCOUNTING POLICIES AND ESTIMATES” for information concerning certain significant accounting policies and estimates applied in determining our reported results of operations.

Table 7 — Summary Consolidated Statements of Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Net interest income	$4,276	$4,269	$12,685	$13,155
Benefit (provision) for credit losses	1,138	(610)	2,264	(2,590)
Net interest income after benefit (provision) for credit losses	5,414	3,659	14,949	10,565
Non-interest income (loss):				
Gains (losses) on extinguishment of debt securities of consolidated trusts	135	(34)	197	(39)
Gains (losses) on retirement of other debt	143	11	136	(55)
Gains (losses) on debt recorded at fair value	(28)	(10)	(13)	35
Derivative gains (losses)	(74)	(488)	1,663	(2,426)
Impairment of available-for-sale securities:				
Total other-than-temporary impairment of available-for-sale securities	(130)	(332)	(169)	(942)
Portion of other-than-temporary impairment recognized in AOCI	4	65	(44)	13
Net impairment of available-for-sale securities recognized in earnings	(126)	(267)	(213)	(929)
Other gains (losses) on investment securities recognized in earnings	620	(330)	(153)	(974)
Other income (loss)	1,019	558	1,152	1,561
Total non-interest income (loss)	1,689	(560)	2,769	(2,827)
Non-interest expense:				
Administrative expenses	(455)	(401)	(1,331)	(1,139)
REO operations income (expense)	79	49	183	(92)
Other expenses	(201)	(121)	(551)	(374)
Total non-interest expense	(577)	(473)	(1,699)	(1,605)
Income before income tax benefit	6,526	2,626	16,019	6,133
Income tax benefit	23,960	302	24,036	392
Net income	30,486	2,928	40,055	6,525
Other comprehensive income (loss), net of taxes and reclassification adjustments:				
Changes in unrealized gains (losses) related to available-for-sale securities	(127)	2,599	1,436	3,508
Changes in unrealized gains (losses) related to cash flow hedge relationships	76	102	250	320
Changes in defined benefit plans	2	1	24	(42)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	(49)	2,702	1,710	3,786

Comprehensive income	$30,437	$5,630	$41,765	$10,311

Net Interest Income

The table below presents an analysis of net interest income, including average balances and related yields earned on assets and incurred on liabilities.

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Table 8 — Net Interest Income/Yield and Average Balance Analysis

	Three Months Ended September 30,					
	2013			2012		
	Average Balance(1)(2)	Interest Income (Expense)(1)	Average Rate	Average Balance(1)(2)	Interest Income (Expense)(1)	Average Rate
	(dollars in millions)					
Interest-earning assets:						
Cash and cash equivalents	$32,549	$1	0.02 %	$30,246	$5	0.07 %
Federal funds sold and securities purchased under agreements to resell	38,249	6	0.05	48,062	21	0.17
Mortgage-related securities:						
Mortgage-related securities(3)	317,824	3,184	4.01	346,738	3,807	4.39
Extinguishment of PCs held by Freddie Mac	(137,329)	(1,323)	(3.85)	(117,146)	(1,300)	(4.44)
Total mortgage-related securities, net	180,495	1,861	4.12	229,592	2,507	4.37
Non-mortgage-related securities(3)	23,715	10	0.18	20,363	15	0.30
Mortgage loans held by consolidated trusts(4)	1,516,255	14,197	3.75	1,517,472	15,838	4.17
Unsecuritized mortgage loans(4)	199,385	1,872	3.76	229,601	2,108	3.67
Total interest-earning assets	$1,990,648	$17,947	3.61	$2,075,336	$20,494	3.95
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	$1,536,566	$(12,846)	(3.34)	$1,541,339	$(14,884)	(3.86)
Extinguishment of PCs held by Freddie Mac	(137,329)	1,323	3.85	(117,146)	1,300	4.44
Total debt securities of consolidated trusts held by third parties	1,399,237	(11,523)	(3.29)	1,424,193	(13,584)	(3.82)
Other debt:						
Short-term debt	139,675	(45)	(0.13)	126,430	(47)	(0.15)
Long-term debt(5)	386,354	(1,996)	(2.07)	447,067	(2,446)	(2.19)
Total other debt	526,029	(2,041)	(1.55)	573,497	(2,493)	(1.74)
Total interest-bearing liabilities	1,925,266	(13,564)	(2.82)	1,997,690	(16,077)	(3.22)
Expense related to derivatives(6)	—	(107)	(0.02)	—	(148)	(0.03)
Impact of net non-interest-bearing funding	65,382	—	0.09	77,646	—	0.12
Total funding of interest-earning assets	$1,990,648	$(13,671)	(2.75)	$2,075,336	$(16,225)	(3.13)
Net interest income/yield		$4,276	0.86		$4,269	0.82

	Nine Months Ended September 30,					
	2013			2012		
	Average Balance(1)(2)	Interest Income (Expense)(1)	Average Rate	Average Balance(1)(2)	Interest Income (Expense)(1)	Average Rate
	(dollars in millions)					
Interest-earning assets:						
Cash and cash equivalents	$32,484	$11	0.05 %	$37,772	$15	0.05 %
Federal funds sold and securities purchased under agreements to resell	37,723	26	0.09	37,371	45	0.16

Mortgage-related securities:						
Mortgage-related securities[3]	320,768	9,844	4.09	362,748	12,208	4.49
Extinguishment of PCs held by Freddie Mac	(127,730)	(3,829)	(4.00)	(117,953)	(4,016)	(4.54)
Total mortgage-related securities, net	193,038	6,015	4.15	244,795	8,192	4.46
Non-mortgage-related securities[3]	21,671	32	0.20	24,535	45	0.25
Mortgage loans held by consolidated trusts[4]	1,506,345	42,798	3.79	1,538,476	50,112	4.34
Unsecuritized mortgage loans[4]	209,653	5,898	3.75	241,724	6,644	3.67
Total interest-earning assets	$2,000,914	$54,780	3.65	$2,124,673	$65,053	4.09
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	$1,528,800	$(39,091)	(3.41)	$1,560,852	$(47,478)	(4.06)
Extinguishment of PCs held by Freddie Mac	(127,730)	3,829	4.00	(117,953)	4,016	4.54
Total debt securities of consolidated trusts held by third parties	1,401,070	(35,262)	(3.36)	1,442,899	(43,462)	(4.02)
Other debt:						
Short-term debt	129,762	(134)	(0.14)	134,807	(130)	(0.13)
Long-term debt[5]	399,337	(6,339)	(2.12)	469,559	(7,839)	(2.22)
Total other debt	529,099	(6,473)	(1.63)	604,366	(7,969)	(1.76)
Total interest-bearing liabilities	1,930,169	(41,735)	(2.88)	2,047,265	(51,431)	(3.35)
Expense related to derivatives[6]	—	(360)	(0.02)	—	(467)	(0.03)
Impact of net non-interest-bearing funding	70,745	—	0.10	77,408	—	0.12
Total funding of interest-earning assets	$2,000,914	$(42,095)	(2.80)	$2,124,673	$(51,898)	(3.26)
Net interest income/yield		$12,685	0.85		$13,155	0.83

(1) Excludes mortgage loans and mortgage-related securities traded, but not yet settled.

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(2) We calculate average balances based on amortized cost.

(3) Interest income (expense) includes accretion of the portion of impairment charges recognized in earnings where we expect significant increases in cash flows from the impaired securities.

(4) Non-performing loans, where interest income is generally recognized when collected, are included in average balances.

(5) Includes current portion of long-term debt.

(6) Represents changes in fair value of derivatives in closed cash flow hedge relationships that were previously deferred in AOCI and have been reclassified to earnings as the associated hedged forecasted issuance of debt affects earnings.

Net interest income increased by $7 million and decreased by $470 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. Excluding the impact of the legislated 10 basis point increase in guarantee fees, which was implemented in April 2012, net interest income decreased by $106 million and $785 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. These decreases in net interest income were primarily due to the reduction in the balance of higher-yielding mortgage-related assets due to continued liquidations, partially offset by improved returns on mortgage loans held by consolidated trusts and lower funding costs on other debt. Net interest yields increased during the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012 primarily due to lower funding costs, partially offset by the reduction in the balance of higher-yielding mortgage-related assets.

We recognize interest income on non-performing loans that have been placed on non-accrual status only when cash payments are received. We refer to the interest income that we do not recognize as foregone interest income (i.e., interest income we would have recorded if the loans had been current in accordance with their original terms). Foregone interest income and reversals of previously recognized interest income, net of cash received, related to non-performing loans was $0.5 billion and $1.6 billion during the three and nine months ended September 30, 2013, respectively, compared to $0.8 billion and $2.4 billion during the three and nine months ended September 30, 2012, respectively. This amount has declined primarily because of the reduction in the volume of non-performing loans on non-accrual status.

During the three and nine months ended September 30, 2013, we had sufficient access to the debt markets. For more information, see "LIQUIDITY AND CAPITAL RESOURCES — Liquidity."

Benefit (Provision) for Credit Losses

We maintain loan loss reserves at levels we believe are appropriate to absorb probable incurred losses on mortgage loans held-for-investment and loans underlying our financial guarantees. Our loan loss reserves are increased through the provision for credit losses and are reduced by net charge-offs. The provision for credit losses primarily reflects our estimate of incurred losses for newly impaired loans as well as changes in our estimates of incurred losses for previously impaired loans.

Our benefit (provision) for credit losses was $1.1 billion in the third quarter of 2013 compared to $(0.6) billion in the third quarter of 2012, and was $2.3 billion in the nine months ended September 30, 2013 compared to $(2.6) billion in the nine months ended September 30, 2012. The significant improvement in provision for credit losses in the 2013 periods reflects: (a) declines in the volume of newly delinquent loans (largely due to a decline in the portion of our single-family credit guarantee portfolio originated in 2005 through 2008); (b) lower estimates of incurred loss due to the positive impact of an increase in national home prices; and (c) $0.9 billion related to counterparty agreements in the third quarter of 2013. Assuming that all other factors remain the same, an increase in home prices can reduce the likelihood that loans will default and may also reduce the amount of credit losses on the loans that do default.

During the three and nine months ended September 30, 2013, our charge-offs, net of recoveries for single-family loans, were significantly lower than those recorded in the three and nine months ended September 30, 2012, primarily due to: (a) higher recoveries resulting from agreements with our counterparties; and (b) improvements in home prices in many of the areas in which we have had significant foreclosure and short sale activity. Our recoveries in the third quarter of 2013 included approximately $1.1 billion related to agreements with certain of our seller/servicers to release

specified loans from certain repurchase obligations in exchange for one-time cash payments. Although our credit losses have declined in each of the last four quarters, we continue to experience a high volume of foreclosures and foreclosure alternatives as compared to periods prior to 2008. We expect our credit losses will continue to remain elevated in the fourth quarter of 2013 even if the volume of new seriously delinquent loans continues to decline.

The total number of single-family seriously delinquent loans declined approximately 22% and 11% during the nine months ended September 30, 2013 and 2012, respectively. As of September 30, 2013 and December 31, 2012, the UPB of our single-family non-performing loans was $121.2 billion and $128.6 billion, respectively. However, these amounts include $73.4 billion and $65.8 billion, respectively, of single-family TDRs that were no longer seriously delinquent. Loans that have been classified as TDRs remain categorized as non-performing throughout the remaining life of the loan regardless of whether the borrower makes payments which return the loan to a current payment status.

See “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk” for further information on our single-family credit guarantee portfolio, including credit performance, serious delinquency rates, charge-offs, our loan loss reserves balance, and our non-performing assets.

While we have recorded a benefit for credit losses in each of the last four quarters, this trend may not continue. Our provision for credit losses and amount of charge-offs in the future will be affected by a number of factors. These factors include: (a) the actual level of mortgage defaults, including default rates among borrowers that participated in HARP and HAMP; (b) the effect of the MHA Program, the servicing alignment initiative, and other current and future loss mitigation efforts; (c) any government actions or programs that affect the ability of borrowers to refinance underwater mortgages or obtain modifications; (d) changes in property values; (e) regional economic conditions, including unemployment rates; (f) additional delays in the foreclosure process; (g) third-party mortgage insurance coverage and recoveries; and (h) the realized rate of seller/servicer repurchases.

We recognized a benefit for credit losses associated with our multifamily mortgage portfolio of $28 million and $40 million for the third quarters of 2013 and 2012, respectively, and $167 million and $81million for the nine months ended September 30, 2013 and 2012, respectively. Our loan loss reserves associated with our multifamily mortgage portfolio were $205 million and $382 million as of September 30, 2013 and December 31, 2012, respectively. The decline in loan loss reserves for multifamily loans in the first nine months of 2013 was primarily driven by an improvement in the expected performance of the underlying loans and a decline in the number of loans that have been classified as individually impaired.

Non-Interest Income (Loss)

Gains (Losses) on Extinguishment of Debt Securities of Consolidated Trusts

When we purchase PCs that have been issued by consolidated PC trusts, we extinguish a pro rata portion of the outstanding debt securities of the related consolidated trusts. We recognize a gain (loss) on extinguishment of the debt securities to the extent the amount paid to extinguish the debt security differs from its carrying value.

During the three months ended September 30, 2013 and 2012, we extinguished debt securities of consolidated trusts with a UPB of $15.5 billion and $2.5 billion, respectively (representing our purchase of single-family PCs with a corresponding UPB amount). Gains (losses) on extinguishment of these debt securities of consolidated trusts were $135 million and $(34) million during the three months ended September 30, 2013 and 2012, respectively.

During the nine months ended September 30, 2013 and 2012, we extinguished debt securities of consolidated trusts with a UPB of $39.0 billion and $3.9 billion, respectively (representing our purchase of single-family PCs with a corresponding UPB amount). Gains (losses) on extinguishment of these debt securities of consolidated trusts were $197 million and $(39) million during the nine months ended September 30, 2013 and 2012, respectively.

The increase in purchases of single-family PCs during the 2013 periods was due to investment opportunities. See “Table 21 — Mortgage-Related Securities Purchase Activity” for additional information regarding purchases of mortgage-related securities, including those issued by consolidated PC trusts.

Gains (Losses) on Retirement of Other Debt

Gains (losses) on retirement of other debt were $143 million and $11 million during the three months ended September 30, 2013 and 2012, respectively, and $136 million and $(55) million during the nine months ended September 30, 2013 and 2012, respectively. We recognized gains on the retirement of other debt during the three and nine months ended September 30, 2013 as a result of exercising our call option for other debt held at premiums. We recognized losses on the retirement of other debt during the nine months ended September 30, 2012 primarily due to write-offs of unamortized deferred issuance costs related to calls of other debt securities. For more information, see “LIQUIDITY AND CAPITAL RESOURCES — Liquidity — Other Debt Securities — Other Debt Retirement Activities.”

Gains (Losses) on Debt Recorded at Fair Value

Gains (losses) on debt recorded at fair value primarily relate to changes in the fair value of our foreign-currency denominated debt. During the three and nine months ended September 30, 2013, we recognized losses on debt recorded at fair value of $28 million and $13 million, respectively, primarily due to a combination of the U.S. dollar weakening relative to the Euro and changes in interest rates. For the three and nine months ended September 30, 2012, we recognized gains (losses) on debt recorded at fair value of $(10) million and $35 million, respectively.

Losses recognized for the three months ended September 30, 2012 were primarily from Euro Reference Notes due to the U.S. dollar weakening relative to the Euro. Gains during the nine months ended September 30, 2012 were primarily from Euro Reference Notes due to a combination of the U.S. dollar strengthening relative to the Euro in the first half of 2012 and changes in interest rates. We mitigate changes in the fair value of our foreign-currency

denominated debt by using foreign currency swaps and foreign-currency denominated interest-rate swaps.

Derivative Gains (Losses)

The table below presents derivative gains (losses) reported in our consolidated statements of comprehensive income. See “NOTE 9: DERIVATIVES — Table 9.2 — Gains and Losses on Derivatives” for information about gains and losses related to

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specific categories of derivatives. Changes in fair value and interest accruals on derivatives not in hedge accounting relationships are recorded as derivative gains (losses) in our consolidated statements of comprehensive income. At September 30, 2013 and December 31, 2012, we did not have any derivatives in hedge accounting relationships; however, there are amounts recorded in AOCI related to closed cash flow hedges. Amounts recorded in AOCI associated with these closed cash flow hedges are reclassified to earnings when the forecasted transactions affect earnings. If it is probable that the forecasted transaction will not occur, then the deferred gain or loss associated with the forecasted transaction is reclassified into earnings immediately.

While derivatives are an important aspect of our strategy to manage interest-rate risk, they could increase the volatility of reported net income because, while fair value changes in derivatives affect net income, fair value changes in several of the types of assets and liabilities being hedged do not affect net income.

Table 9 — Derivative Gains (Losses)

	Derivative Gains (Losses)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Interest-rate swaps	$1,112	$62	$6,408	$(1,236)
Option-based derivatives[1]	(238)	197	(1,897)	1,396
Other derivatives[2]	(40)	148	(101)	347
Accrual of periodic settlements	(908)	(895)	(2,747)	(2,933)
Total	$(74)	$(488)	$1,663	$(2,426)

(1) Primarily includes purchased call and put swaptions and purchased interest-rate caps and floors.

(2) Includes futures, foreign-currency swaps, commitments, and swap guarantee derivatives.

Gains (losses) on derivatives are principally driven by changes in: (a) interest rates and implied volatility; and (b) the mix and balance of products in our derivative portfolio.

During the three months ended September 30, 2013, we recognized a loss on derivatives of $74 million as net fair value gains of $1.1 billion on our interest-rate swap portfolio were more than offset by: (a) a net loss of $908 million related to the accrual of periodic settlements on interest-rate swaps as we were a net payer on our interest-rate swaps based on the coupons of the instruments; and (b) a fair value loss of $238 million on our option-based derivatives. The net fair value gains on our interest-rate swap portfolio were primarily driven by time decay, as we continue to pay periodic settlements to counterparties as our interest-rate swaps moved closer to maturity.

During the nine months ended September 30, 2013, we recognized gains on derivatives of $1.7 billion primarily as a result of an increase in longer-term interest rates. We recognized fair value gains on our pay-fixed swaps of $14.8 billion which were largely offset by: (a) fair value losses on our receive-fixed swaps of $8.3 billion; (b) a net loss of $2.7 billion related to the accrual of periodic settlements on interest-rate swaps as we were a net payer on our interest-rate swaps based on the coupons of the instruments; and (c) fair value losses of $1.9 billion on our option-based derivatives resulting from losses on our purchased call swaptions.

During the three and nine months ended September 30, 2012, we recognized losses on derivatives of $0.5 billion and $2.4 billion, respectively, primarily due to losses related to the accrual of periodic settlements on interest-rate swaps as we were in a net pay-fixed swap position. We recognized fair value losses on our pay-fixed swaps of $1.1 billion and $5.2 billion, respectively, which were offset by: (a) fair value gains on our receive-fixed swaps of $1.1 billion and $4.0 billion, respectively; and (b) fair value gains on our option-based derivatives of $0.2 billion and $1.4 billion, respectively, resulting from gains on our purchased call swaptions due to a decrease in interest rates.

Investment Securities-Related Activities

Impairments of Available-For-Sale Securities

We recorded net impairments of available-for-sale securities recognized in earnings, which were related to non-agency mortgage-related securities, of $126 million and $213 million during the three and nine months ended

September 30, 2013, respectively, compared to $267 million and $929 million during the three and nine months ended September 30, 2012, respectively. The decreases in net impairments recognized in earnings were driven by improvements in forecasted home prices over the expected life of our available-for-sale securities. See "CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities — Mortgage-Related Securities — Other-Than-Temporary Impairments on Available-For-Sale Mortgage-Related Securities," as well as "NOTE 7: INVESTMENTS IN SECURITIES" in our 2012 Annual Report for additional information.

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Other Gains (Losses) on Investment Securities Recognized in Earnings

Other gains (losses) on investment securities recognized in earnings consists of gains (losses) on trading securities and gains (losses) on sales of available-for-sale securities. With the exception of principal-only securities, our agency securities, classified as trading, were valued at a net premium (i.e., net fair value was higher than UPB) as of September 30, 2013.

We recognized $(207) million and $(1.3) billion related to gains (losses) on trading securities during the three and nine months ended September 30, 2013, respectively, compared to $(338) million and $(1.1) billion during the three and nine months ended September 30, 2012, respectively. The losses on trading securities during all periods were primarily due to the movement of securities with unrealized gains towards maturity.

We recognized $827 million and $1.2 billion of gains on sales of available-for-sale securities during the three and nine months ended September 30, 2013, respectively, compared to $8 million and $141 million during the three and nine months ended September 30, 2012, respectively. The increase in gains on sales of available-for-sale securities resulted from increased sales volume as we work toward our 2013 Conservatorship Scorecard goal to sell 5% of certain mortgage-related assets.

Other Income (Loss)

The table below summarizes the significant components of other income.

Table 10 — Other Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Other income (loss):				
Gains (losses) on mortgage loans	$114	$427	$(440)	$851
Recoveries on loans impaired upon purchase[1]	64	101	213	277
Guarantee-related income, net[2]	120	69	279	269
All other	721	(39)	1,100	164
Total other income (loss)	$1,019	$558	$1,152	$1,561

(1) Our recoveries principally relate to impaired loans purchased prior to 2010. Consequently, our recoveries on these loans will generally decline over time.

(2) Most of our guarantee-related income relates to securitized multifamily mortgage loans where we have not consolidated the securitization trusts on our consolidated balance sheets.

Gains (Losses) on Mortgage Loans

We recognized gains (losses) on mortgage loans of $114 million and $427 million during the three months ended September 30, 2013 and 2012, respectively, and $(440) million and $851 million during the nine months ended September 30, 2013 and 2012, respectively. These amounts relate to multifamily loans which we elected to carry at fair value, of which the substantial majority were designated for securitization. The decreases in the 2013 periods were primarily due to lower gains on mortgage loans resulting from an increase in interest rates, compared to declines in interest rates in the 2012 periods. During the nine months ended September 30, 2013 and 2012, we sold $20.8 billion and $13.9 billion, respectively, in UPB of multifamily loans for securitization and issuance of our K Certificates.

All Other

All other income (loss) consists of income recognized from settlement agreements, transactional fees, fees assessed to our servicers for technology use and late fees or other penalties, and other miscellaneous income. All other income (loss) was $0.7 billion and $1.1 billion during the three and nine months ended September 30, 2013, respectively, compared to $(39) million and $164 million during the three and nine months ended September 30, 2012, respectively. The improvements in the 2013 periods were primarily due to settlements related to lawsuits regarding our investments in certain residential non-agency mortgage-related securities, resulting in additional income recognition of $0.5 billion and $0.6 billion for the three and nine months ended September 30, 2013, respectively. For

additional information on these settlements, see “NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS.” All other income (loss) was also lower in the 2012 periods due, in part, to the correction of certain prior period accounting errors not material to our financial statements that were recorded during the 2012 periods, the largest of which reduced other income by approximately $0.1 billion during the third quarter of 2012. This correction related to an error associated with the consolidation of certain of our REMIC trusts for which we held substantially all of the beneficial interest issued by the trusts, but did not consolidate the trusts in prior periods.

Non-Interest Expense

The table below summarizes the components of non-interest expense.

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Table 11 — Non-Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Administrative expenses:				
Salaries and employee benefits	$207	$202	$626	$605
Professional services	144	93	387	245
Occupancy expense	14	15	41	43
Other administrative expense	90	91	277	246
Total administrative expenses	455	401	1,331	1,139
REO operations (income) expense	(79)	(49)	(183)	92
Other expenses	201	121	551	374
Total non-interest expense	$577	$473	$1,699	$1,605

Administrative Expenses

Our administrative expenses increased in the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012, primarily due to an increase in professional services expense related to: (a) FHFA-led lawsuits regarding our investments in certain residential non-agency mortgage-related securities; (b) quality control reviews for single-family loans we acquired prior to being placed in conservatorship; (c) Conservatorship Scorecard initiatives, including development of the common securitization platform; and (d) infrastructure improvement projects, including establishment of an off-site, back-up data facility.

REO Operations (Income) Expense

The table below presents the components of our REO operations (income) expense, and information about REO inventory and REO dispositions.

Table 12 — REO Operations (Income) Expense, REO Inventory, and REO Dispositions

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in millions)			
REO operations (income) expense:				
Single-family:				
REO property expenses[1]	$238	$259	$721	$930
Disposition (gains) losses, net[2]	(200)	(219)	(595)	(479)
Change in holding period allowance, dispositions	(3)	(8)	(27)	(98)
Change in holding period allowance, inventory[3]	(5)	9	12	(17)
Recoveries[4]	(97)	(81)	(279)	(238)
Total single-family REO operations (income) expense	(67)	(40)	(168)	98
Multifamily REO operations (income)	(12)	(9)	(15)	(6)
Total REO operations (income) expense	$(79)	$(49)	$(183)	$92
REO inventory (in properties), at September 30:				
Single-family	47,119	50,913	47,119	50,913
Multifamily	1	6	1	6
Total	47,120	50,919	47,120	50,919
REO property dispositions (in properties):				
Single-family	16,945	22,660	55,692	73,762
Multifamily	4	7	8	18

Total	16,949	22,667	55,700	73,780

(1) Consists of costs incurred to maintain or protect a property after it is acquired in a foreclosure transfer, such as legal fees, insurance, taxes, and cleaning and other maintenance charges.
(2) Represents the difference between the disposition proceeds, net of selling expenses, and the fair value of the property on the date of the foreclosure transfer.
(3) Represents the (increase) decrease in the estimated fair value of properties that were in inventory during the period.
(4) Includes recoveries from primary mortgage insurance, pool insurance and seller/servicer repurchases.

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REO operations (income) expense was $(79) million in the third quarter of 2013, as compared to $(49) million in the third quarter of 2012 and was $(183) million in the nine months ended September 30, 2013 compared to $92 million in the nine months ended September 30, 2012. The improvements in the 2013 periods were primarily due to: (a) a decline in REO property expenses associated with a lower number of REO properties owned in 2013; and (b) improving home prices in certain geographical areas with significant REO activity. For information on our REO activity during the three and nine months ended September 30, 2013, see "CONSOLIDATED BALANCE SHEETS ANALYSIS — REO, Net" and "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Non-Performing Assets."

Other Expenses

Other expenses were $201 million and $121 million in the third quarters of 2013 and 2012, respectively, and were $551 million and $374 million in the nine months ended September 30, 2013 and 2012, respectively. Other expenses were higher in the 2013 periods compared to the same periods of 2012 primarily due to expenses related to the legislated 10 basis point increase in guarantee fees, which was implemented in April 2012. The expense for these fees was $150 million and $366 million in the three and nine months ended September 30, 2013, respectively, compared to $34 million and $44 million for the three and nine months ended September 30, 2012, respectively. These fees are remitted to Treasury on a quarterly basis. Other expenses also include HAMP servicer incentive fees, costs related to terminations and transfers of mortgage servicing, and other miscellaneous expenses.

Income Tax Benefit

For both the three and nine months ended September 30, 2013, we reported an income tax benefit of $24.0 billion, of which $23.9 billion relates to the release of the valuation allowance against our net deferred tax assets. For the three and nine months ended September 30, 2012, we reported an income tax benefit of $302 million and $392 million, respectively. See "NOTE 12: INCOME TAXES" for a discussion of the factors that led to our conclusion to release the valuation allowance against our net deferred tax assets.

Comprehensive Income

Our comprehensive income was $30.4 billion and $41.8 billion for the three and nine months ended September 30, 2013, respectively, consisting of: (a) $30.5 billion and $40.1 billion of net income, respectively; and (b) $(49) million and $1.7 billion of other comprehensive income (loss), respectively. The other comprehensive loss for the three months ended September 30, 2013 was primarily related to the reversal of fair value gains deferred in AOCI associated with certain available-for-sale securities that were sold and fair value losses on our agency mortgage-related available-for-sale securities, partially offset by fair value gains on our single-family non-agency mortgage-related available-for-sale securities. Other comprehensive income for the nine months ended September 30, 2013 was primarily due to fair value gains on our single-family non-agency mortgage-related available-for-sale securities.

Our comprehensive income was $5.6 billion and $10.3 billion for the three and nine months ended September 30, 2012, respectively, consisting of: (a) $2.9 billion and $6.5 billion of net income, respectively; and (b) $2.7 billion and $3.8 billion of other comprehensive income, respectively. Other comprehensive income primarily related to a reduction in net unrealized losses related to our available-for-sale securities. See "CONSOLIDATED BALANCE SHEETS ANALYSIS — Total Equity (Deficit)" for additional information regarding other comprehensive income (loss).

Segment Earnings

Our operations consist of three reportable segments, which are based on the type of business activities each performs — Investments, Single-family Guarantee, and Multifamily. Certain activities that are not part of a reportable segment are included in the All Other category.

The Investments segment reflects results from our investment, funding and hedging activities. The Single-family Guarantee segment reflects results from our single-family credit guarantee activities. The Multifamily segment reflects results from our investment (both purchases and sales), securitization, and guarantee activities in multifamily mortgage loans and securities. For more information, see "NOTE 13: SEGMENT REPORTING" in our 2012 Annual Report.

In presenting Segment Earnings, we make significant reclassifications among certain financial statement line items in order to reflect a measure of net interest income on investments and a measure of management and guarantee income on guarantees that is in line with how we manage our business. We present Segment Earnings by: (a) reclassifying

certain investment-related activities and credit guarantee-related activities between various line items on our GAAP consolidated statements of comprehensive income; and (b) allocating certain revenues and expenses, including certain returns on assets and funding costs, and all administrative expenses to our three reportable segments.
As a result of these reclassifications and allocations, Segment Earnings for our reportable segments differs significantly from, and should not be used as a substitute for, net income (loss) as determined in accordance with GAAP. Our definition of

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Segment Earnings may differ from similar measures used by other companies. However, we believe that Segment Earnings provides us with meaningful metrics to assess the financial performance of each segment and our company as a whole.

Our Segment Earnings for the three and nine months ended September 30, 2013 includes a benefit for federal income taxes of $23.9 billion within our All Other category that resulted from our conclusion to release our valuation allowance against our net deferred tax assets.

See "NOTE 13: SEGMENT REPORTING" in our 2012 Annual Report for further information regarding the reclassifications and allocations used to present Segment Earnings.

The table below provides information about our various segment mortgage and credit risk portfolios at September 30, 2013 and December 31, 2012. For a discussion of each segment's portfolios, see "Segment Earnings — Results."

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Table 13 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios[1]

	September 30, 2013	December 31, 2012
	(in millions)	
Segment mortgage portfolios:		
Investments — Mortgage investments portfolio:		
Single-family unsecuritized mortgage loans[2]	$84,680	$91,411
Freddie Mac mortgage-related securities	180,458	184,381
Non-agency mortgage-related securities	66,961	76,457
Non-Freddie Mac agency mortgage-related securities	20,945	23,675
Total Investments — Mortgage investments portfolio	353,044	375,924
Single-family Guarantee — Managed loan portfolio[3]:		
Single-family unsecuritized mortgage loans[4]	41,268	53,333
Single-family Freddie Mac mortgage-related securities held by us	180,458	184,381
Single-family Freddie Mac mortgage-related securities held by third parties	1,345,139	1,335,393
Single-family other guarantee commitments[5]	19,104	13,798
Total Single-family Guarantee — Managed loan portfolio	1,585,969	1,586,905
Multifamily — Guarantee portfolio:		
Multifamily Freddie Mac mortgage related securities held by us	2,820	2,382
Multifamily Freddie Mac mortgage related securities held by third parties	56,031	39,884
Multifamily other guarantee commitments[5]	9,306	9,657
Total Multifamily — Guarantee portfolio	68,157	51,923
Multifamily — Mortgage investments portfolio:		
Multifamily investment securities portfolio	38,679	51,718
Multifamily unsecuritized loan portfolio	64,823	76,569
Total Multifamily — Mortgage investments portfolio	103,502	128,287
Total Multifamily portfolio	171,659	180,210
Less: Freddie Mac single-family and certain multifamily securities[6]	(183,278)	(186,763)
Total mortgage portfolio	$1,927,394	$1,956,276
Credit risk portfolios:[7]		
Single-family credit guarantee portfolio:[3]		
Single-family mortgage loans, on-balance sheet	$1,631,084	$1,621,774
Non-consolidated Freddie Mac mortgage-related securities	7,189	8,897
Other guarantee commitments[5]	19,104	13,798
Less: HFA initiative-related guarantees[8]	(4,374)	(6,270)
Less: Freddie Mac mortgage-related securities backed by Ginnie Mae certificates[8]	(570)	(654)
Total single-family credit guarantee portfolio	$1,652,433	$1,637,545
Multifamily mortgage portfolio:		
Multifamily mortgage loans, on-balance sheet[9]	$65,268	$77,017
Non-consolidated Freddie Mac mortgage-related securities	58,405	41,819
Other guarantee commitments[5]	9,306	9,657
Less: HFA initiative-related guarantees[8]	(916)	(1,112)
Total multifamily mortgage portfolio	$132,063	$127,381

(1) Based on UPB and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

Excludes unsecuritized seriously delinquent single-family loans managed by the Single-family Guarantee segment.

(2) The Single-family Guarantee segment earns management and guarantee fees associated with unsecuritized single-family loans in the Investments segment's mortgage investments portfolio.

(3) The balances of the mortgage-related securities in the Single-family Guarantee managed loan portfolio are based on the UPB of the security, whereas the balances of our single-family credit guarantee portfolio presented in this report are based on the UPB of the mortgage loans underlying the related security. The differences in the loan and security balances result from the timing of remittances to security holders, which are typically 45 or 75 days after the mortgage payment cycle of fixed-rate and ARM PCs, respectively.

(4) Represents unsecuritized seriously delinquent single-family loans managed by the Single-family Guarantee segment.

(5) Represents the UPB of mortgage-related assets held by third parties for which we provide our guarantee without our securitization of the related assets.

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(6) Freddie Mac single-family mortgage-related securities held by us are included in both our Investments segment's mortgage investments portfolio and our Single-family Guarantee segment's managed loan portfolio, and Freddie Mac multifamily mortgage-related securities held by us are included in both the multifamily investment securities portfolio and the multifamily guarantee portfolio. Therefore, these amounts are deducted in order to reconcile to our total mortgage portfolio.

(7) Represents the UPB of loans for which we present characteristics, delinquency data, and certain other statistics in this report. See "GLOSSARY" for further description.

(8) We exclude HFA initiative-related guarantees and our resecuritizations of Ginnie Mae certificates from our credit risk portfolios and most related statistics because these guarantees do not expose us to meaningful amounts of credit risk due to the credit enhancement provided on them by the U.S. government.

(9) Includes both unsecuritized multifamily mortgage loans and multifamily mortgage loans in consolidated trusts.

Segment Earnings — Results

Investments

The table below presents the Segment Earnings of our Investments segment.

Table 14 — Segment Earnings and Key Metrics — Investments[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in millions)			
Segment Earnings:				
Net interest income	$883	$1,342	$2,752	$4,594
Non-interest income (loss):				
Net impairment of available-for-sale securities recognized in earnings	16	(180)	73	(690)
Derivative gains (losses)	1,007	557	4,774	993
Gains (losses) on trading securities	(187)	(364)	(1,311)	(1,175)
Gains (losses) on mortgage loans	(129)	112	(746)	323
Other non-interest income (loss)	1,937	520	3,654	1,776
Total non-interest income (loss)	2,644	645	6,444	1,227
Non-interest expense:				
Administrative expenses	(133)	(110)	(377)	(310)
Other non-interest expense	—	(1)	(1)	(1)
Total non-interest expense	(133)	(111)	(378)	(311)
Segment adjustments[2]	269	191	854	510
Segment Earnings before income tax benefit	3,663	2,067	9,672	6,020
Income tax benefit	34	405	117	548
Segment Earnings, net of taxes	3,697	2,472	9,789	6,568
Total other comprehensive income, net of taxes	638	2,015	2,227	2,377
Comprehensive income	$4,335	$4,487	$12,016	$8,945
Key metrics:				
Portfolio balances:				
Average balances of interest-earning assets:[3][4]				
Mortgage-related securities[5]	$283,478	$299,700	$282,009	$312,859
Non-mortgage-related investments[6]	94,150	98,664	91,756	99,670
Single-family unsecuritized loans[7]	88,444	90,832	89,963	99,432
Total average balances of interest-earning assets	$466,072	$489,196	$463,728	$511,961
Return:				
	0.76%	1.10%	0.79%	1.20%

Net interest yield — Segment Earnings basis (annualized)

(1) For reconciliations of the Segment Earnings line items to the comparable line items in our consolidated financial statements prepared in accordance with GAAP, see “NOTE 13: SEGMENT REPORTING — Table 13.2 — Segment Earnings and Reconciliation to GAAP Results.” For a full discussion of our segment activities, see “NOTE 13: SEGMENT REPORTING — Segment Earnings” in our 2012 Annual Report.
(2) For a description of our segment adjustments, see “NOTE 13: SEGMENT REPORTING — Segment Earnings” in our 2012 Annual Report.
(3) Excludes mortgage loans and mortgage-related securities traded, but not yet settled.
(4) We calculate average balances based on amortized cost.
(5) Includes our investments in single-family PCs and certain Other Guarantee Transactions, which are consolidated under GAAP on our consolidated balance sheets.
(6) Includes the average balances of interest-earning cash and cash equivalents, non-mortgage-related securities, and federal funds sold and securities purchased under agreements to resell.
(7) Excludes unsecuritized seriously delinquent single-family mortgage loans.

Segment Earnings for our Investments segment increased by $1.2 billion and $3.2 billion to $3.7 billion and $9.8 billion in the three and nine months ended September 30, 2013, respectively, compared to $2.5 billion and $6.6 billion in the three and

nine months ended September 30, 2012, respectively, primarily due to increases in derivative gains and other non-interest income.

Comprehensive income for our Investments segment decreased by $152 million to $4.3 billion in the three months ended September 30, 2013, compared to $4.5 billion in the three months ended September 30, 2012 as lower fair value gains on our available-for-sale mortgage-related securities more than offset higher Segment Earnings. Comprehensive income for our Investments segment increased by $3.1 billion to $12.0 billion in the nine months ended September 30, 2013, compared to $8.9 billion in the nine months ended September 30, 2012 primarily due to higher Segment Earnings.

During the three and nine months ended September 30, 2013, the UPB of the Investments segment mortgage investments portfolio decreased at an annualized rate of 7% and 8%, respectively. We held $201.4 billion and $208.1 billion of agency securities, $67.0 billion and $76.5 billion of non-agency mortgage-related securities, and $84.7 billion and $91.4 billion of single-family unsecuritized mortgage loans at September 30, 2013 and December 31, 2012, respectively. The decline in UPB of agency securities is due mainly to liquidations. The decline in UPB of non-agency mortgage-related securities is due mainly to the receipt of monthly remittances of principal repayments from both the recoveries from liquidated loans and voluntary repayments of the underlying collateral, representing a partial return of our investments in these securities, and sales during the three and nine months ended September 30, 2013. The decline in the UPB of single-family unsecuritized mortgage loans is primarily related to our securitization of mortgage loans that we had purchased for cash, and includes the securitization of reperforming loans and modified loans. As of September 30, 2013, included in the agency security balance is $3.1 billion of securitized reperforming loans and securitized modified loans. See “CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities” and “— Mortgage Loans” for additional information regarding our mortgage-related securities and mortgage loans.

Segment Earnings net interest income decreased by $459 million and $1.8 billion and Segment Earnings net interest yield decreased by 34 basis points and 41 basis points during the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. The primary drivers of the decreases were the reduction in the balance of higher-yielding mortgage-related assets due to continued liquidations, partially offset by lower funding costs primarily due to the replacement of debt at lower rates.

Segment Earnings non-interest income was $2.6 billion and $6.4 billion in the three and nine months ended September 30, 2013, respectively, compared to $645 million and $1.2 billion in the three and nine months ended September 30, 2012, respectively. These improvements were primarily due to increases in derivative gains, improvements in net impairments of available-for-sale securities recognized in earnings and increases in other non-interest income, partially offset by losses on mortgage loans.

We recorded derivative gains for this segment of $1.0 billion during the three months ended September 30, 2013 compared to $557 million during the three months ended September 30, 2012. The increase in derivative gains was primarily due to the change in the mix of our derivative portfolio coupled with an increase in interest rates. We recorded derivative gains for this segment of $4.8 billion during the nine months ended September 30, 2013 compared to $1.0 billion during the nine months ended September 30, 2012. The increase in derivative gains was primarily due to an increase in longer-term interest rates during the nine months ended September 30, 2013 compared to a decrease in longer-term interest rates during the nine months ended September 30, 2012. See “Non-Interest Income (Loss) — Derivative Gains (Losses)” for additional information on our derivatives.

Net impairments in our Investments segment were benefits of $16 million and $73 million during the three and nine months ended September 30, 2013, respectively, compared to expenses of $180 million and $690 million during the three and nine months ended September 30, 2012, respectively. The improvement in impairments was primarily due to improvements in forecasted home prices over the expected life of the available-for-sale securities during the three and nine months ended September 30, 2013. See “CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities — Mortgage-Related Securities — Other-Than-Temporary Impairments on Available-For-Sale Mortgage-Related Securities,” as well as “NOTE 7: INVESTMENTS IN SECURITIES” in our 2012 Annual Report for additional information on our impairments.

We recorded gains (losses) on trading securities of $(187) million and $(1.3) billion during the three and nine months ended September 30, 2013, respectively, compared to $(364) million and $(1.2) billion during the three and nine months ended September 30, 2012, respectively. The losses on trading securities during all periods were primarily due to the movement of securities with unrealized gains towards maturity.

We recorded gains (losses) on mortgage loans of $(129) million and $(746) million during the three and nine months ended September 30, 2013, respectively, compared to $112 million and $323 million during the three and nine months ended September 30, 2012, respectively. The losses on mortgage loans during the three and nine months ended September 30, 2013 were primarily due to an increase in interest rates while the gains on mortgage loans during the three and nine months ended September 30, 2012 were due to a decline in interest rates.

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We recorded other non-interest income for this segment of $1.9 billion and $3.7 billion during the three and nine months ended September 30, 2013, respectively, compared to $520 million and $1.8 billion during the three and nine months ended September 30, 2012, respectively. The increases in other non-interest income during the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012 primarily resulted from: (a) increased gains on sales of available-for-sale securities resulting from increased sales volume as we work toward our 2013 Conservatorship Scorecard goal to sell 5% of certain mortgage-related assets; (b) gains realized due to settlement agreements primarily related to lawsuits regarding our investments in certain non-agency mortgage-related securities; and (c) increased gains on the retirement of other debt largely due to higher premiums held on the debt that was called in 2013. The gains on sales of available-for-sale securities includes the estimated amount of gains on sales of Multifamily segment CMBS attributed to changes in interest rates. For additional information on the settlement agreements, see “NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Agency and Non-Agency Mortgage-Related Security Issuers.”

Our Investments segment’s other comprehensive income was $638 million and $2.2 billion during the three and nine months ended September 30, 2013, respectively, compared to $2.0 billion and $2.4 billion during the three and nine months ended September 30, 2012, respectively. The decrease in other comprehensive income during the three months ended September 30, 2013 compared to the three months ended September 30, 2012 was primarily due to lower gains on our non-agency mortgage-related securities, as these securities were affected by spread widening, and lower fair value gains related to the movement of these securities with unrealized losses towards maturity. The decrease in other comprehensive income during the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 was primarily due to losses on our agency mortgage-related securities resulting from the increase in long-term interest rates, partially offset by higher fair value gains on our single-family non-agency mortgage-related securities, as these securities were impacted by spread tightening in the first half of 2013. Changes in fair value of the Multifamily segment investment securities, excluding impacts from the changes in interest rates which are included in the Investments segment, are reflected in the Multifamily segment.

Significant strategy changes, either from management, FHFA, or Treasury, could have an adverse impact on the earnings from our Investments segment.

Our current loss mitigation activities may lead to faster prepayments, which also could have an impact on the earnings from mortgage-related assets we hold in our Investments segment mortgage investments portfolio. In addition, loss mitigation activities may adversely affect our ability to securitize and sell the loans subject to those activities (e.g. modified single-family mortgage loans).

For a discussion of items that have affected our Investments segment net interest income over time, and can be expected to continue to do so, see “BUSINESS — Conservatorship and Related Matters — Limits on Investment Activity and Our Mortgage-Related Investments Portfolio” in our 2012 Annual Report. For more information on our loss mitigation activities, see “BUSINESS — Our Business Segments — Single-Family Guarantee Segment — Loss Mitigation and Loan Workout Activities” in our 2012 Annual Report.

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Single-Family Guarantee

The table below presents the Segment Earnings of our Single-family Guarantee segment.

Table 15 — Segment Earnings and Key Metrics — Single-Family Guarantee[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in millions)			
Segment Earnings:				
Net interest income (expense)	$203	$(61)	$300	$(94)
Benefit (provision) for credit losses	885	(931)	1,474	(3,577)
Non-interest income:				
Management and guarantee income	1,230	1,108	3,771	3,145
Other non-interest income	246	219	695	571
Total non-interest income	1,476	1,327	4,466	3,716
Non-interest expense:				
Administrative expenses	(263)	(228)	(756)	(653)
REO operations income (expense)	67	40	168	(98)
Other non-interest expense	(195)	(111)	(505)	(266)
Total non-interest expense	(391)	(299)	(1,093)	(1,017)
Segment adjustments[2]	(154)	(189)	(596)	(577)
Segment Earnings (loss) before income tax expense	2,019	(153)	4,551	(1,549)
Income tax expense	—	(10)	(5)	(48)
Segment Earnings (loss), net of taxes	2,019	(163)	4,546	(1,597)
Total other comprehensive income (loss), net of taxes	2	1	14	(21)
Total comprehensive income (loss)	$2,021	$(162)	$4,560	$(1,618)
Key metrics:				
Balances and Volume (in billions, except rate):				
Average balance of single-family credit guarantee portfolio and HFA guarantees	$1,648	$1,671	$1,642	$1,706
Issuance — Single-family credit guarantees[3]	$101	$107	$370	$318
Fixed-rate products — Percentage of purchases[4]	95%	96%	96%	95%
Liquidation rate — Single-family credit guarantees (annualized)[5]	26%	35%	31%	32%
Average Management and Guarantee Rate (in bps, annualized):[6]				
Segment Earnings management and guarantee income[7]	29.8	26.5	30.6	24.6
Guarantee fee charged on new acquisitions[8]	53.2	42.0	50.8	35.8
Credit:				
Serious delinquency rate, at end of period	2.58%	3.37%	2.58%	3.37%
REO inventory, at end of period (number of properties)	47,119	50,913	47,119	50,913
Single-family credit losses, in bps (annualized)[9]	13.5	69.8	35.2	71.8
Market:				
Single-family mortgage debt outstanding (total U.S. market, in billions)[10]	$9,833	$9,943	$9,833	$9,943

30-year fixed mortgage rate[11]	4.3	%	3.4	%	4.3	%	3.4	%

(1) For reconciliations of the Segment Earnings line items to the comparable line items in our consolidated financial statements prepared in accordance with GAAP, see "NOTE 13: SEGMENT REPORTING — Table 13.2 — Segment Earnings and Reconciliation to GAAP Results."

(2) For a description of our segment adjustments, see "NOTE 13: SEGMENT REPORTING — Segment Earnings" in our 2012 Annual Report.

(3) Represents the UPB of loans underlying Freddie Mac mortgage-related securities and other guarantee commitments.

(4) Excludes Other Guarantee Transactions.

(5) Represents principal repayments relating to loans underlying Freddie Mac mortgage-related securities and other guarantee commitments, including those related to our removal of seriously delinquent and modified mortgage loans and balloon/reset mortgage loans from PC pools.

(6) Includes the effect of the legislated 10 basis point increase in guarantee fees that became effective April 1, 2012. The 2013 periods also include an additional across-the-board increase in guarantee fees that became effective in the fourth quarter of 2012.

(7) Consists of the contractual management and guarantee fee rate as well as amortization of delivery and other upfront fees (using the original contractual maturity date of the related loans) for the entire single-family credit guarantee portfolio. Also includes the effect of pricing adjustments that are based on the relative performance of our PCs compared to comparable Fannie Mae securities.

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(8) Represents the estimated rate of management and guarantee fees for new acquisitions during the period assuming amortization of delivery fees using the estimated life of the related loans rather than the original contractual maturity date of the related loans. Also includes the effect of pricing adjustments that are based on the relative performance of our PCs compared to comparable Fannie Mae securities.

(9) Calculated as the amount of single-family credit losses divided by the sum of the average carrying value of our single-family credit guarantee portfolio and the average balance of our single-family HFA initiative-related guarantees.

(10) Source: Federal Reserve Flow of Funds Accounts of the United States of America dated September 25, 2013. The outstanding amount for September 30, 2013 reflects the balance as of June 30, 2013.

(11) Based on Freddie Mac's Primary Mortgage Market Survey rate for the last week in the period, which represents the national average mortgage commitment rate to a qualified borrower exclusive of any fees and points required by the lender. This commitment rate applies only to financing on conforming mortgages with LTV ratios of 80%.

Segment Earnings (loss) for our Single-family Guarantee segment improved to $2.0 billion and $4.5 billion for the three and nine months ended September 30, 2013, respectively, compared to $(0.2) billion and $(1.6) billion for the three and nine months ended September 30, 2012, respectively. The improvement was primarily due to a shift from provision for credit losses of $0.9 billion and $3.6 billion in the three and nine months ended September 30, 2012, respectively, to a benefit for credit losses of $0.9 billion and $1.5 billion in the three and nine months ended September 30, 2013, respectively.

Segment Earnings (loss) for the Single-family Guarantee segment is largely driven by management and guarantee fee income and the benefit (provision) for credit losses. The table below provides summary information about the composition of Segment Earnings (loss) for this segment, by guarantee and loan origination years, for the nine months ended September 30, 2013 and 2012.

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Table 16 — Segment Earnings Composition — Single-Family Guarantee Segment

	Nine Months Ended September 30, 2013				
	Segment Earnings Management and Guarantee Income(1)		Credit-Related Benefit (Expense) (2)		
	Amount	Average Rate(3)	Amount	Average Rate(3)	Net Amount(4)
	(dollars in millions, rates in bps)				
Year of origination:(5)					
2013	$494	35.0	$(45)	(3.1)	$449
2012	935	32.8	(205)	(6.6)	730
2011	543	35.9	(60)	(4.0)	483
2010	513	35.2	(45)	(3.0)	468
2009	391	31.7	9	0.7	400
2008	196	32.3	168	36.7	364
2007	194	23.0	568	78.8	762
2006	105	19.4	401	74.1	506
2005	120	19.7	464	75.1	584
2004 and prior	280	22.5	387	28.7	667
Total	$3,771	30.6	$1,642	13.2	$5,413
Administrative expenses					(756)
Net interest income (expense)					300
Other non-interest income (expenses), net					(411)
Segment Earnings (loss), net of taxes					$4,546

	Nine Months Ended September 30, 2012				
	Segment Earnings Management and Guarantee Income(1)		Credit-Related Benefit (Expense) (2)		
	Amount	Average Rate(3)	Amount	Average Rate(3)	Net Amount(4)
	(dollars in millions, rates in bps)				
Year of origination:(5)					
2012	$245	23.0	$(78)	(6.6)	$167
2011	566	27.3	(174)	(8.5)	392
2010	582	27.9	(255)	(11.8)	327
2009	562	28.5	(211)	(10.7)	351
2008	253	26.9	(176)	(23.6)	77
2007	238	19.7	(1,161)	(107.8)	(923)
2006	151	19.5	(767)	(95.9)	(616)
2005	174	19.7	(743)	(81.5)	(569)
2004 and prior	374	20.8	(110)	(5.6)	264
Total	$3,145	24.6	$(3,675)	(28.6)	$(530)
Administrative expenses					(653)
Net interest income (expense)					(94)

Other non-interest income (expenses), net	(320)
Segment Earnings (loss), net of taxes	$(1,597)

(1) Includes amortization of delivery and other upfront fees based on the original contractual maturity date of the related loans of $1.8 billion and $1.2 billion for the nine months ended September 30, 2013 and 2012, respectively. Includes the effect of the legislated 10 basis point increase in guarantee fees that became effective April 1, 2012. Results for 2013 also include an additional across-the-board increase in guarantee fees that became effective in the fourth quarter of 2012. Beginning in the fourth quarter of 2012, includes amortization of buy-down fees.

(2) Consists of the aggregate of the Segment Earnings benefit (provision) for credit losses and Segment Earnings REO operations income (expense). Historical rates of average credit-related benefit (expense) may not be representative of future results.

(3) Calculated as the annualized amount of Segment Earnings management and guarantee income or credit-related benefit (expense), respectively, divided by the sum of the average carrying values of the single-family credit guarantee portfolio and the average balance of our single-family HFA initiative-related guarantees.

(4) Calculated as Segment Earnings management and guarantee income less credit-related benefit (expense).

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(5) Segment Earnings management and guarantee income is presented by year of guarantee origination, whereas credit-related benefit (expense) is presented based on year of loan origination. Refinance loans, including HARP and other relief refinance loans, are presented in the year the refinancing occurred.

The credit quality of the single-family loans we acquired beginning in 2009 (excluding HARP loans and other relief refinance mortgages) is significantly better than that of loans we acquired from 2005 through 2008, as measured by original LTV ratios, FICO scores, and the proportion of loans underwritten with fully documented income. Mortgages originated after 2008, including HARP and other relief refinance mortgages, represented 73% of the UPB of our single-family credit guarantee portfolio as of September 30, 2013, and the portion of that portfolio represented by such loans continues to increase. For more information on the composition of our single-family credit guarantee portfolio, see "Table 2 — Single-Family Mortgage Loan Purchases and Other Guarantee Commitment Issuances, by Loan Purpose" and "Table 3 — Single-Family Credit Guarantee Portfolio Summary."

As of September 30, 2013, loans originated after 2008 have, on a cumulative basis, provided management and guarantee income that has exceeded the credit-related and administrative expenses associated with these loans. For the nine months ended September 30, 2013, credit-related expenses for loans originated in 2005 through 2008 benefited from improvements in home prices, which resulted in lower estimates of incurred losses. However, on a cumulative basis, our management and guarantee income associated with guarantee issuances in 2005 through 2008 has not been adequate to cover the credit-related and administrative expenses associated with such loans, primarily due to the high rate of defaults on the loans originated in those years.

HARP and other relief refinance loans represent a significant and increasing portion of the portfolio. Relief refinance mortgages (including HARP loans) generally present higher risk to us than other refinance loans we have purchased since 2009 because:

- underwriting procedures for relief refinance mortgages are limited in many cases, and such procedures generally do not include all of the changes in underwriting standards we have implemented since 2008;
- many of these loans have relatively high LTV ratios (e.g., greater than 90%), which can increase the probability of default and increase the amount of our loss if the borrower does default;
- HARP loans may not be covered by mortgage insurance for the full excess of their UPB over 80%; and
- beginning with changes announced in the fourth quarter of 2011, we have relieved the lenders of certain representations and warranties on the original mortgage being refinanced, which limits our ability to seek recovery or repurchase from the seller for breach.

For information on the potential credit risks related to these loans, see "RISK MANAGEMENT - Credit Risk —Mortgage Credit Risk - Single-Family Mortgage Credit Risk - Single-Family Loan Workouts and the MHA Program."

Segment Earnings management and guarantee income increased in the three and nine months ended September 30, 2013, as compared to the three and nine months ended September 30, 2012, primarily due to an increase in amortization of buy-down fees, which we began recording in the Single-family Guarantee segment during the fourth quarter of 2012. We amortize these upfront fees based on the original contractual maturity date of the loan rather than the loan's estimated life. As a result, the amount of Segment Earnings management and guarantee income we recognize related to upfront fees is lower in the initial years of a loan and increases during periods of high refinance or prepayment activity, as unamortized upfront fees for loans are recognized in income when the loans are refinanced or prepaid.

Segment Earnings management and guarantee income also benefited in 2013 from higher guarantee fees. At the direction of FHFA, we implemented two across-the-board increases in guarantee fees in 2012. As a result, our average management and guarantee fee we charge in 2013 and thereafter will be higher than the average fee we charged in previous years. The average management and guarantee fee we charged for new acquisitions in the third quarter of 2013 was 53.2 basis points (including the legislated 10 bps increase), compared to 42.0 basis points in the third quarter of 2012. The guarantee fee we charge on new acquisitions generally consists of a combination of delivery fees as well as a base monthly fee. The average guarantee fee charged on new acquisitions represents our expected guarantee fee rate over the estimated life of the related loans using certain assumptions for prepayments and other liquidations.

Our Segment Earnings management and guarantee fee income is also influenced by our PC price performance because we adjust our fees based on the relative price performance of our PCs compared to comparable Fannie Mae securities. A decline in security performance could negatively impact our segment financial results. See "RISK FACTORS — Competitive and Market Risks — A significant decline in the price performance of or demand for our PCs could have an adverse effect on the volume and/or profitability of our new single-family guarantee business" in our 2012 Annual Report for additional information.

The UPB of the Single-family Guarantee managed loan portfolio was $1.6 trillion at both September 30, 2013 and December 31, 2012. Issuances of our guarantees for this portfolio were $370 billion and $318 billion in the nine months ended September 30, 2013 and 2012, respectively, and predominantly consisted of refinance mortgages, including HARP and other

relief refinance loans. During the third quarter of 2013, refinancings, including HARP, comprised approximately 65% of our single-family purchase and issuance volume, compared with 81% in the first half of 2013 and approximately 82% for all of 2012. We believe that the recent increase in mortgage interest rates and potential further increases will result in a decline, which could be significant, in overall single-family mortgage originations. As a result, we expect our purchase volumes will likely also decline, potentially significantly, during the fourth quarter of 2013 and the full year of 2014. However, we expect the UPB of our single-family credit guarantee portfolio will be relatively unchanged at the end of December 2014 compared to September 30, 2013, due to an expected decline in prepayments resulting from higher mortgage interest rates. For more information, see "RISK FACTORS — Competitive and Market Risks — Our refinance volumes could decline if interest rates rise, which could cause our overall new mortgage-related security issuance volumes to decline" in our 2012 Annual Report.

The annualized liquidation rate on our single-family credit guarantees was approximately 26% and 31% for the three and nine months ended September 30, 2013, respectively. Although the annualized liquidation rate remained high during the nine months ended September 30, 2013, it declined in the third quarter of 2013 compared to the second quarter of 2013 primarily due to an increase in interest rates and lower refinancing activity.

Benefit (provision) for credit losses for the Single-family Guarantee segment was $0.9 billion in the third quarter of 2013 compared to $(0.9) billion in the third quarter of 2012, and was $1.5 billion in the nine months ended September 30, 2013 compared to $(3.6) billion in the nine months ended September 30, 2012. The significant improvement in provision for credit losses in the 2013 periods reflects: (a) declines in the volume of newly delinquent loans (largely due to a decline in the portion of our single-family credit guarantee portfolio originated in 2005 through 2008); (b) lower estimates of incurred loss due to the positive impact of an increase in national home prices; and (c) $0.9 billion related to counterparty agreements in the third quarter of 2013. Assuming that all other factors remain the same, an increase in home prices can reduce the likelihood that loans will default and may also reduce the amount of credit losses on the loans that do default.

The serious delinquency rate on our single-family credit guarantee portfolio was 2.58% and 3.25% as of September 30, 2013 and December 31, 2012, respectively. Charge-offs, net of recoveries, associated with single-family loans were $4.6 billion and $9.1 billion in the nine months ended September 30, 2013 and 2012, respectively. Single-family credit losses as a percentage of the average balance of the single-family credit guarantee portfolio and HFA initiative-related guarantees were 35.2 basis points and 71.8 basis points for the nine months ended September 30, 2013 and 2012, respectively. See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk" for further information on our single-family credit guarantee portfolio, including credit performance, serious delinquency rates, charge-offs, and our non-performing assets.

REO operations income (expense) for the Single-family Guarantee segment was $67 million and $40 million in the third quarters of 2013 and 2012, respectively, and was $168 million and $(98) million in the nine months ended September 30, 2013 and 2012, respectively. The improvements in the 2013 periods, compared to the respective periods in 2012, were primarily due to: (a) a decline in REO property expenses associated with a lower number of REO properties owned in the 2013 periods; and (b) improving home prices in certain geographical areas with significant REO activity.

Our REO inventory (measured in number of properties) declined 4% from December 31, 2012 to September 30, 2013 primarily due to lower foreclosure activity as a result of our loss mitigation efforts and a declining amount of delinquent loans. Although there was an improvement in REO disposition severity during the nine months ended September 30, 2013, the REO disposition severity ratios on sales of our REO inventory remain high as compared to periods before 2008. See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Non-Performing Assets" for additional information about our REO activity.

Other non-interest expense for the Single-family Guarantee segment was $195 million and $111 million in the third quarters of 2013 and 2012, respectively, and was $505 million and $266 million in the nine months ended September 30, 2013 and 2012, respectively. The increase in the 2013 periods was primarily due to expenses related to the legislated 10 basis point increase to guarantee fees, which we implemented in April 2012. The amount was not significant during the nine months ended September 30, 2012. As of September 30, 2013, the cumulative total of amounts paid and due to Treasury related to this increase was $474 million, including $366 million for the nine

months ended September 30, 2013. The increase in expense associated with the legislated increase in guarantee fees was partially offset by a decline in HAMP incentive fees in the 2013 periods compared to the respective periods in 2012.

Multifamily

The table below presents the Segment Earnings of our Multifamily segment.

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Table 17 — Segment Earnings and Key Metrics — Multifamily[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in millions)			
Segment Earnings:				
Net interest income	$321	$334	$944	$982
Benefit for credit losses	28	40	167	81
Non-interest income:				
Management and guarantee income	52	38	147	107
Net impairment of available-for-sale securities recognized in earnings	(4)	(29)	(15)	(64)
Gains on mortgage loans	243	315	306	528
Other non-interest income	257	77	475	305
Total non-interest income	548	401	913	876
Non-interest expense:				
Administrative expenses	(59)	(63)	(198)	(176)
REO operations income (expense)	12	9	15	6
Other non-interest expense	(6)	(9)	(18)	(107)
Total non-interest expense	(53)	(63)	(201)	(277)
Segment Earnings before income tax expense	844	712	1,823	1,662
Income tax expense	—	(2)	(1)	(10)
Segment Earnings, net of taxes	844	710	1,822	1,652
Total other comprehensive income (loss), net of taxes	(689)	686	(531)	1,430
Total comprehensive income	$155	$1,396	$1,291	$3,082
Key metrics:				
Balances and Volume:				
Average balance of Multifamily unsecuritized loan portfolio	$67,710	$80,627	$72,326	$81,665
Average balance of Multifamily guarantee portfolio	$66,673	$45,060	$60,606	$41,024
Average balance of Multifamily investment securities portfolio	$43,383	$53,989	$47,483	$55,926
Multifamily new business activity[2]	$5,266	$6,810	$18,800	$19,222
Multifamily units financed from new business activity[2]	72,716	109,080	257,714	302,474
Multifamily K Certificate issuance — guaranteed portion	$5,313	$3,239	$17,474	$11,687
Multifamily K Certificate issuance — unguaranteed portion	$1,041	$617	$3,233	$2,171
Yield and Rate:				
Net interest yield — Segment Earnings basis (annualized)	1.15%	0.99%	1.04%	0.95%
Average Management and guarantee fee rate, in bps (annualized):[3]				
K Certificate	19.3	18.5	19.4	18.9
All other guarantees	75.4	67.2	74.7	67.5
Total	30.8	34.1	32.1	36.2
Credit:				
Delinquency rate:				
Credit-enhanced loans, at period end	0.06%	0.45%	0.06%	0.45%
Non-credit-enhanced loans, at period end	0.05%	0.18%	0.05%	0.18%
Total delinquency rate, at period end[4]	0.05%	0.27%	0.05%	0.27%

Allowance for loan losses and reserve for guarantee losses, at period end	$205	$453	$205	$453
Allowance for loan losses and reserve for guarantee losses, in bps	15.4	35.8	15.4	35.8
Credit losses (gains), in bps (annualized)(5)	(2.7)	(1.7)	(0.6)	0.6
REO inventory, at net carrying value	$2	$43	$2	$43
REO inventory, at period end (number of properties)	1	6	1	6

(1) For reconciliations of Segment Earnings line items to the comparable line items in our consolidated financial statements prepared in accordance with GAAP, see "NOTE 13: SEGMENT REPORTING — Table 13.2 — Segment Earnings and Reconciliation to GAAP Results."

(2) Represents loan purchases and other guarantee commitment issuances. Excludes our guarantees issued under the HFA initiative and K Certificate issuances.

(3) Represents Multifamily Segment Earnings — management and guarantee income, excluding prepayment and certain other fees for each category, divided by the sum of the average UPB of the related category of guarantee. The average UPB of the all other guarantees category includes the average UPB associated with HFA guarantees, excluding certain bonds under the NIBP.

(4) See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Multifamily Mortgage Credit Risk" for information on our reported multifamily delinquency rate.

(5) Calculated as the amount of multifamily credit losses (gains) divided by the sum of the average carrying value of our multifamily loans (on-balance sheet) and the average balance of the multifamily guarantee portfolio, including multifamily HFA initiative-related guarantees.

Segment Earnings for our Multifamily segment increased to $0.8 billion and $1.8 billion for the three and nine months ended September 30, 2013, respectively, compared to $0.7 billion and $1.7 billion for the three and nine months ended September 30, 2012, respectively. The increase in the 2013 periods was primarily due to increased other non-interest income, partially offset by decreased gains on mortgage loans.

Comprehensive income for our Multifamily segment was $0.2 billion and $1.3 billion for the three and nine months ended September 30, 2013, respectively, consisting of: (a) Segment Earnings of $0.8 billion and $1.8 billion, respectively; and (b) $(0.7) billion and $(0.5) billion, respectively, of total other comprehensive income (loss). Total other comprehensive income (loss) for our Multifamily segment in the 2013 periods is primarily related to the reversal of fair value gains deferred in AOCI associated with certain available-for-sale securities that were sold during 2013.

Our multifamily new business activity (loan purchases and other guarantee commitment issuances) decreased to $18.8 billion for the first nine months of 2013 compared to $19.2 billion for the first nine months of 2012 as a result of the measures we have taken (such as adjusting prices) combined with the effects of rising interest rates and increased competition from other market participants. We expect to meet the 2013 Conservatorship Scorecard goal of reducing our new multifamily business volume by at least 10% as compared to 2012 levels. Our new business activity for the full year of 2012 was $28.8 billion. We issued guarantees on K Certificates of $5.3 billion and $17.5 billion in UPB for the three and nine months ended September 30, 2013, respectively, compared to $3.2 billion and $11.7 billion for the three and nine months ended September 30, 2012, respectively. The UPB of the total multifamily portfolio declined to $171.7 billion from $180.2 billion as of September 30, 2013 and December 31, 2012, respectively, primarily due to the sale of available-for-sale CMBS as we work toward our 2013 Conservatorship Scorecard goal to sell 5% of certain mortgage-related assets.

Segment Earnings net interest income declined by 4%, to $321 million, for the three months ended September 30, 2013 from $334 million for the three months ended September 30, 2012, and was $944 million and $982 million for the nine months ended September 30, 2013 and 2012, respectively. The decrease in the 2013 periods was primarily due to lower average balances of the multifamily loan and investment securities portfolios in the first nine months of 2013.

Segment Earnings non-interest income was $548 million and $401 million for the three months ended September 30, 2013 and 2012, respectively, and was $913 million and $876 million for the nine months ended September 30, 2013 and 2012, respectively. The increase in the 2013 periods was primarily due to higher other non-interest income which resulted from increased gains on sale of available-for-sale CMBS compared to the 2012 periods as discussed above.

Segment Earnings management and guarantee income increased to $52 million and $147 million for the three and nine months ended September 30, 2013, respectively, compared to $38 million and $107 million for the three and nine months ended September 30, 2012, respectively. The increase in the 2013 periods was primarily due to the higher average balance of the multifamily guarantee portfolio in 2013, which is attributed to K Certificate issuances during the last 12 months. However, the average total management and guarantee fee rate on our multifamily guarantee portfolio declined to 30.8 basis points and 32.1 basis points in the third quarter and first nine months of 2013, respectively, from 34.1 basis points and 36.2 basis points in the third quarter and first nine months of 2012, respectively. This decline primarily reflects the issuances of K Certificates during recent periods, which have lower fees than our other multifamily guarantee activities as a result of our reduced credit risk exposure due to the use of subordination.

Segment Earnings benefit for credit losses was $28 million and $40 million for the three months ended September 30, 2013 and 2012, respectively, and was $167 million and $81 million for the first nine months of 2013 and 2012, respectively. The continued benefit for credit losses in the 2013 periods was primarily due to an improvement in the expected performance of the underlying loans and a decline in the number of loans that have been classified as individually impaired.

As a result of our underwriting standards and practices, which we believe are prudent, and the continued positive multifamily market fundamentals, the credit quality of the multifamily mortgage portfolio remains strong, and multifamily credit (gains) losses as a percentage of the combined average balance of our multifamily loan and guarantee portfolios were (0.6) basis points and 0.6 basis points during the first nine months of 2013 and 2012, respectively. See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Multifamily Mortgage Credit Risk" for further information about the credit performance of our multifamily mortgage portfolio.

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CONSOLIDATED BALANCE SHEETS ANALYSIS

The following discussion of our consolidated balance sheets should be read in conjunction with our consolidated financial statements, including the accompanying notes. Also, see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES" for information concerning certain significant accounting policies and estimates applied in determining our reported financial position.

Cash and Cash Equivalents, Federal Funds Sold and Securities Purchased Under Agreements to Resell

Cash and cash equivalents, federal funds sold and securities purchased under agreements to resell, and other liquid assets discussed in "Investments in Securities — Non-Mortgage-Related Securities," are important to our cash flow and asset and liability management, and our ability to provide liquidity and stability to the mortgage market. We use these assets to help manage recurring cash flows and meet our other cash management needs. We consider federal funds sold to be overnight unsecured trades executed with insured depository institutions that are members of the Federal Reserve System. Federal funds sold trades are not insured. Securities purchased under agreements to resell principally consist of short-term contractual agreements such as reverse repurchase agreements involving Treasury and agency securities.

The short-term assets on our consolidated balance sheets also include those related to our consolidated VIEs, which consisted primarily of restricted cash and cash equivalents and securities purchased under agreements to resell at September 30, 2013. These short-term assets related to our consolidated VIEs decreased by $16.6 billion from December 31, 2012 to September 30, 2013, primarily due to a decrease in the level of refinancing activity.

Excluding amounts related to our consolidated VIEs, we held $9.5 billion and $8.5 billion of cash and cash equivalents (including non-interest bearing deposits of $6.1 billion and $7.3 billion at the Federal Reserve Bank), no federal funds sold, and $29.7 billion and $18.3 billion of securities purchased under agreements to resell at September 30, 2013 and December 31, 2012, respectively. Excluding amounts related to our consolidated VIEs, we held on average $23.2 billion and $25.1 billion of cash and cash equivalents and $24.4 billion and $18.2 billion of federal funds sold and securities purchased under agreements to resell during the three and nine months ended September 30, 2013, respectively.

For information regarding our liquidity management practices and policies, see "MD&A — LIQUIDITY AND CAPITAL RESOURCES" in our 2012 Annual Report.

Investments in Securities

The table below provides detail regarding our investments in securities as of September 30, 2013 and December 31, 2012. The table does not include our holdings of single-family PCs and certain Other Guarantee Transactions. For information on our holdings of such securities, see "Table 13 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios."

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Table 18 — Investments in Securities

	Fair Value	
	September 30, 2013	December 31, 2012
	(in millions)	
Investments in securities:		
Available-for-sale:		
Mortgage-related securities:		
Freddie Mac[1]	$44,145	$ 58,515
Fannie Mae	11,561	15,280
Ginnie Mae	176	209
CMBS	36,368	51,307
Subprime	27,572	26,457
Option ARM	6,424	5,717
Alt-A and other	9,103	10,904
Obligations of states and political subdivisions	3,761	5,798
Manufactured housing	688	709
Total available-for-sale mortgage-related securities	139,798	174,896
Total investments in available-for-sale securities	139,798	174,896
Trading:		
Mortgage-related securities:		
Freddie Mac[1]	10,060	10,354
Fannie Mae	10,675	10,338
Ginnie Mae	105	131
Other	166	156
Total trading mortgage-related securities	21,006	20,979
Non-mortgage-related securities:		
Asset-backed securities	—	292
Treasury bills	4,854	1,160
Treasury notes	26,787	19,061
Total trading non-mortgage-related securities	31,641	20,513
Total investments in trading securities	52,647	41,492
Total investments in securities	$192,445	$ 216,388

(1) For information on the types of instruments that are included, see “NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Investments in Securities” in our 2012 Annual Report.

Non-Mortgage-Related Securities

Our investments in non-mortgage-related securities provide an additional source of liquidity. We held investments in non-mortgage-related securities with a fair value of $31.6 billion and $20.5 billion as of September 30, 2013 and December 31, 2012, respectively.

Mortgage-Related Securities

Our investments in mortgage-related securities consist of securities issued by Fannie Mae, Ginnie Mae, and other financial institutions. We also invest in our own mortgage-related securities. However, the single-family PCs and certain Other Guarantee Transactions we purchase as investments are not accounted for as investments in securities on our consolidated balance sheets because we recognize the underlying mortgage loans on our consolidated balance sheets through consolidation of the related trusts.

The table below provides the UPB of our investments in mortgage-related securities classified as available-for-sale or trading on our consolidated balance sheets. The table below does not include our holdings of our own single-family PCs and certain Other Guarantee Transactions. For further information on our holdings of such securities, see “Table

13 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios.”

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Table 19 — Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets

	September 30, 2013			December 31, 2012		
	Fixed Rate	Variable Rate[1]	Total	Fixed Rate	Variable Rate[1]	Total
	(in millions)					
Freddie Mac mortgage-related securities:[2]						
Single-family	$41,497	$4,870	$46,367	$50,979	$7,256	$58,235
Multifamily	1,365	1,455	2,820	750	1,632	2,382
Total Freddie Mac mortgage-related securities	42,862	6,325	49,187	51,729	8,888	60,617
Non-Freddie Mac mortgage-related securities:						
Agency securities:[3]						
Fannie Mae:						
Single-family	10,723	9,981	20,704	10,864	12,518	23,382
Multifamily	3	—	3	35	49	84
Ginnie Mae:						
Single-family	160	81	241	202	91	293
Multifamily	15	—	15	15	—	15
Total Non-Freddie Mac agency securities	10,901	10,062	20,963	11,116	12,658	23,774
Non-agency mortgage-related securities:						
Single-family:[4]						
Subprime	120	40,664	40,784	311	44,086	44,397
Option ARM	—	10,755	10,755	—	12,012	12,012
Alt-A and other	1,512	10,284	11,796	1,774	13,036	14,810
CMBS	14,761	20,118	34,879	17,657	30,300	47,957
Obligations of states and political subdivisions[5]	3,774	15	3,789	5,637	19	5,656
Manufactured housing	692	107	799	741	121	862
Total non-agency mortgage-related securities[6]	20,859	81,943	102,802	26,120	99,574	125,694
Total UPB of mortgage-related securities	$74,622	$98,330	172,952	$88,965	$121,120	210,085
Premiums, discounts, deferred fees, impairments of UPB and other basis adjustments			(13,239)			(13,922)
Net unrealized gains (losses) on mortgage-related securities, pre-tax			1,091			(288)
Total carrying value of mortgage-related securities			$160,804			$195,875

(1) Variable-rate mortgage-related securities include those with a contractual coupon rate that, prior to contractual maturity, is either scheduled to change or is subject to change based on changes in the composition of the underlying collateral.

(2) When we purchase REMICs and Other Structured Securities and certain Other Guarantee Transactions that we have issued, we account for these securities as investments in debt securities as we are investing in the debt securities of a non-consolidated entity. We do not consolidate our resecuritization trusts unless we are deemed to be the primary beneficiary of such trusts. We are subject to the credit risk associated with the mortgage loans underlying our Freddie Mac mortgage-related securities. Mortgage loans underlying our issued single-family PCs and certain Other Guarantee Transactions are recognized on our consolidated balance sheets as held-for-investment mortgage loans, at amortized cost. See "NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Investments in Securities" in our 2012 Annual Report for further information.

(3) Agency securities are generally not separately rated by nationally recognized statistical rating organizations, but have historically been viewed as having a level of credit quality at least equivalent to non-agency mortgage-related securities AAA-rated or equivalent.

(4) For information about how these securities are rated, see ‘‘Table 25 — Ratings of Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans, and CMBS.’’

(5) Consists of housing revenue bonds. Approximately 28% and 36% of these securities held at September 30, 2013 and December 31, 2012, respectively, were AAA-rated as of those dates, based on the UPB and the lowest rating available.

(6) Credit ratings for most non-agency mortgage-related securities are designated by no fewer than two nationally recognized statistical rating organizations. Approximately 18% and 21% of total non-agency mortgage-related securities held at September 30, 2013 and December 31, 2012, respectively, were AAA-rated as of those dates, based on the UPB and the lowest rating available.

The table below provides the UPB and fair value of our investments in mortgage-related securities classified as available-for-sale or trading on our consolidated balance sheets.

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Table 20 — Additional Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets

	September 30, 2013		December 31, 2012	
	UPB	Fair Value	UPB	Fair Value
	(in millions)			
Agency pass-through securities[1]	$16,623	$17,736	$17,614	$19,125
Agency REMICs and Other Structured Securities:				
Interest-only securities[2]	—	1,750	—	2,023
Principal-only securities[3]	2,860	2,446	2,291	2,169
Inverse floating-rate securities[4]	1,743	2,554	2,804	4,106
Other Structured Securities[5]	48,924	52,236	61,682	67,404
Total agency securities	70,150	76,722	84,391	94,827
Non-agency securities[6]	102,802	84,082	125,694	101,048
Total mortgage-related securities	$172,952	$160,804	$210,085	$195,875

(1) Represents an undivided beneficial interest in trusts that hold pools of mortgages.
(2) Represents securities where the holder receives only the interest cash flows.
(3) Represents securities where the holder receives only the principal cash flows.
(4) Represents securities where the holder receives interest cash flows that change inversely with the reference rate (i.e., higher cash flows when reference rates are low and lower cash flows when reference rates are high). Additionally, these securities receive a portion of principal cash flows associated with the underlying collateral.
(5) Includes REMICs and Other Structured Securities. See "GLOSSARY" for more information on these securities.
(6) Includes fair values of $2 million and $3 million of interest-only securities at September 30, 2013 and December 31, 2012, respectively.

The total UPB of our investments in mortgage-related securities on our consolidated balance sheets decreased from $210.1 billion at December 31, 2012 to $173.0 billion at September 30, 2013, while the fair value of these investments decreased from $195.9 billion at December 31, 2012 to $160.8 billion at September 30, 2013. The reduction in UPB of agency mortgage-related securities primarily resulted from liquidations. The reduction in non-agency mortgage-related securities is due to the receipt of monthly remittances of principal repayments from both the recoveries from liquidated loans and voluntary repayments of the underlying collateral, representing a partial return of our investments in these securities, and sales, consistent with our efforts to reduce the size of our mortgage-related investments portfolio, as described in "EXECUTIVE SUMMARY — Limits on Investment Activity and Our Mortgage-Related Investments Portfolio."

The table below summarizes our mortgage-related securities purchase activity for the three and nine months ended September 30, 2013 and 2012. This activity primarily consists of purchases of: (a) single-family PCs; and (b) mortgage-related securities in connection with issuances of multifamily Other Guarantee Transactions (i.e., K Certificates). Our purchases of single-family PCs and certain Other Guarantee Transactions issued by trusts that we consolidated are recorded as an extinguishment of debt securities of consolidated trusts held by third parties on our consolidated balance sheets.

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Table 21 — Mortgage-Related Securities Purchase Activity[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Non-Freddie Mac mortgage-related securities purchased for resecuritization:				
Ginnie Mae Certificates	$21	$5	$24	$10
Non-Freddie Mac mortgage-related securities purchased as investments in securities:				
Agency securities:				
Fannie Mae:				
Fixed-rate	3,300	—	4,016	—
Variable-rate	—	—	50	50
Total agency securities	3,300	—	4,066	50
Non-agency mortgage-related securities:				
CMBS:				
Fixed-rate	20	—	30	10
Variable-rate	35	23	65	58
Total non-agency mortgage-related securities	55	23	95	68
Total non-Freddie Mac mortgage-related securities purchased as investments in securities	3,355	23	4,161	118
Total non-Freddie Mac mortgage-related securities purchased	$3,376	$28	$4,185	$128
Freddie Mac mortgage-related securities purchased:				
Single-family:				
Fixed-rate	$33,069	$21,649	$82,566	$34,115
Variable-rate	94	1,317	904	4,452
Multifamily:				
Fixed-rate	—	—	—	39
Total Freddie Mac mortgage-related securities purchased	$33,163	$22,966	$83,470	$38,606
Mortgage-related securities purchased for Other Guarantee Transactions[2]	$5,313	$3,240	$17,474	$11,673

(1) Based on UPB. Excludes mortgage-related securities traded but not yet settled.

(2) Primarily consists of purchases of mortgage-related securities backed by Freddie Mac underwritten loans for the subsequent issuances of multifamily K Certificates.

The purchases of Freddie Mac mortgage-related securities that we made during the three and nine months ended September 30, 2013, as reflected in the table above, primarily related to our investment activities. In addition, during the periods presented above, we purchased mortgage-related securities backed by Freddie Mac underwritten loans in connection with our subsequent issuances of multifamily K Certificates. For more information, see “BUSINESS — Our Business Segments — Investments Segment — PC Support Activities” and “RISK FACTORS — Competitive and Market Risks — A significant decline in the price performance of or demand for our PCs could have an adverse effect on the volume and/or profitability of our new single-family guarantee business” in our 2012 Annual Report.

Unrealized Losses on Available-For-Sale Mortgage-Related Securities

At September 30, 2013, our gross unrealized losses, pre-tax, on available-for-sale mortgage-related securities were $6.1 billion, compared to $12.4 billion at December 31, 2012. The decrease was largely the result of fair value gains related to our investments in single-family non-agency mortgage-related securities, primarily due to the impact of spread tightening and the movement of these securities with unrealized losses towards maturity. We believe the

unrealized losses related to these securities at September 30, 2013 were mainly attributable to poor underlying collateral performance, limited liquidity and large risk premiums in the market for residential non-agency mortgage-related securities. All available-for-sale securities in an unrealized loss position are evaluated to determine if the impairment is other-than-temporary. See “Total Equity (Deficit)” and “NOTE 7: INVESTMENTS IN SECURITIES” for additional information regarding unrealized losses on our available-for-sale securities.

Higher-Risk Components of Our Investments in Mortgage-Related Securities

As discussed below, we have exposure to subprime, option ARM, interest-only, and Alt-A and other loans as part of our investments in mortgage-related securities as follows:

- Single-family non-agency mortgage-related securities: We hold non-agency mortgage-related securities backed by subprime, option ARM, and Alt-A and other loans.
- Single-family Freddie Mac mortgage-related securities: We hold certain Other Guarantee Transactions as part of our investments in securities. There are subprime and option ARM loans underlying some of these Other Guarantee

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Transactions. For more information on single-family loans with certain higher-risk characteristics underlying our issued securities, see "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk."

Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, and Alt-A Loans

We categorize our investments in non-agency mortgage-related securities as subprime, option ARM, or Alt-A if the securities were identified as such based on information provided to us when we entered into these transactions. We have not identified option ARM, CMBS, obligations of states and political subdivisions, and manufactured housing securities as either subprime or Alt-A securities. Since the first quarter of 2008, we have not purchased any non-agency mortgage-related securities backed by subprime, option ARM, or Alt-A loans. The table below presents information about our holdings of available-for-sale non-agency mortgage-related securities backed by subprime, option ARM and Alt-A loans.

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Table 22 — Non-Agency Mortgage-Related Securities Backed by Subprime First Lien, Option ARM, and Alt-A Loans and Certain Related Credit Statistics[1]

	As of 9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
	(dollars in millions)				
UPB:					
Subprime first lien[2]	$40,491	$41,608	$42,998	$44,066	$45,166
Option ARM	10,755	11,190	11,617	12,012	12,477
Alt-A[3]	9,866	11,118	12,243	12,634	13,055
Gross unrealized losses, pre-tax:[4]					
Subprime first lien[2]	$4,666	$5,281	$6,085	$9,128	$10,464
Option ARM	619	635	1,226	1,785	2,502
Alt-A[3]	304	579	781	1,093	1,488
Present value of expected future credit losses:[5]					
Subprime first lien [2]	$3,575	$4,047	$6,195	$7,159	$7,129
Option ARM	1,683	2,094	2,896	3,542	3,442
Alt-A [3]	1,149	1,338	1,450	1,739	1,699
Collateral delinquency rate:[6]					
Subprime first lien[2]	36 %	37 %	38 %	39 %	39 %
Option ARM	33	34	36	38	40
Alt-A[3]	22	22	22	23	24
Average credit enhancement:[7]					
Subprime first lien[2]	10 %	12 %	14 %	15 %	17 %
Option ARM	—	1	2	3	4
Alt-A[3]	1	3	4	4	5
Cumulative collateral loss:[8]					
Subprime first lien[2]	29 %	29 %	27 %	26 %	25 %
Option ARM	24	23	22	21	20
Alt-A[3]	13	12	11	10	10

(1) See "Ratings of Non-Agency Mortgage-Related Securities" for additional information about these securities. The book and fair values of our mortgage-related securities and the information in this table were generally not impacted by the settlement amounts we received in 2013 related to our investments in certain non-agency mortgage-related securities. For more information, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Agency and Non-Agency Mortgage-Related Security Issuers."

(2) Excludes non-agency mortgage-related securities backed exclusively by subprime second liens. Certain securities identified as subprime first lien may be backed in part by subprime second-lien loans, as the pools of loans underlying these securities were permitted to include a small percentage of subprime second-lien loans.

(3) Excludes non-agency mortgage-related securities backed by other loans, which are primarily comprised of securities backed by home equity lines of credit.

(4) Represents the aggregate of the amount by which amortized cost, after other-than-temporary impairments, exceeds fair value measured at the individual lot level.

(5) Represents our estimate of the present value of future contractual cash flows that we do not expect to collect, discounted at the effective interest rate determined based on the security's contractual cash flows and the initial acquisition costs. This discount rate is only utilized to analyze the cumulative credit deterioration for securities since acquisition and may be lower than the discount rate used to measure ongoing other-than-temporary impairment to be recognized in earnings for securities that have experienced a significant improvement in expected

cash flows since the last recognition of other-than-temporary impairment recognized in earnings.

(6) Determined based on the number of loans that are two monthly payments or more past due that underlie the securities using information obtained from a third-party data provider.

(7) Reflects the ratio of the current principal amount of the securities issued by a trust that will absorb losses in the trust before any losses are allocated to securities that we own. Percentage generally calculated based on: (a) the total UPB of securities subordinate to the securities we own, divided by (b) the total UPB of all of the securities issued by the trust (excluding notional balances). Only includes credit enhancement provided by subordinated securities; excludes credit enhancement provided by bond insurance.

(8) Based on the actual losses incurred on the collateral underlying these securities. Actual losses incurred on the securities that we hold are significantly less than the losses on the underlying collateral as presented in this table, as non-agency mortgage-related securities backed by subprime, option ARM, and Alt-A loans were generally structured to include credit enhancements, particularly through subordination and other structural enhancements.

For purposes of our cumulative credit deterioration analysis, our estimate of the present value of expected future credit losses on our available-for-sale non-agency mortgage-related securities decreased to $6.9 billion at September 30, 2013 from $7.9 billion at June 30, 2013. All of these amounts have been reflected in our net impairment of available-for-sale securities recognized in earnings in this period or prior periods. The decrease in the present value of expected future credit losses was primarily driven by: (a) improvements in forecasted home prices over the expected life of our available-for-sale securities; and (b) realized cash shortfalls.

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Since the beginning of 2007, we have incurred actual principal cash shortfalls of $3.6 billion on impaired available-for-sale non-agency mortgage-related securities, including $248 million and $803 million related to the three and nine months ended September 30, 2013, respectively. Many of the trusts that issued non-agency mortgage-related securities we hold were structured so that realized collateral losses in excess of structural credit enhancements are not passed on to investors until the investment matures.

The investments in non-agency mortgage-related securities we hold backed by subprime, option ARM, and Alt-A loans were generally structured to include credit enhancements, particularly through subordination and other structural enhancements. Bond insurance is an additional credit enhancement covering some of the non-agency mortgage-related securities. These credit enhancements are the primary reason we expect our actual losses, through principal or interest shortfalls, to be less than the underlying collateral losses in the aggregate. During the three and nine months ended September 30, 2013, we continued to experience the erosion of structural credit enhancements on many securities backed by subprime, option ARM, and Alt-A loans due to poor performance of the underlying collateral, as noted in "Table 22 — Non-Agency Mortgage-Related Securities Backed by Subprime First Lien, Option ARM, and Alt-A Loans and Certain Related Credit Statistics." For more information on bond insurance coverage, see "RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Bond Insurers."

The table below provides principal repayment and cash shortfall information for our investments in non-agency mortgage-related securities backed by subprime, option ARM, Alt-A and other loans.

Table 23 — Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans[1]

	Three Months Ended				
	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
	(in millions)				
Principal repayments and cash shortfalls:[2]					
Subprime:					
Principal repayments	$1,048	$1,087	$1,065	$1,106	$1,149
Principal cash shortfalls	35	15	14	7	4
Option ARM:					
Principal repayments	$226	$239	$217	$239	$269
Principal cash shortfalls	161	188	178	226	211
Alt-A and other:					
Principal repayments	$418	$418	$385	$423	$393
Principal cash shortfalls	51	74	84	81	101

(1) See "Ratings of Non-Agency Mortgage-Related Securities" for additional information about these securities. The book and fair values of our mortgage-related securities and the information in this table were generally not impacted by the settlement amounts we received in 2013 related to our investments in certain non-agency mortgage-related securities. For more information, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Agency and Non-Agency Mortgage-Related Security Issuers."

(2) In addition to the contractual interest payments, we receive monthly remittances of principal repayments from both the recoveries from liquidated loans and voluntary repayments of the underlying collateral of these securities representing a partial return of our investment in these securities.

We and FHFA, as Conservator, are involved in various efforts to mitigate or recover our losses as an investor with respect to certain of the non-agency mortgage-related securities we hold. See "RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Agency and Non-Agency Mortgage-Related Security Issuers" for more information.

Other-Than-Temporary Impairments on Available-For-Sale Mortgage-Related Securities

The table below provides information about the mortgage-related securities for which we recognized other-than-temporary impairments in earnings, consisting entirely of non-agency mortgage-related securities.

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Table 24 — Net Impairment of Available-For-Sale Mortgage-Related Securities Recognized in Earnings

	Net Impairment of Available-For-Sale Securities Recognized in Earnings				
	Three Months Ended				
	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
	(in millions)				
Subprime:[1]					
2006 & 2007	$4	$12	$27	$591	$159
Other years	41	1	6	24	1
Total subprime	45	13	33	615	160
Option ARM:					
2006 & 2007	1	4	—	306	62
Other years	11	1	—	122	—
Total option ARM	12	5	—	428	62
Alt-A:					
2006 & 2007	1	1	—	37	—
Other years	64	24	—	100	—
Total Alt-A	65	25	—	137	—
Other loans	1	—	—	—	—
Total subprime, option ARM, Alt-A and other loans	123	43	33	1,180	222
CMBS	3	—	10	58	45
Manufactured housing	—	1	—	1	—
Total available-for-sale mortgage-related securities	$126	$44	$43	$1,239	$267

(1) Includes all first and second liens.

We recorded net impairment of available-for-sale mortgage-related securities recognized in earnings of $126 million and $213 million during the three and nine months ended September 30, 2013, respectively, compared to $267 million and $929 million during the three and nine months ended September 30, 2012, respectively. We review our investments in available-for-sale mortgage-related securities which are in an unrealized loss position to determine which securities, if any, we intend to sell, given market conditions and other information as of the balance sheet date. For any available-for-sale security for which we concluded we had the intent to sell as of September 30, 2013, we recorded the unrealized loss as a net impairment of available-for-sale securities recognized in earnings. The intent to sell population is determined using management judgment based on a variety of factors, including economics and other considerations and, in the case of residential non-agency mortgage-related securities, whether such securities are subject to FHFA-led lawsuits or other loss mitigation measures. During the three and nine months ended September 30, 2013, we recorded net impairment of available-for-sale securities recognized in earnings of $118 million and $134 million, respectively, due to our intent to sell certain securities. We recorded the remaining impairments because our estimate of the present value of expected future credit losses on certain individual available-for-sale securities increased during the period. The securities that we have the intent to sell are based on our current operational plans, models and strategies. If there is a change in our operational plans, models or strategies, it could change the population of securities we intend to sell and thereby have a potentially significant impact on earnings. For more information, see "NOTE 7: INVESTMENTS IN SECURITIES — Other-Than-Temporary Impairments on Available-for-Sale Securities" in our 2012 Annual Report.

While it is reasonably possible that collateral losses on our available-for-sale mortgage-related securities where we have not recorded an impairment charge in earnings could exceed our credit enhancement levels, we do not believe that those conditions were likely at September 30, 2013. Based on our conclusion that we do not intend to sell our remaining available-for-sale mortgage-related securities that are in an unrealized loss position (other than those

securities noted above) and it is not more likely than not that we will be required to sell these securities before a sufficient time to recover all unrealized losses and our consideration of other available information, we have concluded that the reduction in fair value of these securities was temporary at September 30, 2013 and have recorded these unrealized losses in AOCI.

The credit performance of loans underlying our holdings of non-agency mortgage-related securities declined since 2007 and, although stabilizing in recent periods, remains weak. This decline has been particularly severe for subprime, option ARM, and Alt-A and other loans. Economic factors that have negatively affected the performance of our investments in non-agency mortgage-related securities at various times since 2007 include high unemployment, a large inventory of seriously delinquent mortgage loans and unsold homes, tight credit conditions, and weak consumer confidence. In addition, subprime, option ARM, and Alt-A and other loans backing the securities we hold have significantly greater concentrations in the states that have undergone the greatest economic stress during the housing crisis that began in 2006, such as California and Florida. Loans in

these states are more likely to become seriously delinquent and the credit losses associated with such loans are likely to be higher than in other states.

We rely on bond insurance, including secondary coverage, to provide credit protection on some of our investments in non-agency mortgage-related securities. We have determined that there is substantial uncertainty surrounding certain bond insurers' ability to pay our future claims on expected credit losses related to our non-agency mortgage-related security investments. See "RISK MANAGEMENT - Credit Risk - Institutional Credit Risk - Bond Insurers" and "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS - Bond Insurers" for additional information.

Our assessments concerning other-than-temporary impairment require significant judgment and the use of models, and are subject to potentially significant change as conditions evolve. In addition, changes in the performance of the individual securities and in mortgage market conditions may also affect our impairment assessments. Given the uncertainty of the housing and economic environment, it is difficult to estimate the future performance of mortgage loans and mortgage-related securities with high assurance, and actual results could differ materially from our expectations. Furthermore, various market participants could arrive at materially different conclusions regarding estimates of future cash shortfalls. For more information on the factors that may affect our impairment assessments, see "MD&A — CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities — Mortgage-Related Securities — Higher Risk Components of Our Investments in Mortgage-Related Securities — Other-Than-Temporary Impairments on Available-For-Sale Mortgage-Related Securities" in our 2012 Annual Report.

For more information on risks associated with the use of models, see "RISK FACTORS — Operational Risks — We face risks and uncertainties associated with the models that we use for financial accounting and reporting purposes, to make business decisions, and to manage risks. Market conditions have raised these risks and uncertainties" in our 2012 Annual Report.

Ratings of Non-Agency Mortgage-Related Securities

The table below shows the ratings of non-agency mortgage-related securities backed by subprime, option ARM, Alt-A and other loans, and CMBS held at September 30, 2013 based on their ratings as of September 30, 2013, as well as those held at December 31, 2012 based on their ratings as of December 31, 2012. Ratings presented represent the lower of S&P, Fitch and Moody's credit ratings, with Fitch and Moody's stated in terms of the S&P equivalent.

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Table 25 — Ratings of Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans, and CMBS

Credit Ratings as of September 30, 2013	UPB	Percentage of UPB	Amortized Cost	Gross Unrealized Losses	Bond Insurance Coverage[1]
	(dollars in millions)				
Subprime loans:					
AAA-rated	$91	— %	$88	$(1)	$2
Other investment grade	1,492	4	1,426	(32)	359
Below investment grade[2]	39,201	96	30,473	(4,634)	1,349
Total	$40,784	100 %	$31,987	$(4,667)	$1,710
Option ARM loans:					
AAA-rated	$—	— %	$—	$—	$—
Other investment grade	25	—	25	(1)	18
Below investment grade[2]	10,730	100	6,790	(618)	9
Total	$10,755	100 %	$6,815	$(619)	$27
Alt-A and other loans:					
AAA-rated	$28	— %	$28	$—	$6
Other investment grade	590	5	581	(45)	217
Below investment grade[2]	11,178	95	8,472	(304)	1,671
Total	$11,796	100 %	$9,081	$(349)	$1,894
CMBS:					
AAA-rated	$17,007	49 %	$17,024	$—	$41
Other investment grade	15,573	45	15,516	(127)	1,691
Below investment grade[2]	2,299	6	2,287	(167)	1,559
Total	$34,879	100 %	$34,827	$(294)	$3,291
Total subprime, option ARM, Alt-A and other loans, and CMBS:					
AAA-rated	$17,126	17 %	$17,140	$(1)	$49
Other investment grade	17,680	18	17,548	(205)	2,285
Below investment grade[2]	63,408	65	48,022	(5,723)	4,588
Total	$98,214	100 %	$82,710	$(5,929)	$6,922
Total investments in mortgage-related securities	$172,952				
Percentage of subprime, option ARM, Alt-A and other loans, and CMBS of total investments in mortgage-related securities	57 %				
Credit Ratings as of December 31, 2012					
Subprime loans:					
AAA-rated	$263	1 %	$263	$(20)	$13
Other investment grade	2,033	4	1,988	(112)	371
Below investment grade[2]	42,101	95	33,252	(8,997)	1,474
Total	$44,397	100 %	$35,503	$(9,129)	$1,858
Option ARM loans:					
AAA-rated	$—	— %	$—	$—	$—
Other investment grade	40	—	40	(4)	32
Below investment grade[2]	11,972	100	7,414	(1,781)	12
Total	$12,012	100 %	$7,454	$(1,785)	$44

Alt-A and other loans:					
AAA-rated	$48	— %	$48	$(2)	$6
Other investment grade	1,272	9	1,283	(120)	261
Below investment grade(2)	13,490	91	10,532	(1,079)	1,862
Total	$14,810	100 %	$11,863	$(1,201)	$2,129
CMBS:					
AAA-rated	$24,646	51 %	$24,676	$(4)	$41
Other investment grade	20,615	43	20,568	(87)	1,698
Below investment grade(2)	2,696	6	2,490	(90)	1,568
Total	$47,957	100 %	$47,734	$(181)	$3,307
Total subprime, option ARM, Alt-A and other loans, and CMBS:					
AAA-rated	$24,957	21 %	$24,987	$(26)	$60
Other investment grade	23,960	20	23,879	(323)	2,362
Below investment grade(2)	70,259	59	53,688	(11,947)	4,916
Total	$119,176	100 %	$102,554	$(12,296)	$7,338
Total investments in mortgage-related securities	$210,085				
Percentage of subprime, option ARM, Alt-A and other loans, and CMBS of total investments in mortgage-related securities	57 %				

(1) Represents the amount of UPB covered by bond insurance. This amount does not represent the maximum amount of losses we could recover, as the bond insurance also covers interest.

(2) Includes securities with S&P equivalent credit ratings below BBB– and certain securities that are no longer rated.

Mortgage Loans

The UPB of mortgage loans on our consolidated balance sheets was $1.7 trillion at both September 30, 2013 and December 31, 2012. Most of the loans on our consolidated balance sheets are securitized (e.g., held in PC trusts). The unsecuritized loans on our consolidated balance sheets generally consist of loans held for investment purposes, loans that are awaiting securitization, or delinquent or modified loans that we removed from PC trusts.

The UPB of unsecuritized single-family mortgage loans declined by $18.8 billion to $125.9 billion at September 30, 2013 from $144.7 billion at December 31, 2012, primarily due to: (a) loan prepayments, foreclosure transfers, and foreclosure alternative activities; and (b) securitization of loans through our PC cash auction process, net of related purchases. This decline was partially offset by our purchases of seriously delinquent single-family loans from PC trusts.

Based on the amount of the recorded investment of single-family loans on our consolidated balance sheets, approximately $45.4 billion, or 2.8%, of these loans were seriously delinquent or in foreclosure as of September 30, 2013, compared to $59.8 billion, or 3.6%, as of December 31, 2012. For more information on seriously delinquent single-family loans, see “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-family Mortgage Credit Risk — Credit Performance — Delinquencies.” The majority of these seriously delinquent loans are unsecuritized, and were removed by us from our PC trusts. As guarantor, we have the right to remove mortgages that back our PCs from the underlying loan pools under certain circumstances. See “NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS” for more information on our removal of single-family loans from PC trusts.

The UPB of unsecuritized multifamily mortgage loans was $64.8 billion at September 30, 2013 and $76.6 billion at December 31, 2012. This decline is primarily the result of our securitization of loans through issuance of K Certificates and principal repayments, which were partially offset by our purchases of loans for securitization.

We maintain an allowance for loan losses on mortgage loans that we classify as held-for-investment on our consolidated balance sheets. We also maintain a reserve for guarantee losses that is associated with Freddie Mac mortgage-related securities backed by multifamily loans, certain single-family Other Guarantee Transactions, and other guarantee commitments for which we have incremental credit risk. Collectively, we refer to our allowance for loan losses and our reserve for guarantee losses as our loan loss reserves. Our loan loss reserves were $25.0 billion and $30.9 billion at September 30, 2013 and December 31, 2012, respectively, including $24.8 billion and $30.5 billion, respectively, related to single-family loans. At September 30, 2013 and December 31, 2012, our loan loss reserves, as a percentage of our total mortgage portfolio, excluding non-Freddie Mac securities, were 1.4% and 1.7%, respectively, and as a percentage of the UPB associated with our non-performing loans were 20.3% and 23.5%, respectively. See “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk” and “NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES” for further detail about the mortgage loans and associated allowance for loan losses recorded on our consolidated balance sheets.

The table below summarizes the amount of mortgages we purchased and the amount of guarantees we issued in the applicable periods. The activity presented in the table consists of: (a) mortgage loans in consolidated single-family PCs issued in the period (regardless of whether such securities are held by us or third parties); (b) single-family and multifamily mortgage loans purchased, but not securitized, in the period; and (c) mortgage loans underlying our mortgage-related financial guarantees issued in the period, which are not consolidated on our balance sheets.

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Table 26 — Mortgage Loan Purchases and Other Guarantee Commitment Issuances[1]

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
	UPB Amount	% of Total	UPB Amount	% of Total	UPB Amount	% of Total	UPB Amount	% of Total
	(dollars in millions)							
Mortgage loan purchases and guarantee issuances:								
Single-family:								
30-year or more amortizing fixed-rate	$67,818	66 %	$68,083	62 %	$240,929	63 %	$185,757	59 %
20-year amortizing fixed-rate	5,116	5	7,414	7	18,972	5	22,084	7
15-year amortizing fixed-rate	19,886	19	22,931	21	85,475	23	74,667	24
Adjustable-rate[2]	4,940	5	4,319	4	13,974	4	13,783	4
FHA/VA and other governmental	73	<1	94	<1	225	<1	273	<1
Total single-family[3]	97,833	95	102,841	94	359,575	95	296,564	94
Multifamily	5,266	5	6,810	6	18,800	5	19,222	6
Total mortgage loan purchases and other guarantee commitment issuances[4]	$103,099	100 %	$109,651	100 %	$378,375	100 %	$315,786	100 %
Percentage of mortgage purchases and other guarantee commitment issuances with credit enhancements[5]	18 %		13 %		15 %		11 %	

(1) Based on UPB. Excludes mortgage loans traded but not yet settled. Excludes the removal of seriously delinquent loans and balloon/reset mortgages from PC trusts. Includes other guarantee commitments associated with mortgage loans. See endnote (4) for further information.

(2) Includes amortizing ARMs with 1-, 3-, 5-, 7-, and 10-year initial fixed-rate periods. We have not purchased option ARM loans in our single-family credit guarantee portfolio since 2007.

(3) Includes $24.8 billion and $21.9 billion of conforming jumbo loan purchases and $0.9 billion and $0.7 billion of conforming jumbo loans underlying other guarantee commitments for the nine months ended September 30, 2013 and 2012, respectively.

(4) Includes issuances of other guarantee commitments on single-family loans of $8.4 billion and $5.3 billion and issuances of other guarantee commitments on multifamily loans of $0.4 billion and $1.7 billion during the nine months ended September 30, 2013 and 2012, respectively.

(5) See “NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES — Credit Protection and Other Forms of Credit Enhancement” for further details on credit enhancement of mortgage loans in our multifamily mortgage and single-family credit guarantee portfolios.

See “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk” and “NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Table 15.2 — Certain Higher-Risk Categories in the Single-Family Credit Guarantee Portfolio” for information about certain mortgage loans in our single-family credit guarantee portfolio that we believe have higher-risk characteristics.

Derivative Assets and Liabilities, Net

The composition of our derivative portfolio changes from period to period as a result of purchases and terminations of derivatives, assignments of derivatives prior to their contractual maturity, and expiration of derivatives at their contractual maturity. See “NOTE 9: DERIVATIVES” for additional information regarding our derivatives and “NOTE

10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES — Collateral Pledged" for more information about collateral held and posted.

The table below shows the fair value for each derivative type, the weighted average fixed rate of our pay-fixed and receive-fixed swaps, and the maturity profile of our derivative positions reconciled to the amounts presented on our consolidated balance sheets as of September 30, 2013. A positive fair value in the table below for each derivative type is the estimated amount, prior to netting where allowable, that we would be entitled to receive at that date if the derivatives of that type were terminated. A negative fair value for a derivative type is the estimated amount, prior to netting where allowable, that we would owe at that date if the derivatives of that type were terminated.

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Table 27 — Derivative Fair Values and Maturities

	September 30, 2013					
			Fair Value[1]			
	Notional or Contractual Amount[2]	Total Fair Value	Less than 1 Year	1 to 3 Years	Greater than 3 and up to 5 Years	In Excess of 5 Years
	(dollars in millions)					
Interest-rate swaps:						
Receive-fixed:						
Swaps	$278,984	$3,950	$163	$937	$ 1,397	$1,453
Weighted average fixed rate[3]			1.00 %	1.10 %	1.58 %	2.88 %
Forward-starting swaps[4]	19,600	185	—	—	53	132
Weighted average fixed rate[3]			— %	— %	1.80 %	3.66 %
Total receive-fixed	298,584	4,135	163	937	1,450	1,585
Basis (floating to floating)	300	4	—	—	4	—
Pay-fixed:						
Swaps	254,919	(10,615)	(85)	(2,682)	(3,243)	(4,605)
Weighted average fixed rate[3]			2.03 %	2.52 %	3.23 %	3.17 %
Forward-starting swaps[4]	5,900	(466)	—	—	—	(466)
Weighted average fixed rate[3]			— %	— %	— %	4.08 %
Total pay-fixed	260,819	(11,081)	(85)	(2,682)	(3,243)	(5,071)
Total interest-rate swaps	559,703	(6,942)	78	(1,745)	(1,789)	(3,486)
Option-based:						
Call swaptions						
Purchased	48,890	3,079	2,056	116	559	348
Written	6,195	(325)	(245)	(80)	—	—
Put swaptions						
Purchased	37,260	649	169	110	64	306
Other option-based derivatives[5]	25,227	1,170	60	—	—	1,110
Total option-based	117,572	4,573	2,040	146	623	1,764
Futures	17,159	—	—	—	—	—
Foreign-currency swaps	519	30	30	—	—	—
Commitments	26,690	1	1	—	—	—
Swap guarantee derivatives	3,537	(32)	—	(1)	(3)	(28)
Subtotal	725,180	(2,370)	$2,149	$(1,600)	$ (1,169)	$(1,750)
Credit derivatives	5,575	(4)				
Subtotal	730,755	(2,374)				
Derivative interest receivable (payable), net		(818)				
Derivative cash collateral (held) posted, net		3,731				
Total	$730,755	$539				

(1) Fair value is categorized by maturity based on the period from September 30, 2013 until the contractual maturity of the derivative.

(2) Notional or contractual amounts are used to calculate the periodic settlement amounts to be received or paid and generally do not represent actual amounts to be exchanged. Notional or contractual amounts are not recorded as assets or liabilities on our consolidated balance sheets.

(3) Represents the notional weighted average rate for the fixed leg of the swaps.
(4) Represents interest-rate swap agreements that are scheduled to begin on future dates ranging from less than one year to twelve years as of September 30, 2013.
(5) Primarily includes purchased interest-rate caps and floors.

At September 30, 2013, the net fair value of our total derivative portfolio was $539 million, as compared to $479 million at December 31, 2012. The derivative portfolio notional amount decreased to $731 billion at September 30, 2013 compared to $746 billion at December 31, 2012. During the nine months ended September 30, 2013, we changed the mix and balance of products in our derivative portfolio in response to an increase in longer-term interest rates. See “NOTE 9: DERIVATIVES” for the notional or contractual amounts and related fair values of our total derivative portfolio by product type at September 30, 2013 and December 31, 2012, as well as “NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES — Collateral Pledged” for information about derivative collateral held and posted.
The table below summarizes the changes in derivative fair values.

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Table 28 — Changes in Derivative Fair Values

	Nine Months Ended September 30,	
	2013[1]	2012[2]
	(in millions)	
Beginning balance, at January 1 — Net asset (liability)	$(6,896)	$(8,662)
Net change in:		
Commitments	28	156
Credit derivatives	—	1
Swap guarantee derivatives	3	1
Other derivatives:[3]		
Changes in fair value	4,585	141
Fair value of new contracts entered into during the period[4]	829	5
Contracts realized or otherwise settled during the period	(923)	459
Ending balance, at September 30 — Net asset (liability)	$(2,374)	$(7,899)

(1) Refer to ‘‘Table 27 — Derivative Fair Values and Maturities’’ for a reconciliation of net fair value to the amounts presented on our consolidated balance sheets as of September 30, 2013.
(2) At September 30, 2012, fair value in this table excludes derivative interest receivable or (payable), net of $(998) million and derivative cash collateral posted, net of $9.4 billion.
(3) Includes fair value changes for interest-rate swaps, option-based derivatives, futures, and foreign-currency swaps.
(4) Consists primarily of cash premiums paid or received on options.

See “CONSOLIDATED RESULTS OF OPERATIONS — Non-Interest Income (Loss) — Derivative Gains (Losses)” for a description of gains (losses) on our derivative positions.

REO, Net

We acquire properties, which are recorded as REO assets on our consolidated balance sheets, typically as a result of borrower defaults (and subsequent foreclosures) on mortgage loans that we own or guarantee. The balance of our REO, net, was $4.4 billion at both September 30, 2013 and December 31, 2012, despite a 4% decline in our REO inventory, due to the positive impact of improvements in home prices in most geographical areas during 2013. The volume of our single-family REO acquisitions in recent periods has been significantly affected by: (a) the length of the foreclosure process, which extends the time it takes for loans to be foreclosed upon and the underlying properties to transition to REO; and (b) a high volume of foreclosure alternatives, which result in fewer loans proceeding to foreclosure, and thus fewer properties transitioning to REO. We expect that the length of the foreclosure process will continue to remain above historical levels and may increase further. Additionally, we expect our REO activity to remain at elevated levels, as we have a large inventory of seriously delinquent loans in our single-family credit guarantee portfolio. See “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Non-Performing Assets” for additional information about our REO activity.

Deferred Tax Assets and Liabilities

We had a net deferred tax asset of $23.9 billion as of September 30, 2013 compared to a net deferred tax asset of $778 million as of December 31, 2012. During the nine months ended September 30, 2013 the change in our net deferred tax asset of $23.2 billion was primarily the result of a valuation allowance release which resulted in a tax benefit. The release is allocated between the third quarter and the fourth quarter of 2013. See "NOTE 12: INCOME TAXES" for additional information.

After weighing all of the evidence at September 30, 2013, we determined that the positive evidence, particularly the evidence that was objectively verifiable, outweighed the negative evidence. Accordingly, we concluded that it is more likely than not that our deferred tax assets will be realized and we have released the valuation allowance against our net deferred tax assets.

The valuation allowance release of $2.4 billion allocated to the fourth quarter of 2013 is expected to be used to offset the estimated tax associated with estimated income expected to be earned during that period. If the actual income before income tax in the fourth quarter of 2013 is greater than our current estimate, we will realize a provision for federal income taxes in that quarter. Conversely, if the actual income before income tax during the fourth quarter of 2013 is lower than our current estimate, we will realize an additional benefit for income taxes in that quarter.

Deferred tax assets reflect timing differences between the recognition of income/expenses under GAAP and the recognition of income/expenses under tax. Deferred tax assets are created when: (a) expenses are recognized under GAAP prior to the corresponding recognition of expenses for tax; and/or (b) income is recognized for tax prior to the corresponding recognition of income for GAAP. The realization of these net deferred tax assets is dependent upon the generation of sufficient

taxable income of the appropriate character (i.e., ordinary income or capital gains) in the available carryback and carryforward years available under the tax law, which would include reversals of existing taxable temporary differences and liabilities associated with unrecognized tax benefits. Valuation allowances are recorded to reduce net deferred tax assets when it is more likely than not that a tax benefit will not be realized.

On a quarterly basis, we determine whether a valuation allowance is necessary on our net deferred tax asset. In doing so, we consider all evidence available, both positive and negative, in determining whether, based on the weight of the evidence, it is more likely than not that the deferred tax assets will be realized. In conducting our assessment, we evaluate all available objective evidence including, but not limited to: (a) our three-year cumulative income position as of September 30, 2013; (b) the trend of our financial and tax results; (c) the amount of taxable income reported in our 2012 federal tax return; (d) our tax net operating loss and tax credit carryforwards and the length of carry forward periods available to utilize these assets under current tax law; and (e) our access to capital under the agreements associated with conservatorship. Furthermore, we evaluate all available subjective evidence including, but not limited to: (a) difficulty in predicting unsettled circumstances related to the conservatorship; (b) the amount of our forecasted 2013 taxable income; and (c) forecasts of future book and tax income. Our consideration of the evidence requires significant judgment regarding estimates and assumptions that are inherently uncertain, particularly about our future business structure and financial results.

Our analysis is not permitted to consider the impacts proposed legislation may have on our business operations or the mortgage industry because the timing and certainty of those actions is unknown and beyond our control.

The positive evidence at September 30, 2013, that outweighed the negative evidence included the following:

- Our three-year cumulative income position as of September 30, 2013;
- The strong positive trend in our financial performance over the last six quarters, including the quarter ended September 30, 2013;
- The 2012 taxable income reported in our federal tax return which was filed in the quarter ended September 30, 2013;
- Our forecasted 2013 and future period taxable income;
- Our net operating loss carryforwards do not begin to expire until 2030; and
- The continuing positive trend in the housing market.

We also continue to update and analyze a range of forecast scenarios of future tax and book income to determine whether these forecasts support full realization of our deferred tax assets. Forecasts are inherently uncertain and rely on significant assumptions and judgments. These assumptions and judgments can change over time. Due to the significant uncertainties related to the conservatorship and ongoing changes to our business as a result of public policy, it is very difficult for us to make projections concerning our financial performance beyond the near term.

When comparing evidence available at September 30, 2013 versus June 30, 2013 we noted a number of positive developments. During the quarter ended September 30, 2013, we filed our 2012 federal tax return, which reflected taxable income versus the break-even position forecasted at June 30, 2013. This was our first year reporting taxable income since 2007. Furthermore, we continued an improved trend in earnings with pre-tax income of $6.5 billion for the quarter ended September 30, 2013. Our current base forecast of taxable income also improved resulting in a decline in the number of years of projected income required in order to fully realize our net deferred tax asset. These positive developments in addition to the positive evidence discussed above resulted in our conclusion to release the valuation allowance against our net deferred tax assets.

In future quarters we will continue to evaluate our ability to realize the net deferred tax asset. If evidence in future periods changes such that it is more likely than not that part or all of the net deferred tax asset will not be realized, we will reestablish a valuation allowance at that time. Examples of factors that could affect our assessment are: (a) a significant downturn in the housing markets or economy that negatively impacts our future financial results; (b) changes to our business operations resulting from enacted legislation; and (c) a change in corporate legal structure that would limit our ability to realize the assets under existing tax laws. If we determine that it is appropriate to establish a valuation allowance in the future, it would result in an additional income tax expense and might require additional draws under the Purchase Agreement.

For 2014 we expect that our effective tax rate will approximate the corporate statutory rate which is currently 35%.

Other Assets

Other assets consist of accounts and other receivables, the guarantee asset related to non-consolidated trusts and other guarantee commitments, and other miscellaneous assets. Other assets decreased to $8.0 billion as of September 30, 2013 from $13.8 billion as of December 31, 2012 primarily due to a decrease in servicer receivables resulting from a decrease in mortgage loans paid off by borrowers at the end of the period that had not yet been remitted to us. For more information on other assets, see “NOTE 19: SELECTED FINANCIAL STATEMENT LINE ITEMS.”

Total Debt, Net

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Total debt, net on our consolidated balance sheets consists of: (a) debt securities of consolidated trusts held by third parties; and (b) other debt.

- PCs and Other Guarantee Transactions issued by our consolidated trusts and held by third parties are recognized as debt securities of consolidated trusts held by third parties on our consolidated balance sheets. Debt securities of consolidated trusts held by third parties represent our liability to third parties that hold beneficial interests in our consolidated trusts. The debt securities of our consolidated trusts may be prepaid at any time, as the loans that collateralize the debt may be prepaid without penalty at any time.
- Other debt consists of unsecured short-term and long-term debt securities we issue to third parties to fund our business activities. It is classified as either short-term or long-term based on the contractual maturity of the debt instrument. See "LIQUIDITY AND CAPITAL RESOURCES" for information about our other debt.

The table below presents the UPB for Freddie Mac-issued mortgage-related securities by the underlying mortgage product type.

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Table 29 — Freddie Mac Mortgage-Related Securities[1]

	September 30, 2013			December 31, 2012		
	Issued by Consolidated Trusts	Issued by Non-Consolidated Trusts	Total	Issued by Consolidated Trusts	Issued by Non-Consolidated Trusts	Total
	(in millions)					
Single-family:						
30-year or more amortizing fixed-rate	$1,034,075	$ —	$1,034,075	$1,039,439	$ —	$1,039,439
20-year amortizing fixed-rate	81,324	—	81,324	78,122	—	78,122
15-year amortizing fixed-rate	292,343	—	292,343	270,032	—	270,032
Adjustable-rate[2]	67,368	—	67,368	68,470	—	68,470
Interest-only[3]	31,095	—	31,095	41,275	—	41,275
FHA/VA and other governmental	3,329	—	3,329	3,084	—	3,084
Total single-family	1,509,534	—	1,509,534	1,500,422	—	1,500,422
Multifamily	—	4,023	4,023	—	4,224	4,224
Total single-family and multifamily	1,509,534	4,023	1,513,557	1,500,422	4,224	1,504,646
Other Guarantee Transactions:						
Non-HFA bonds:						
Single-family[4]	8,875	3,172	12,047	10,455	3,415	13,870
Multifamily	445	53,635	54,080	448	36,732	37,180
Total Non-HFA bonds	9,320	56,807	66,127	10,903	40,147	51,050
HFA Initiative Bonds:[5]						
Single-family	—	3,447	3,447	—	4,827	4,827
Multifamily	—	747	747	—	863	863
Total HFA Initiative Bonds	—	4,194	4,194	—	5,690	5,690
Total Other Guarantee Transactions	9,320	61,001	70,321	10,903	45,837	56,740
REMICs and Other Structured Securities backed by Ginnie Mae certificates[6]	—	570	570	—	654	654
Total Freddie Mac Mortgage-Related Securities	$1,518,854	$ 65,594	$1,584,448	$1,511,325	$ 50,715	$1,562,040
Less: Repurchased Freddie Mac Mortgage-Related Securities[7]	(132,417)			(124,066)		
Total UPB of debt securities of consolidated trusts held by third parties	$1,386,437			$1,387,259		

(1) Amounts are based on UPB of the securities and exclude mortgage-related securities traded, but not yet settled.
(2) Includes $0.9 billion and $1.0 billion in UPB of option ARM mortgage loans as of September 30, 2013 and December 31, 2012, respectively. See endnote (4) for additional information on option ARM loans that back our

Other Guarantee Transactions.

(3) Represents loans where the borrower pays interest only for a period of time before the borrower begins making principal payments. Includes both fixed- and variable-rate interest-only loans.

(4) Backed by non-agency mortgage-related securities that include prime, FHA/VA, and subprime mortgage loans and also include $5.7 billion and $6.3 billion in UPB of securities backed by option ARM mortgage loans at September 30, 2013 and December 31, 2012, respectively.

(5) Consists of bonds we acquired and resecuritized under the NIBP.

(6) Backed by FHA/VA loans.

(7) Represents the UPB of repurchased Freddie Mac mortgage-related securities that are consolidated on our balance sheets and includes certain remittance amounts associated with our security trust administration that are payable to third-party mortgage-related security holders. Our holdings of non-consolidated Freddie Mac mortgage-related securities are presented in "Table 19 — Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets."

Excluding Other Guarantee Transactions, the percentage of amortizing fixed-rate single-family loans underlying our consolidated trust debt securities, based on UPB, was approximately 93% at both September 30, 2013 and December 31, 2012. The UPB of multifamily Other Guarantee Transactions, excluding HFA initiative-related bonds, increased to $54.1 billion as of September 30, 2013 from $37.2 billion as of December 31, 2012, due to multifamily loan securitization activity related to our issuance of K Certificates.

The table below presents additional details regarding our issued and guaranteed mortgage-related securities.

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Table 30 — Issuances and Extinguishments of Debt Securities of Consolidated Trusts[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Beginning balance of debt securities of consolidated trusts held by third parties	$1,389,185	$1,443,223	$1,387,259	$1,452,476
Issuances to third parties of debt securities of consolidated trusts:				
Issuances based on underlying mortgage product type:				
30-year or more amortizing fixed-rate	67,805	69,276	243,603	197,302
20-year amortizing fixed-rate	5,322	8,728	19,220	23,815
15-year amortizing fixed-rate	19,481	23,947	84,585	77,547
Adjustable-rate	4,896	4,230	14,055	13,815
FHA/VA	494	—	494	—
Debt securities of consolidated trusts retained by us at issuance[2]	(10,137)	(15,991)	(33,474)	(27,432)
Net issuances of debt securities of consolidated trusts	87,861	90,190	328,483	285,047
Reissuances of debt securities of consolidated trusts previously held by us[3]	18,012	3,013	39,493	25,665
Total issuances to third parties of debt securities of consolidated trusts	105,873	93,203	367,976	310,712
Extinguishments, net[4]	(108,621)	(132,336)	(368,798)	(359,098)
Ending balance of debt securities of consolidated trusts held by third parties	$1,386,437	$1,404,090	$1,386,437	$1,404,090

(1) Based on UPB.
(2) Represents the UPB of mortgage loans that we had purchased for cash, subsequently securitized, and retained in our mortgage-related investments portfolio.
(3) Represents our sales of PCs and certain Other Guarantee Transactions previously held by us.
(4) Represents: (a) UPB of our purchases from third parties of PCs and Other Guarantee Transactions issued by our consolidated trusts; (b) principal repayments related to PCs and Other Guarantee Transactions issued by our consolidated trusts; and (c) certain remittance amounts associated with our trust security administration that are payable to third-party mortgage-related security holders as of September 30, 2013 and 2012.

Extinguishments, net decreased during the three months ended September 30, 2013 compared to the three months ended September 30, 2012 primarily due to a decrease in refinance activity resulting from an increase in interest rates. Total issuances to third parties of debt securities of consolidated trusts increased during the three months ended September 30, 2013 compared to the three months ended September 30, 2012 primarily due to increased sales from the mortgage-related investments portfolio.

Extinguishments, net and total issuances to third parties of debt securities of consolidated trusts increased during the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due significant refinance activity caused by historically low interest rates.

Other Liabilities

Other liabilities consist of servicer liabilities, the guarantee obligation, the reserve for guarantee losses on non-consolidated trusts and other mortgage-related financial guarantees, accounts payable and accrued expenses, and other miscellaneous liabilities. Other liabilities of $5.9 billion as of September 30, 2013 declined slightly compared to $6.1 billion as of December 31, 2012 primarily due to a decline in servicer liabilities as a result of a decrease in the population of seriously delinquent loans. See “NOTE 19: SELECTED FINANCIAL STATEMENT LINE ITEMS” for

additional information.

Total Equity (Deficit)

The table below presents the changes in total equity (deficit) and certain capital-related disclosures.

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Table 31 — Changes in Total Equity (Deficit)

	Three Months Ended					Nine Months Ended
	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012	9/30/2013
	(in millions)					
Beginning balance	$7,357	$9,971	$8,827	$ 4,907	$1,086	$8,827
Net income	30,486	4,988	4,581	4,457	2,928	40,055
Other comprehensive income (loss), net of taxes:						
Changes in unrealized gains (losses) related to available-for-sale securities	(127)	(717)	2,280	1,261	2,599	1,436
Changes in unrealized gains (losses) related to cash flow hedge relationships[1]	76	84	90	94	102	250
Changes in defined benefit plans	2	2	20	(84)	1	24
Comprehensive income	30,437	4,357	6,971	5,728	5,630	41,765
Capital draw funded by Treasury	—	—	—	—	—	—
Senior preferred stock dividends declared	(4,357)	(6,971)	(5,827)	(1,808)	(1,809)	(17,155)
Other	(1)	—	—	—	—	(1)
Total equity (deficit)/Net worth	$33,436	$7,357	$9,971	$ 8,827	$4,907	$33,436
Aggregate draws under the Purchase Agreement (as of period end)[2]	$71,336	$71,336	$71,336	$ 71,336	$71,336	$71,336
Aggregate senior preferred stock dividends paid to Treasury in cash (as of period end)	$40,909	$36,552	$29,581	$ 23,754	$21,946	$40,909

(1) Represents the reclassification of losses into earnings related to our closed cash flow hedges as the originally forecasted transactions affected earnings.

(2) Does not include the initial $1.0 billion liquidation preference of senior preferred stock that we issued to Treasury in September 2008 as an initial commitment fee and for which no cash was received. Under the Purchase Agreement, the payment of dividends cannot be used to reduce prior draws from Treasury.

At September 30, 2013, our assets exceeded our liabilities under GAAP; therefore no draw is being requested from Treasury under the Purchase Agreement for the third quarter of 2013. We paid cash dividends to Treasury of $17.2 billion during the nine months ended September 30, 2013. Based on our Net Worth Amount at September 30, 2013, our dividend obligation to Treasury in December 2013 will be $30.4 billion.

Our available-for-sale securities net unrealized loss was $8 million and $1.4 billion at September 30, 2013 and December 31, 2012, respectively. This $1.4 billion improvement in AOCI was primarily due to fair value gains related to: (a) the impact of spread tightening on our non-agency mortgage-related securities; and (b) the movement of our single-family non-agency mortgage-related securities with unrealized losses towards maturity.

RISK MANAGEMENT

Our investment and credit guarantee activities expose us to three broad categories of risk: (a) credit risk; (b) interest-rate risk and other market risk; and (c) operational risk. See “RISK FACTORS” in our 2012 Annual Report for additional information regarding these and other risks.

Credit Risk

We are subject primarily to two types of credit risk: mortgage credit risk and institutional credit risk. Mortgage credit risk is the risk that a borrower will fail to make timely payments on a mortgage we own or guarantee. Institutional credit risk is the risk that a counterparty that has entered into a business contract or arrangement with us will fail to meet its obligations to us.

Mortgage Credit Risk

We are exposed to mortgage credit risk principally in our single-family credit guarantee and multifamily mortgage portfolios because we either hold the mortgage assets or have guaranteed mortgages in connection with the issuance of a Freddie Mac mortgage-related security, or other guarantee commitment. All mortgages that we purchase or guarantee have an inherent risk of default. We are also exposed to mortgage credit risk related to our investments in non-Freddie Mac mortgage-related securities. For information about our holdings of these securities, see "CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities — Mortgage-Related Securities."

Single-Family Mortgage Credit Risk

Single-family mortgage credit risk is primarily influenced by the credit profile of the borrower of the mortgage (e.g., credit score, credit history, and monthly income relative to debt payments), documentation level, the number of borrowers, the features of the mortgage itself, the purpose of the mortgage, occupancy type, property type and value, the LTV ratio, and local and regional economic conditions, including home prices and unemployment rates.

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We use a process of delegated underwriting for the single-family mortgages we purchase or securitize. In this process, our contracts with seller/servicers describe mortgage eligibility and underwriting standards and the seller/servicers represent and warrant to us that the mortgages sold to us meet these standards. Through our delegated underwriting process, mortgage loans and the borrowers' ability to repay the loans are evaluated using a number of critical risk characteristics, including, but not limited to, the borrower's credit score and credit history, the borrower's monthly income relative to debt payments, the original LTV ratio, the type of mortgage product, the property type and market value, and the occupancy type of the loan. For more information on the underwriting process, see "BUSINESS — Our Business Segments — Single-Family Guarantee Segment — Underwriting Requirements and Quality Control Standards" in our 2012 Annual Report.

Conditions in the mortgage market improved in most geographical areas during the first nine months of 2013. However, many single-family mortgage loans, especially those originated from 2005 through 2008, have been adversely affected by the compounding pressures on household wealth caused by significant declines in home values during the housing crisis that began in 2006 and the ongoing weak employment environment in many areas. The UPB of our single-family non-performing loans has declined but remained at elevated levels during the first nine months of 2013 compared to our historical experience.

The table below presents certain credit information about loans in our single-family credit guarantee portfolio by year of origination as of September 30, 2013 and for the nine months ended September 30, 2013.

Table 32 — Single-Family Credit Guarantee Portfolio Data by Year of Origination[1]

	At September 30, 2013											Nine Months Ended September 30, 2013	
	Percent of Portfolio		Average Credit Score[2]	Original LTV Ratio		Current LTV Ratio[3]		Current LTV Ratio >100%[3][4]		Serious Delinquency Rate[5]		Percent of Credit Losses	
Year of Origination													
2013	18	%	749	75	%	74	%	9	%	0.02	%	—	%
2012	24		754	78		70		9		0.15		2	
2011	11		751	72		63		3		0.37		1	
2010	11		750	72		64		3		0.63		3	
2009	9		748	71		65		3		1.05		3	
Combined-2009 to 2013	73		751	75		68		7		0.36		9	
2008	3		715	74		81		18		7.05		10	
2007	5		696	77		97		42		11.73		35	
2006	4		702	75		94		38		10.61		23	
2005	5		709	73		80		20		6.86		14	
Combined-2005 to 2008	17		704	75		89		31		9.15		82	
2004 and prior	10		712	72		51		3		3.29		9	
Total	100	%	739	74		70		11		2.58		100	%

(1) Based on the loans remaining in the portfolio at September 30, 2013, which totaled $1.7 trillion, rather than all loans originally guaranteed by us and originated in the respective year. Includes loans acquired under our relief refinance initiative, which began in 2009.

(2) Based on FICO score of the borrower as of the date of loan origination and may not be indicative of the borrowers' current creditworthiness. Excludes less than 1% of loans in the portfolio because the FICO scores at origination were not available.

(3)

We estimate current market values by adjusting the value of the property at origination based on changes in the market value of homes in the same geographical area since origination.

(4) Calculated as a percentage of the aggregate UPB of loans with LTV ratios greater than 100% in relation to the total UPB of loans in the category.

(5) See “Credit Performance — Delinquencies” for further information about our reported serious delinquency rates.

Improvement in home prices in many areas of the U.S. during the first nine months of 2013 generally led to improved current LTV ratios of the loans in our portfolio as of September 30, 2013. However, we estimate that as of September 30, 2013 and December 31, 2012, approximately 31% and 42%, respectively, of the loans originated in 2005 through 2008 that remained in our single-family credit guarantee portfolio as of those dates had current LTV ratios greater than 100%. Loans with current LTV ratios greater than 100% comprised 11% and 15%, of our single-family credit guarantee portfolio, based on UPB at September 30, 2013 and December 31, 2012, respectively, and comprised approximately 72% and 83% of our credit losses recognized in the first nine months of 2013 and 2012, respectively. For the loans in our single-family credit guarantee portfolio with estimated current LTV ratios greater than 80%, the borrowers had a weighted average credit score at origination of 722 at both September 30, 2013 and December 31, 2012.

As of September 30, 2013, 7.8% of the total number of single-family loans we purchased or guaranteed that were originated in 2005 to 2008 had been foreclosed or completed a short sale transaction resulting in a loss (before consideration of recoveries). In addition, approximately 9.2% of loans originated in those years that remained in our single-family guarantee portfolio as of September 30, 2013 were seriously delinquent. We believe the gradual replacement of the loans originated in

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2005 to 2008 has positively impacted the payment performance of our single-family credit guarantee portfolio. However, the rate at which this replacement is occurring continues to be negatively affected by a low volume of new purchase mortgage originations and a lengthy foreclosure process in many states.

Characteristics of the Single-Family Credit Guarantee Portfolio

The average UPB of loans in our single-family credit guarantee portfolio was approximately $154,000 and $151,000 at September 30, 2013 and December 31, 2012, respectively. We purchased loans or issued other guarantee commitments for approximately 472,000 and 491,000 single-family loans totaling $97.8 billion and $102.8 billion of UPB during the third quarters of 2013 and 2012, respectively. Our single-family credit guarantee portfolio predominately consists of first-lien, fixed-rate mortgage loans secured by the borrower's primary residence. Approximately 95% and 96% of the single-family mortgages we purchased or guaranteed in the three and nine months ended September 30, 2013, respectively, were first-lien, fixed-rate amortizing mortgages, based on UPB, and the remainder were first-lien, ARM mortgage loans. Approximately 76% of the single-family mortgages we purchased or guaranteed in the first nine months of 2013 were refinance mortgages, including approximately 24% that were relief refinance mortgages, based on UPB.

The credit quality of the single-family loans we acquired beginning in 2009 (excluding HARP and other relief refinance mortgages) is significantly better than that of loans we acquired from 2005 through 2008, as measured by original LTV ratios, FICO scores, and the proportion of loans underwritten with fully documented income. Mortgages originated after 2008, including HARP and other relief refinance loans, comprised an increasing proportion of the portfolio during the first nine months of 2013, and the proportion of loans originated prior to 2009 within the portfolio continued to decline.

The percentage of home purchase loans in our loan acquisition volume was at low levels and refinance loan activity was high during the first half of 2013. During the third quarter and first nine months of 2013, we purchased or guaranteed more than 324,000 and 1.37 million, respectively, of single-family loans that were refinance mortgages, totaling $63.9 billion and $274.9 billion in UPB, respectively. Our purchases of refinance mortgages declined for the two most recent quarters, which we believe was primarily a result of higher mortgage interest rates. As of September 30, 2013 and December 31, 2012, there were approximately 10.7 million and 10.9 million loans, respectively, in our single-family credit guarantee portfolio, including 2.0 million and 1.6 million relief refinance mortgages, respectively.

The tables below provide additional characteristics of single-family mortgage loans purchased during the nine months ended September 30, 2013 and 2012, and of our single-family credit guarantee portfolio at September 30, 2013 and December 31, 2012.

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Table 33 — Characteristics of Purchases for the Single-Family Credit Guarantee Portfolio[1]

	Percent of Purchases During the Nine Months Ended September 30,											
	2013						2012					
	Relief Refi		All Other		Total		Relief Refi		All Other		Total	
Original LTV Ratio Range												
60% and below	4	%	20	%	24	%	4	%	21	%	25	%
Above 60% to 70%	2		13		15		2		12		14	
Above 70% to 80%	3		31		34		3		29		32	
Above 80% to 100%	7		12		19		9		7		16	
Above 100% to 125%	5		—		5		8		—		8	
Above 125%	3		—		3		5		—		5	
Total	24	%	76	%	100	%	31	%	69	%	100	%
Weighted average original LTV ratio	91	%	70	%	75	%	98	%	68	%	77	%
Credit Score[2]												
740 and above	12	%	55	%	67	%	18	%	54	%	72	%
700 to 739	5		14		19		6		11		17	
660 to 699	4		6		10		4		4		8	
620 to 659	2		1		3		2		—		2	
Less than 620	1		—		1		1		—		1	
Not available	—		—		—		—		—		—	
Total	24	%	76	%	100	%	31	%	69	%	100	%
Weighted average credit score:												
Total mortgages	728		757		750		740		763		756	

	Percent of Purchases During the Nine Months Ended September 30,			
	2013		2012	
Loan Purpose				
Purchase	24	%	18	%
Cash-out refinance	16		14	
Other refinance[3]	60		68	
Total	100	%	100	%
Property Type				
Detached/townhome[4]	93	%	94	%
Condo/Co-op	7		6	
Total	100	%	100	%
Occupancy Type				
Primary residence	88	%	91	%
Second/vacation home	4		4	
Investment	8		5	
Total	100	%	100	%

(1) Percentages are based on the UPB of the single-family credit guarantee portfolio.

(2) Credit score data is based on FICO scores, which are ranked on a scale of approximately 300 to 850 points. Although we obtain updated credit information on certain borrowers after the origination of a mortgage, such as those borrowers seeking a modification, the scores presented in this table represent the credit score of the borrower

at the time of loan origination and may not be indicative of the borrowers' current creditworthiness.

(3) Other refinance loans include: (a) refinance mortgages with "no cash out" to the borrower; and (b) refinance mortgages for which the delivery data provided was not sufficient for us to determine whether the mortgage was a cash-out or a no cash-out refinance transaction.

(4) Includes manufactured housing and homes within planned unit development communities. The UPB of manufactured housing mortgage loans purchased during the nine months ended September 30, 2013 and 2012 was $615 million and $472 million, respectively.

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Table 34 — Characteristics of the Single-Family Credit Guarantee Portfolio[1]

	Portfolio Balance at[2]			
	September 30, 2013		December 31, 2012	
Original LTV Ratio Range				
60% and below	22	%	22	%
Above 60% to 70%	15		15	
Above 70% to 80%	38		40	
Above 80% to 100%	19		18	
Above 100%	6		5	
Total	100	%	100	%
Weighted average original LTV ratio	74	%	74	%
Estimated Current LTV Ratio Range[3]				
60% and below	33	%	28	%
Above 60% to 70%	17		14	
Above 70% to 80%	20		21	
Above 80% to 90%	12		13	
Above 90% to 100%	7		9	
Above 100% to 120%	6		8	
Above 120%	5		7	
Total	100	%	100	%
Weighted average estimated current LTV ratio:				
Relief refinance mortgages[4]	82	%	83	%
All other mortgages	67		74	
Total mortgages	70		75	
Credit Score[5]				
740 and above	58		56	
700 to 739	20		21	
660 to 699	13		14	
620 to 659	6		6	
Less than 620	3		3	
Not available	<1		<1	
Total	100	%	100	%
Weighted average credit score:				
Relief refinance mortgages[4]	736		741	
All other mortgages	740		736	
Total mortgages	739		737	
Loan Purpose				
Purchase	25	%	27	%
Cash-out refinance	22		24	
Other refinance[6]	53		49	
Total	100	%	100	%
Property Type				
Detached/townhome[7]	92	%	92	%
Condo/Co-op	8		8	
Total	100	%	100	%
Occupancy Type				
Primary residence	90	%	90	%
Second/vacation home	4		5	

Investment	6		5	
Total	100	%	100	%

(1) Ending balances are based on the UPB of the single-family credit guarantee portfolio. Other Guarantee Transactions with ending balances of $1 billion at both September 30, 2013 and December 31, 2012 are excluded since these securities are backed by non-Freddie Mac issued securities for which the loan characteristics data was not available.

(2) Includes loans acquired under our relief refinance initiative, which began in 2009.

(3) The current LTV ratios are management estimates, which are updated on a monthly basis. Current market values are estimated by adjusting the value of the property at origination based on changes in the market value of homes in the same geographical area since that time.

(4) Relief refinance mortgages of all LTV ratios comprised approximately 20% and 18% of our single-family credit guarantee portfolio by UPB as of September 30, 2013 and December 31, 2012, respectively.

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(5) Credit score data is based on FICO scores, which are ranked on a scale of approximately 300 to 850 points. Although we obtain updated credit information on certain borrowers after the origination of a mortgage, such as those borrowers seeking a modification, the scores presented in this table represent the credit score of the borrower at the time of loan origination and may not be indicative of the borrowers' current creditworthiness. Excludes less than 1% of loans in the portfolio because the FICO scores at origination were not available at September 30, 2013.

(6) Other refinance loans include: (a) refinance mortgages with "no cash out" to the borrower; and (b) refinance mortgages for which the delivery data provided was not sufficient for us to determine whether the mortgage was a cash-out or a no cash-out refinance transaction.

(7) Includes manufactured housing and homes within planned unit development communities.

An increase in the estimated current LTV ratio of a loan indicates that the borrower's equity in the home has declined, and can negatively affect the borrower's ability to refinance or sell the property for an amount at or above the balance of the outstanding mortgage loan. Based on our historical experience, there is an increase in borrower default risk as LTV ratios increase. Due to our participation in HARP, we purchase a significant number of loans that have LTV ratios over 100%. HARP loans with LTV ratios over 100% represented 8% and 13% of our single-family mortgage purchases in the first nine months of 2013 and 2012, respectively. The percentage of mortgages in our single-family credit guarantee portfolio with estimated current LTV ratios greater than 100% was 11% and 15% at September 30, 2013 and December 31, 2012, respectively, and the serious delinquency rate for these loans was 10.5% and 12.7%, respectively. The portion of our single-family credit guarantee portfolio with current LTV ratios greater than 100% declined during 2013 primarily due to improving home prices during the period.

Attribute Combinations

Certain combinations of loan characteristics often can indicate a higher degree of credit risk. For example, single-family mortgages with both high LTV ratios and borrowers who have lower credit scores typically experience higher rates of serious delinquency and default. We estimate that there were $12.8 billion and $12.0 billion at September 30, 2013 and December 31, 2012, respectively, of loans in our single-family credit guarantee portfolio with both original LTV ratios greater than 90% and FICO scores less than 620 at the time of loan origination. We continue to purchase certain of these loans if they are covered by credit enhancements for the UPB in excess of 80% or if they are HARP loans. Certain mortgage product types, including interest-only or option ARM loans, have features that may also add to credit risk. See "Table 42 — Single-Family Credit Guarantee Portfolio by Attribute Combinations" for information about certain attribute combinations of our single-family mortgage loans.

Single-Family Mortgage Product Types

Product mix affects the credit risk profile of our total mortgage portfolio. The primary mortgage products in our single-family credit guarantee portfolio are first lien, fixed-rate mortgage loans secured by the borrower's primary residence. Effective January 1, 2013, we no longer purchase balloon/reset mortgages. See "Other Categories of Single-Family Mortgage Loans" below for additional information on higher-risk mortgages in our single-family credit guarantee portfolio.

For purposes of presentation within this Form 10-Q and elsewhere in our reporting, we have categorized a number of modified loans as fixed-rate loans (instead of as adjustable rate loans), even though the modified loans have rate adjustment provisions. In these cases, while the terms of the modified loans provide for the interest rate to adjust in the future, such future rates are determined at the time of modification rather than at a subsequent date.

The following paragraphs provide information on the interest-only, option ARM, and conforming jumbo loans in our single-family credit guarantee portfolio. Interest-only and option ARM loans are higher-risk mortgage products based on the features of these types of loans, and have experienced significantly higher serious delinquency rates than fixed-rate amortizing mortgage products.

Interest-Only Loans

Interest-only loans have an initial period during which the borrower pays only interest, and at a specified date the monthly payment increases to begin reflecting repayment of principal. Interest-only loans represented approximately 2% and 3% of the UPB of our single-family credit guarantee portfolio at September 30, 2013 and December 31, 2012, respectively. We discontinued purchasing such loans on September 1, 2010. The balance of these loans has declined

significantly in recent years as many of these borrowers have repaid their loans, completed foreclosure transfers or foreclosure alternatives, refinanced or received loan modifications into an amortizing loan product (and thus these loans are no longer classified as interest-only loans).

Option ARM Loans

Most option ARM loans have initial periods during which the borrower has various options as to the amount of each monthly payment, until a specified date, when the terms are recast. We have not purchased option ARM loans in our single-family credit guarantee portfolio since 2007. At both September 30, 2013 and December 31, 2012, option ARM loans represented less than 1% of the UPB of our single-family credit guarantee portfolio. Included in this exposure was $5.7 billion and $6.3 billion of option ARM securities underlying certain of our Other Guarantee Transactions at September 30, 2013 and December 31, 2012, respectively. While we have not categorized these option ARM securities as either subprime or Alt-A securities for presentation within this Form 10-Q and elsewhere in our reporting, they could exhibit similar credit performance

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to collateral identified as subprime or Alt-A. For reporting purposes, loans within the option ARM category continue to be presented in that category following a modification of the loan, even though the modified loan no longer provides for optional payment provisions. As of September 30, 2013 and December 31, 2012, approximately 10.3% and 8.1%, respectively, of the option ARM loans within our single-family credit guarantee portfolio had been modified. For information on our exposure to option ARM loans through our holdings of non-agency mortgage-related securities, see “CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities.”

Conforming Jumbo Loans

For loans originated after September 30, 2011, conforming jumbo loans on a one-family residence have UPB at origination that is greater than $417,000 and up to $625,500 in certain “high-cost” areas. We purchased or guaranteed $25.7 billion and $22.6 billion of conforming jumbo loans during the nine months ended September 30, 2013 and 2012, respectively. The UPB of conforming jumbo loans in our single-family credit guarantee portfolio as of September 30, 2013 and December 31, 2012 was $66.6 billion and $57.0 billion, and comprised 4% and 3% of the portfolio, respectively. The average size of these loans was approximately $521,000 and $530,000 at September 30, 2013 and December 31, 2012, respectively. See “BUSINESS — Our Business” in our 2012 Annual Report for further information on the conforming loan limits.

Other Categories of Single-Family Mortgage Loans

While we have classified certain loans as subprime or Alt-A for purposes of the discussion below and elsewhere in this Form 10-Q, there is no universally accepted definition of subprime or Alt-A, and our classification of such loans may differ from those used by other companies. For example, some financial institutions may use FICO scores to delineate certain residential mortgages as subprime. In addition, we do not rely primarily on these loan classifications to evaluate the credit risk exposure relating to such loans in our single-family credit guarantee portfolio. For a definition of the subprime and Alt-A single-family loans and securities in this Form 10-Q, see “GLOSSARY.”

Subprime Loans

Participants in the mortgage market may characterize single-family loans based upon their overall credit quality at the time of origination, generally considering them to be prime or subprime. While we have not historically characterized the loans in our single-family credit guarantee portfolio as either prime or subprime, we do monitor the amount of loans we have guaranteed with characteristics that indicate a higher degree of credit risk (see “Higher-Risk Loans in the Single-Family Credit Guarantee Portfolio” and “Table 42 — Single-Family Credit Guarantee Portfolio by Attribute Combinations” for further information). In addition, we estimate that approximately $1.9 billion and $2.0 billion of security collateral underlying our Other Guarantee Transactions at September 30, 2013 and December 31, 2012, respectively, were identified as subprime based on information provided to us when we entered into these transactions.

We also categorize our investments in non-agency mortgage-related securities as subprime if they were identified as such based on information provided to us when we entered into these transactions. At September 30, 2013 and December 31, 2012, we held $40.8 billion and $44.4 billion, respectively, in UPB of non-agency mortgage-related securities backed by subprime loans. Approximately 4% and 5% of these securities were investment grade at September 30, 2013 and December 31, 2012, respectively. The credit performance of loans underlying these securities deteriorated significantly since 2008. For more information on our exposure to subprime mortgage loans through our investments in non-agency mortgage-related securities see “CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities.”

Alt-A Loans

Although there is no universally accepted definition of Alt-A, many mortgage market participants classify single-family loans with credit characteristics that range between their prime and subprime categories as Alt-A because these loans have a combination of characteristics of each category, may be underwritten with lower or alternative income or asset documentation requirements compared to a full documentation mortgage loan, or both. The UPB of Alt-A loans in our single-family credit guarantee portfolio declined to $60.0 billion as of September 30, 2013 from $73.7 billion as of December 31, 2012 primarily due to refinancing into other mortgage products, foreclosure transfers, and other liquidation events. For reporting purposes, loans within the Alt-A category continue to be reported in that category following a modification of the loan, even though the borrower may have provided full documentation

of assets and income before completing the modification. As of September 30, 2013 and December 31, 2012, approximately 15.2% and 11.8%, respectively, of the Alt-A loans within our single-family credit guarantee portfolio had completed a modification. As of September 30, 2013, for Alt-A loans in our single-family credit guarantee portfolio, the average FICO score at origination was 711. Although Alt-A mortgage loans comprised approximately 4% of our single-family credit guarantee portfolio as of September 30, 2013, these loans represented approximately 38% and 25% of our credit losses during the three and nine months ended September 30, 2013, respectively.
Although we discontinued new purchases of mortgage loans with lower documentation standards for assets or income beginning March 1, 2009, we continued to purchase certain amounts of these mortgages in cases where the loan was either: (a) purchased pursuant to a previously issued other guarantee commitment; (b) part of our relief refinance mortgage initiative;

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or (c) in another refinance mortgage initiative and the pre-existing mortgage (including Alt-A loans) was originated under less than full documentation standards. In the event we purchase a refinance mortgage and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as an Alt-A mortgage in this Form 10-Q and our other financial reports because the new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred. From the time the relief refinance initiative began in 2009 to September 30, 2013, we have purchased approximately $27.8 billion of relief refinance mortgages that were previously categorized as Alt-A loans in our portfolio, including $5.7 billion during the nine months ended September 30, 2013.

We also hold investments in non-agency mortgage-related securities backed by single-family Alt-A loans. At September 30, 2013 and December 31, 2012, we held investments of $11.8 billion and $14.8 billion in UPB, respectively, of non-agency mortgage-related securities backed by Alt-A and other mortgage loans. Approximately 5% and 9% of these securities were categorized as investment grade at September 30, 2013 and December 31, 2012, respectively. The credit performance of loans underlying these securities deteriorated significantly since 2008. We categorize our investments in non-agency mortgage-related securities as Alt-A if the securities were identified as such based on information provided to us when we entered into these transactions. For more information on our exposure to Alt-A mortgage loans through our investments in non-agency mortgage-related securities see "CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities."

Higher-Risk Loans in the Single-Family Credit Guarantee Portfolio

The table below presents information about certain categories of single-family mortgage loans within our single-family credit guarantee portfolio that we believe have certain higher-risk characteristics. These loans include categories based on product type and borrower characteristics present at origination. The table includes a presentation of each higher risk category in isolation. A single loan may fall within more than one category (for example, an interest-only loan may also have an original LTV ratio greater than 90%). Loans with a combination of these characteristics will have an even higher risk of default than those with a single characteristic.

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Table 35 — Certain Higher-Risk Categories in the Single-Family Credit Guarantee Portfolio[1]

	As of September 30, 2013			
	UPB	Estimated Current LTV[2]	Percentage Modified[3]	Serious Delinquency Rate[4]
	(dollars in billions)			
Loans with one or more specified characteristics	$364.5	95 %	7.9 %	5.8 %
Categories (individual characteristics):				
Alt-A	60.0	89	15.2	10.7
Interest-only[5]	37.4	95	0.3	13.5
Option ARM[6]	6.6	89	10.3	13.3
Original LTV ratio greater than 90%, non-HARP mortgages	100.5	92	10.1	6.1
Original LTV ratio greater than 90%, HARP mortgages	151.9	105	0.4	0.9
Lower FICO scores at origination (less than 620)[7]	48.5	84	16.7	10.4

	As of December 31, 2012			
	UPB	Estimated Current LTV[2]	Percentage Modified[3]	Serious Delinquency Rate[4]
	(dollars in billions)			
Loans with one or more specified characteristics	$355.3	101 %	7.6 %	7.5 %
Categories (individual characteristics):				
Alt-A	73.7	100	11.8	11.4
Interest-only[5]	50.2	110	0.3	16.3
Option ARM[6]	7.3	105	8.1	16.3
Original LTV ratio greater than 90%, non-HARP mortgages	98.5	100	9.4	7.8
Original LTV ratio greater than 90%, HARP mortgages	120.4	108	0.2	1.0
Lower FICO scores at origination (less than 620)[7]	50.9	89	15.3	12.2

(1) Categories are not additive and a single loan may be included in multiple categories if more than one characteristic is associated with the loan.

(2) See endnote (3) to "Table 34 — Characteristics of the Single-Family Credit Guarantee Portfolio" for information on our calculation of current LTV ratios.

(3) Represents the percentage of loans based on loan count in our single-family credit guarantee portfolio at period end that have been modified, including those with no changes in the interest rate or maturity date, but where past due amounts are added to the outstanding principal balance of the loan. Excludes loans underlying certain Other Guarantee Transactions for which data was not available.

(4) See "Credit Performance — Delinquencies" for further information about our reported serious delinquency rates.

(5) When an interest-only loan is modified to require repayment of principal, the loan is removed from the interest-only category. The percentages of interest-only loans which have been modified at period end reflect loans that have not yet been assigned to their new product category (post-modification), primarily due to delays in processing.

(6)

For reporting purposes, loans within the option ARM category continue to be reported in that category following modification, even though the modified loan no longer provides for optional payment provisions.

(7) See endnote (2) to “Table 33 — Characteristics of Purchases for the Single-Family Credit Guarantee Portfolio” for information on our presentation of FICO scores.

The total UPB of loans in our single-family credit guarantee portfolio with one or more of these higher-risk characteristics was $364.5 billion and $355.3 billion as of September 30, 2013 and December 31, 2012, respectively, and comprised approximately 22% of the portfolio at both dates. The serious delinquency rates associated with loans with one or more of the above characteristics declined to 5.8% as of September 30, 2013 from 7.5% as of December 31, 2012.

A significant portion of the loans in the higher-risk categories presented in the table above were originated in 2005 through 2008. We have fully discontinued purchases of Alt-A (effective March 1, 2009), interest-only (effective September 1, 2010), and option ARM (since 2007) loans. The UPB of loans with one or more of these higher-risk characteristics in our single-family credit guarantee portfolio increased during the first nine months of 2013 primarily due to increased purchases of loans with original LTV ratios greater than 90% resulting from significant HARP activity. The balance of our non-HARP mortgages with original LTV ratios greater than 90% increased $2.0 billion from December 31, 2012 to September 30, 2013, since we continue to purchase certain of these loans if they are covered by credit enhancements for the UPB in excess of 80%. We also continue to purchase single-family loans with FICO scores below 620 in limited amounts if they meet our underwriting standards.

Credit Enhancements

The use of credit enhancements is intended to mitigate some of our potential credit losses. Our charter requires that single-family mortgages with LTV ratios above 80% at the time of purchase be covered by specified credit enhancements or participation interests (subject to certain exceptions, such as discussed below with respect to HARP). As guarantor, we remain

responsible for the payment of principal and interest if mortgage insurance or other credit enhancements do not provide full reimbursement for covered losses. Our credit losses could increase if an entity that provides credit enhancement fails to fulfill its obligation (e.g., a mortgage insurer fails to pay a claim), as this would reduce the amount of our credit loss recoveries.

The 2013 Conservatorship Scorecard contains a goal for us to demonstrate the viability of multiple types of risk transfer transactions involving single-family mortgages with at least $30 billion in aggregate UPB, subject to certain limitations. These transactions are intended to shift mortgage credit risk from us to private capital investors. In July 2013, we executed one transaction representing $22.5 billion of UPB, of which we believe $18.5 billion qualifies toward this goal. A second transaction, representing $35.3 billion of UPB, is scheduled to settle on November 12, 2013. We plan to execute an additional risk transfer transaction in the fourth quarter of 2013.

At both September 30, 2013 and December 31, 2012, our credit-enhanced mortgages represented 13% of our single-family credit guarantee portfolio, excluding those backing Ginnie Mae Certificates and HFA bonds guaranteed by us under the HFA initiative, based on UPB. Our financial guarantees backed by Ginnie Mae Certificates and HFA bonds under the HFA initiative are excluded because we consider the incremental credit risk to which we are exposed to be insignificant. In recent periods, the percentage of our single-family loan purchases with credit enhancement coverage has been affected by high volumes of refinance activity. Refinance loans (other than HARP loans) typically have lower LTV ratios than home purchase loans, and are more likely to have an LTV ratio below 80% and not require credit protection as specified in our charter. Under HARP, we allow eligible borrowers who have mortgages with current LTV ratios over 80% to refinance their mortgages without obtaining new mortgage insurance in excess of the insurance coverage that was already in place.

We recognized recoveries from credit enhancements (excluding recoveries that represent reimbursements for our expenses, including REO operations expenses) of $1.2 billion and $1.0 billion that reduced our charge-offs of single-family loans during the nine months ended September 30, 2013 and 2012, respectively. Substantially all of these amounts represent recoveries associated with our primary and pool mortgage insurance policies. REO operations income (expenses) included recoveries from credit enhancements of $139 million and $88 million during the nine months ended September 30, 2013 and 2012, respectively, primarily associated with our primary and pool mortgage insurance policies. During the third quarter of 2013, we entered into an agreement with one of our mortgage insurers to resolve outstanding and future primary mortgage insurance claims related to certain loans. We recognized recoveries of $0.2 billion in the third quarter of 2013 related to this agreement. As a result, our recoveries in the three and nine months ended September 30, 2013 were higher than they otherwise would have been without this agreement.

See "Institutional Credit Risk" for information about our counterparties that provide credit enhancement on loans in our single-family credit guarantee portfolio, including information about pool insurance coverage and our mortgage loan insurers. See "BUSINESS — Our Business Segments —Single-Family Guarantee Segment — Credit Enhancements" in our 2012 Annual Report and "NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES" for additional information about credit protection and other forms of credit enhancements covering loans in our single-family credit guarantee portfolio. See "CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities — Mortgage-Related Securities" for credit enhancement and other information about our investments in non-Freddie Mac mortgage-related securities.

Single-Family Loan Workouts and the MHA Program

Loan workout activities are a key component of our loss mitigation strategy for managing and resolving troubled assets and lowering credit losses. Our loan workouts consist of: (a) forbearance agreements; (b) repayment plans; (c) loan modifications; and (d) foreclosure alternatives (i.e., short sales or deed in lieu of foreclosure transactions).

Our single-family loss mitigation strategy emphasizes early intervention by servicers in delinquent mortgages and provides alternatives to foreclosure. In connection with our loss mitigation efforts, we participate in the MHA Program, which is primarily designed to help in the housing recovery, promote liquidity and housing affordability, and expand foreclosure prevention efforts. HAMP and HARP are key components of the MHA Program. See "BUSINESS — Our Business Segments — Single-Family Guarantee Segment — Loss Mitigation and Loan Workout Activities" in our 2012 Annual Report for more information on the MHA Program and our loss mitigation activities, including a description of our loan workouts (e.g., HAMP) and HARP. During the first nine months of 2013, we helped approximately

128,000 borrowers either stay in their homes or sell their properties and avoid foreclosures through our various workout programs, including HAMP, and we completed approximately 64,000 foreclosures. We bear the full costs associated with our loan workouts and foreclosure alternatives on mortgages that we own or guarantee, including the cost of any monthly payment reductions, and do not receive any reimbursement from Treasury.

Home Affordable Modification Program and Non-HAMP Standard Modifications

Our primary loan modification initiatives are HAMP and our non-HAMP standard loan modification initiative. HAMP was previously scheduled to end in December 2013, but has been extended to December 2015.

In March 2013, as part of the servicing alignment initiative, we announced a new streamlined modification initiative, which provides an additional modification opportunity to certain borrowers who are at least 90 (but not more than 720) days

delinquent. This initiative was implemented in July 2013 (with earlier adoption permitted), and it is scheduled to expire on December 31, 2015. Borrowers are not required to apply for assistance or provide income or hardship documentation. However, they must complete a trial period of at least three months prior to being offered a permanent modification, which will provide the same mortgage terms as the non-HAMP standard modification. We expect that our new streamlined modification initiative will cause our non-HAMP modification volume to continue to increase in the fourth quarter of 2013 and into the first half of 2014.

During the third quarter of 2013, approximately 20,500 borrowers having loans with aggregate UPB of $4.3 billion completed modifications, and, as of September 30, 2013, approximately 34,000 borrowers were in the modification trial period. For information about the percentage of completed loan modifications that remained current, see "Table 38 — Quarterly Percentages of Modified Single-Family Loans — Current and Performing."

The portion of our modification volume that was HAMP-related declined and the portion of modifications that were non-HAMP-related increased in the first nine months of 2013 compared to the first nine months of 2012. We attribute this shift in the composition of our modification volume to both the availability of our non-HAMP modifications and the fact that a large number of the borrowers that were eligible for HAMP have already completed a modification or attempted but failed to complete the modification.

Based on information provided by the MHA Program administrator, our servicers had completed more than 235,000 loan modifications under HAMP from the introduction of the initiative in 2009 through September 30, 2013, compared to approximately 217,000 cumulative HAMP completions as of December 31, 2012. According to the administrator, the number of our loans in the HAMP trial period declined to 5,452 as of September 30, 2013 from 9,440 as of December 31, 2012.

As of September 30, 2013, the borrower's monthly payment for all of our completed HAMP modifications was reduced on average by an estimated $532, which amounts to an average of $6,384 per year, and a total of $1.5 billion in annual reductions (these amounts are calculated by multiplying the number of completed modifications by the average reduction in monthly payment, and have not been adjusted to reflect the actual performance of the loans following modification). As of September 30, 2013, the percentage of our HAMP modifications that were completed in 2009, 2010, 2011, and 2012 or thereafter that subsequently became seriously delinquent, proceeded to foreclosure transfer, completed a short sale, or were remodified was approximately 27%, 25%, 18%, and 8%, respectively.

The costs we incur related to HAMP have been, and will likely continue to be significant. We incurred $26 million and $84 million of servicer incentive expenses on HAMP loans during the three and nine months ended September 30, 2013, respectively, as compared to $43 million and $142 million of such incentives during the three and nine months ended September 30, 2012, respectively. We also incur certain incentives for borrowers that comply with HAMP, which are included within our benefit (provision) for credit losses on our consolidated statements of comprehensive income. The servicer incentive costs we incur related to our non-HAMP modifications may also be significant. We recently announced that we will be discontinuing certain servicer incentive fees for HAMP modifications completed on or after April 1, 2014.

Many of our HAMP loans have provisions for reduced interest rates that remain fixed for the first five years of the modification and then increase at a rate of one percent per year (or such lesser amount as may be needed) until the interest rate has been adjusted to the market rate that was in effect at the time of the modification. Certain of our other non-HAMP loan modifications have similar features and collectively, we refer to these types of loans as "step-rate modified loans". The risk of default may increase for borrowers with step-rate modified loans due to the increase in monthly payments resulting from these scheduled increases in the contractual interest rate of the loan. A significant number of HAMP loan modifications were completed in 2010 and these loans will begin to experience their scheduled interest rate increases in 2015. As of September 30, 2013, the average current contractual interest rate for all step-rate modified loans was 2.3% and the average final interest rate that these loans are scheduled to reach in the future was 4.5%.

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The table below presents information about step-rate modified loans.

Table 36 — Step-Rate Modified Loans[1]

	As of September 30, 2013		Year of Payment Change[3]			
	UPB	Serious Delinquency[2]	2014	2015	2016	2017 and After
	(in billions, except rates)					
Year of completed modification:						
2009	$4.4	11 %	$4.4	$4.1	$3.7	$0.9
2010	18.8	12		18.8	17.3	15.2
2011	10.8	11			10.8	9.8
2012 and after	10.1	6				10.1
Total	$44.1	10 %	$4.4	$22.9	$31.8	$36.0

(1) Consists of step-rate modified loans (HAMP and non-HAMP) remaining in the single-family credit guarantee portfolio, excluding those underlying Other Guarantee Transactions. Step-rate modifications generally have terms that gradually increase the contractual interest rate on an annual basis after a five-year period. Includes a portion of UPB that is non-interest bearing under the terms of the modification. Excludes loans in a modification trial period and those that were subsequently remodified under a non-HAMP initiative and no longer have step-rate terms.

(2) Based on loan count.

(3) Represents the UPB of all step-rate modified loans that are scheduled to experience an increase in their contractual interest rate in a given year. Individual loans will appear in each year for which they are scheduled to experience a rate increase.

Loan Workout Volumes and Modification Performance

The table below presents single-family loan workout volumes, serious delinquency rates, and foreclosure volumes for the three and nine months ended September 30, 2013 and 2012.

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Table 37 — Single-Family Loan Workout, Serious Delinquency, and Foreclosure Volumes[1]

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
	Number of Loans	Loan Balances	Number of Loans	Loan Balances	Number of Loans	Loan Balances	Number of Loans	Loan Balances
	(dollars in millions)							
Home retention actions:								
Loan modifications								
with no change in terms[2]	43	$6	17	$3	127	$15	501	$91
with term extension	2,161	200	1,316	34	4,310	347	2,957	273
with reduction of contractual interest rate and, in certain cases, term extension	11,678	1,679	10,590	1,481	33,966	4,768	28,529	4,830
with rate reduction, term extension and principal forbearance	6,659	2,405	8,941	2,988	22,028	7,666	17,696	5,611
Total loan modifications[3]	20,541	4,290	20,864	4,506	60,431	12,796	49,683	10,805
Repayment plans[4]	6,603	926	7,099	1,006	21,515	3,016	26,386	3,754
Forbearance agreements[5]	2,586	488	2,190	405	8,888	1,730	10,584	2,107
Total home retention actions	29,730	5,704	30,153	5,917	90,834	17,542	86,653	16,666
Foreclosure alternatives:								
Short sale	10,230	2,223	14,055	3,140	35,211	7,717	38,388	8,610
Deed in lieu of foreclosure transactions	768	125	328	59	1,671	270	771	134
Total foreclosure alternatives	10,998	2,348	14,383	3,199	36,882	7,987	39,159	8,744
Total single-family loan workouts	40,728	$8,052	44,536	$9,116	127,716	$25,529	125,812	$25,410
Seriously delinquent loan additions	58,176		76,104		180,481		232,823	
Single-family foreclosures[6]	21,644		26,039		64,158		81,043	
Seriously delinquent loans, at period end	276,124		369,595		276,124		369,595	

(1) Based on completed actions with borrowers for loans within our single-family credit guarantee portfolio. Excludes those modification, repayment and forbearance activities for which the borrower has started the required process, but the actions have not been made permanent or effective, such as loans in modification trial periods. Also excludes certain loan workouts where our single-family seller/servicers have executed agreements in the current or prior periods, but these have not been incorporated into certain of our operational systems, due to delays in processing. These categories are not mutually exclusive and a loan in one category may also be included within another category in the same period (see endnote 5).

(2) Under this modification type, past due amounts are added to the principal balance and amortized based on the original contractual loan terms.

(3) Includes completed loan modifications under HAMP; however, the number of such completions differs from that reported by the MHA Program administrator in part due to differences in the timing of recognizing the completions by us and the administrator.

(4) Represents the number of borrowers as reported by our seller/servicers that have completed the full term of a repayment plan for past due amounts. Excludes borrowers that are actively repaying past due amounts under a repayment plan, which totaled 17,089 and 16,713 borrowers as of September 30, 2013 and 2012, respectively.

(5)

Excludes loans with long-term forbearance under a completed loan modification. Many borrowers complete a short-term forbearance agreement before another loan workout is pursued or completed. We only report forbearance activity for a single loan once during each quarter; however, a single loan may be included under separate forbearance agreements in separate periods.

(6) Represents the number of our single-family loans that complete foreclosure transfers, including third-party sales at foreclosure auction in which ownership of the property is transferred directly to a third-party rather than to us.

Although the balance of seriously delinquent loans has declined during 2013, our loan modification volume remained high in both the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012. We expect loan modification volume will continue to remain high, as compared to our historical experience, in the fourth quarter of 2013 due to the impact of our streamlined modification initiative as well as the large number of borrowers that were in the modification trial period at September 30, 2013 that we expect will successfully complete the trial period during the fourth quarter.

The UPB of loans in our single-family credit guarantee portfolio for which we have completed a loan modification increased to $80 billion as of September 30, 2013 from $75 billion as of December 31, 2012. The number of modified loans in our single-family credit guarantee portfolio continued to increase and such loans comprised approximately 3.7% and 3.4% of our single-family credit guarantee portfolio as of September 30, 2013 and December 31, 2012, respectively. For the nine months ended September 30, 2013, approximately 59% of our loan modifications related to loans which were 180 days or more delinquent prior to the modification effective date. The estimated weighted average current LTV ratio for all modified loans in our single-family credit guarantee portfolio was 102% at September 30, 2013. The serious delinquency rate on these loans was 13.9% as of September 30, 2013.

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The volume of short sale transactions remained at elevated levels in the three and nine months ended September 30, 2013 compared to our historical experience. However, our short sale activity has declined for the two most recent quarters, which we believe is due to increasing interest rates and strengthening home prices in most geographical areas.

The table below presents the percentage of modified single-family loans that were current and performing in each of the last eight quarterly periods.

Table 38 — Quarterly Percentages of Modified Single-Family Loans — Current and Performing[1]

	Quarter of Loan Modification Completion[2]							
HAMP loan modifications:	2Q 2013	1Q 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011
Time since modification:								
3 to 5 months	88 %	89 %	88 %	87 %	89 %	89 %	89 %	86 %
6 to 8 months		85	85	85	85	84	85	84
9 to 11 months			83	82	84	81	81	81
12 to 14 months				80	81	81	79	78
15 to 17 months					80	79	79	76
18 to 20 months						77	77	76
21 to 23 months							76	75
24 to 26 months								74

	Quarter of Loan Modification Completion[2]							
Non-HAMP loan modifications:	2Q 2013	1Q 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011
Time since modification:								
3 to 5 months	83 %	84 %	83 %	82 %	84 %	72 %	78 %	73 %
6 to 8 months		78	79	79	79	64	69	70
9 to 11 months			75	75	77	60	62	64
12 to 14 months				72	74	62	58	59
15 to 17 months					71	59	59	56
18 to 20 months						56	57	56
21 to 23 months							56	54
24 to 26 months								54

	Quarter of Loan Modification Completion[2]							
Total (HAMP and Non-HAMP):	2Q 2013	1Q 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011
Time since modification:								
3 to 5 months	85 %	86 %	85 %	84 %	87 %	85 %	86 %	81 %
6 to 8 months		81	81	82	83	80	80	79
9 to 11 months			78	78	81	77	75	75
12 to 14 months				76	78	76	73	71
15 to 17 months					77	74	73	69
18 to 20 months						73	71	69
21 to 23 months							70	67
24 to 26 months								67

(1) Represents the percentage of loans that are current and performing (no payment is 30 days or more past due) or have been paid in full. Excludes loans in modification trial periods.

(2) Loan modifications are recognized as completed in the quarterly period in which the servicer has reported the modification as effective and the agreement has been accepted by us. For loans that have been remodified (e.g., where a borrower has received a new modification after defaulting on the prior modification) the rates reflect the status of each modification separately. For example, in the case of a remodified loan where the borrower is performing, the previous modification would be presented as being in default in the applicable period.

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Relief Refinance Mortgage Initiative and Home Affordable Refinance Program

Our relief refinance mortgage initiative, including HARP (which is the portion of our relief refinance initiative for loans with LTV ratios above 80%), gives eligible homeowners with existing loans that are owned or guaranteed by us an opportunity to refinance into loans with more affordable monthly payments and/or fixed-rate terms. While HARP is targeted at borrowers with current LTV ratios above 80%, our relief refinance initiative also allows borrowers with LTV ratios of 80% and below to participate. We implemented a number of changes to HARP in late 2011 and during 2012. These changes allow more borrowers to participate in the program and benefit from refinancing their home mortgages, including borrowers whose mortgages have LTV ratios above 125%. In addition, in April 2013, we extended HARP by two years to December 31, 2015, at the direction of FHFA. The program was previously set to expire December 31, 2013.

Relief refinance mortgages (including HARP loans) generally present higher risk to us than other refinance loans we have purchased since 2009 because:

- underwriting procedures for relief refinance mortgages are limited in many cases, and such procedures generally do not include all of the changes in underwriting standards we have implemented since 2008;
- many of these loans have relatively high LTV ratios (e.g., greater than 90%), which can increase the probability of default and increase the amount of our loss if the borrower does default;
- HARP loans may not be covered by mortgage insurance for the full excess of their UPB over 80%; and
- beginning with changes announced in the fourth quarter of 2011, we have relieved the lenders of certain representations and warranties on the original mortgage being refinanced, which limits our ability to seek recovery or repurchase from the seller for breach. All relief refinance mortgages with application dates on or after November 19, 2012 have reduced representations and warranties from the seller. We continue to bear the credit risk for refinanced loans under this program, to the extent that such risk is not covered by existing mortgage insurance or other existing credit enhancements.

However, relief refinance mortgages (including HARP loans) generally have performed better than loans with similar characteristics remaining in our single-family credit guarantee portfolio that were originated prior to 2009 because, under the relief refinance initiative:

- borrowers must meet eligibility requirements, such as having no more than one late payment within the previous 12 months and no late payments within the six months prior to refinancing; and
- the new mortgage results in one or more of the following borrower benefits compared to the original loan: (a) a reduced monthly payment; (b) a lower interest rate; (c) a shorter loan term; or (d) replacement of an adjustable interest rate with a fixed interest rate.

Although refinancing activity moderated in the third quarter of 2013, relief refinance activity remained high in the first nine months of 2013 driven by relatively low interest rates compared to historical levels and the changes to the HARP program noted above. The following table provides information about the volume of our relief refinance purchases during the nine months ended September 30, 2013 and 2012 as well as information about the balance and serious delinquency rates of these loans as of September 30, 2013 and December 31, 2012.

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Table 39 — Single-Family Relief Refinance Loans[1]

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	UPB	Number of Loans	Average Loan Balance[2]	UPB	Number of Loans	Average loan Balance[2]
	(dollars in millions, except for average loan balances)					
Purchases of relief refinance mortgages:						
HARP:						
Above 125% LTV ratio	$10,494	56,282	$186,000	$15,253	73,000	$209,000
Above 100% to 125% LTV ratio	18,511	96,626	192,000	22,356	108,162	207,000
Above 80% to 100% LTV ratio	25,944	144,037	180,000	27,494	140,856	195,000
Other (80% and below LTV ratio)	31,689	233,575	136,000	25,356	173,550	146,000
Total relief refinance mortgages	$86,638	530,520	163,000	$90,459	495,568	183,000

	As of September 30, 2013			As of December 31, 2012		
	UPB	Number of Loans	Serious Delinquency Rate	UPB	Number of Loans	Serious Delinquency Rate
	(dollars in millions)					
Balance of relief refinance mortgages:						
HARP:						
Above 125% LTV ratio	$29,856	152,998	0.73 %	$20,163	98,371	0.29 %
Above 100% to 125% LTV ratio	67,264	335,339	1.00	52,761	251,497	1.20
Above 80% to 100% LTV ratio	113,704	597,374	0.86	100,122	499,125	1.00
Other (80% and below LTV ratio)	126,794	916,290	0.31	114,164	774,212	0.32
Total relief refinance mortgages	$337,618	2,002,001	0.62 %	$287,210	1,623,205	0.66 %

(1) Consists of all single-family relief refinance mortgage loans that we either purchased or guaranteed during the period, including those associated with other guarantee commitments and Other Guarantee Transactions.
(2) Rounded to the nearest thousand.

For more information on the composition of our single-family credit guarantee portfolio, see "Table 2 — Single-Family Mortgage Loan Purchases and Other Guarantee Commitment Issuances, by Loan Purpose" and "Table 3 — Single-Family Credit Guarantee Portfolio Summary."

Credit Performance

Delinquencies

We report single-family serious delinquency rate information based on the number of loans that are three monthly payments or more past due or in the process of foreclosure, as reported by our servicers. Mortgage loans that have been modified are not counted as seriously delinquent as long as the borrower is less than three monthly payments

past due under the modified terms. Single-family loans for which the borrower is subject to a forbearance agreement or a repayment plan will continue to reflect the past due status of the borrower.

Our single-family delinquency rates include all single-family loans that we own, that back Freddie Mac securities, and that are covered by our other guarantee commitments, except Freddie Mac financial guarantees that are backed by either Ginnie Mae Certificates or HFA bonds due to the credit enhancements provided on them by the U.S. government.

Some of our workout and other loss mitigation activities create fluctuations in our delinquency statistics. For example, single-family loans that we report as seriously delinquent before they enter a modification trial period continue to be reported as seriously delinquent for purposes of our delinquency reporting until the modifications become effective and the loans are removed from delinquent status by our servicers. Consequently, the volume and timing of loan modifications impact our reported serious delinquency rate. In addition, there may be temporary timing differences, or lags, in the reporting of payment status and modification completion due to differing practices of our servicers that can affect our delinquency reporting.

Our serious delinquency rates have been affected by delays, including those due to increases in foreclosure process timeframes, general constraints on servicer capacity (which affects the rate at which servicers modify or foreclose upon loans), and court backlogs (in states that require a judicial foreclosure process). As of both September 30, 2013 and December 31, 2012, the percentage of seriously delinquent loans that have been delinquent for more than six months was 72%, and most of these loans have been delinquent for longer than one year. Loans that have been delinquent for more than a year are more challenging to resolve as many of these borrowers: (a) may not be in contact with the servicer; (b) may not be eligible for modifications; or (c) are in geographic areas where the foreclosure process has lengthened or is subject to judicial review. The

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longer a loan remains delinquent, the greater the associated costs we incur, in part due to expenses associated with loss mitigation and foreclosure.

The table below presents serious delinquency rates and information about seriously delinquent loans in our single-family credit guarantee portfolio.

Table 40 — Single-Family Serious Delinquency Statistics

	As of September 30, 2013		As of December 31, 2012	
	Percentage of Portfolio	Serious Delinquency Rate	Percentage of Portfolio	Serious Delinquency Rate
Credit Protection:				
Non-credit-enhanced	87 %	2.20 %	87 %	2.66 %
Credit-enhanced[1]	13	5.20	13	7.34
Total[2]	100 %	2.58	100 %	3.25

	# of Seriously Delinquent Loans	Percent	Serious Delinquency Rate	# of Seriously Delinquent Loans	Percent	Serious Delinquency Rate
State:[3][4]						
Florida	48,825	18 %	7.26 %	69,034	20 %	9.87 %
New York	21,986	8	4.51	22,592	6	4.59
New Jersey	20,172	7	6.45	21,742	6	6.87
California	17,997	7	1.51	27,620	8	2.34
Illinois	17,007	6	3.05	22,923	7	4.08
All others	147,484	54	1.97	185,683	53	2.45
Total	273,471	100 %		349,594	100 %	

	# of Seriously Delinquent Loans	Percent	# of Seriously Delinquent Loans	Percent
Aging, by locality:[4]				
Judicial review states:[5]				
Less than or equal to 1 year	60,943	22 %	79,422	23 %
More than 1 year and less than or equal to 2 years	33,756	12	50,506	14
More than 2 years	67,306	25	77,766	22
Non-judicial states:[5]				
Less than or equal to 1 year	66,405	25	87,641	25
More than 1 year and less than or equal to 2 years	22,063	8	30,435	9
More than 2 years	22,998	8	23,824	7
Combined:[5]				
Less than or equal to 1 year	127,348	47	167,063	48
More than 1 year and less than or equal to 2 years	55,819	20	80,941	23
More than 2 years	90,304	33	101,590	29
Total	273,471	100 %	349,594	100 %

(1)

See "Institutional Credit Risk" for information about our counterparties that provide credit enhancement on loans in our single-family credit guarantee portfolio.

(2) As of September 30, 2013 and December 31, 2012, approximately 63% and 68%, respectively, of the single-family loans reported as seriously delinquent were in the process of foreclosure.

(3) Represent the states with the highest number of seriously delinquent loans as of September 30, 2013.

(4) Excludes loans underlying certain single-family Other Guarantee Transactions since the geographic information is not available to us for these loans.

(5) For this presentation, the states and territories classified as having a judicial foreclosure process consist of: CT, DE, FL, HI, IA, IL, IN, KS, KY, LA, ME, ND, NE, NJ, NM, NY, OH, OK, PA, PR, SC, SD, VI, VT, and WI. All other states are classified as having a non-judicial foreclosure process.

The serious delinquency rate of our single-family credit guarantee portfolio declined to 2.58% as of September 30, 2013 (which is the lowest level since April 2009) from 3.25% as of December 31, 2012, continuing the trend of improvement that began in 2010. As of September 30, 2013, our serious delinquency rate for the aggregate of those states that require a judicial

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foreclosure and all other states was 3.58% and 1.81%, respectively, compared to 4.32% and 2.35%, respectively, as of December 31, 2012.

During the nine months ended September 30, 2013 and 2012, the nationwide average for completion of a foreclosure (as measured from the date of the last scheduled payment made by the borrower) on our single-family delinquent loans, excluding those underlying our Other Guarantee Transactions, was 760 days and 603 days, respectively, which included: (a) an average of 927 days and 765 days, respectively, for foreclosures completed in states that require a judicial foreclosure process; and (b) an average of 561 days and 469 days, respectively, for foreclosures completed in states that do not require a judicial foreclosure process. During the nine months ended September 30, 2013, a significant number of loans that had been subject to delays discussed above (and that had been delinquent for more than a year) completed the foreclosure process, which caused the nationwide average for foreclosure completions to increase compared to the nine months ended September 30, 2012.

Serious delinquency rates for interest-only and option ARM products (which together represented approximately 2% of our total single-family credit guarantee portfolio at September 30, 2013) were 13.5% and 13.3% as of September 30, 2013, respectively, as compared to 16.3% for both at December 31, 2012. Serious delinquency rates of single-family fixed rate, amortizing loans with a term of 20 years or more, a more traditional mortgage product, were approximately 3.0% and 3.7% at September 30, 2013 and December 31, 2012, respectively.

The tables below present serious delinquency rates categorized by borrower and loan characteristics, including geographic region and origination year, which indicate that certain concentrations of loans have been more adversely affected by declines in home prices and weak economic conditions during the housing crisis that began in 2006. We purchased significant amounts of loans with higher-risk characteristics in 2005 through 2008 and, as of September 30, 2013, we continued to experience high serious delinquency rates on those loans.

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Table 41 — Credit Concentrations in the Single-Family Credit Guarantee Portfolio

	As of September 30, 2013					
	Alt-A UPB	Non Alt-A UPB	Total UPB	Estimated Current LTV Ratio(1)	Percentage Modified(2)	Serious Delinquency Rate
	(dollars in billions)					
Geographical distribution:						
Arizona, California, Florida, and Nevada(3)	$24	$396	$420	70 %	5.8 %	3.4 %
All other states	36	1,196	1,232	70	3.2	2.3
Year of origination:						
2013	—	296	296	74	—	—
2012	—	388	388	70	—	0.2
2011	—	183	183	63	0.1	0.4
2010	—	185	185	64	0.2	0.6
2009	—	148	148	65	0.6	1.1
2008	4	50	54	81	11.3	7.1
2007	18	71	89	97	20.7	11.7
2006	16	51	67	94	18.0	10.6
2005	12	64	76	80	10.1	6.9
2004 and prior	10	156	166	51	4.3	3.3

	As of September 30, 2012					
	Alt-A UPB	Non Alt-A UPB	Total UPB	Estimated Current LTV Ratio(1)	Percentage Modified(2)	Serious Delinquency Rate
	(dollars in billions)					
Geographical distribution:						
Arizona, California, Florida, and Nevada(3)	$32	$388	$420	85 %	5.2 %	5.4 %
All other states	47	1,186	1,233	74	2.8	2.8
Year of origination:						
2012	—	245	245	77	—	<0.1
2011	—	247	247	68	—	0.2
2010	—	262	262	69	<0.1	0.5
2009	<1	232	232	70	0.2	0.8
2008	6	82	88	89	6.4	6.5
2007	24	107	131	109	13.4	12.2
2006	21	76	97	107	12.1	11.3
2005	15	96	111	91	6.7	7.0
2004 and prior	13	227	240	58	3.1	3.1

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	Alt-A	Non Alt-A	Total	Alt-A	Non Alt-A	Total
	(in millions)					
Credit Losses						
Geographical distribution:						
	$702	$1,445	$2,147	$1,456	$3,601	$5,057

Arizona, California, Florida, and Nevada[3]						
All other states	380	1,863	2,243	717	3,455	4,172
Year of origination:						
2013	—	1	1	N/A	N/A	N/A
2012	—	63	63	—	1	1
2011	—	60	60	—	29	29
2010	—	120	120	—	115	115
2009	—	133	133	<1	170	170
2008	34	413	447	79	757	836
2007	410	1,112	1,522	813	2,505	3,318
2006	372	654	1,026	776	1,607	2,383
2005	226	381	607	425	1,140	1,565
2004 and prior	40	371	411	80	732	812

(1) See endnote (3) to "Table 34 — Characteristics of the Single-Family Credit Guarantee Portfolio" for information on our calculation of estimated current LTV ratios.

(2) Represents the percentage of loans, based on loan count, in our single-family credit guarantee portfolio at period end that have been modified, including those with no changes in interest rate or maturity date, but where past due amounts are added to the outstanding principal balance of the loan.

(3) Represents the four states that had the largest cumulative declines in home prices during the housing crisis that began in 2006, as measured using Freddie Mac's home price index.

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Table 42 — Single-Family Credit Guarantee Portfolio by Attribute Combinations

	As of September 30, 2013								
	Current LTV Ratio ≤ 80[1]		Current LTV Ratio of > 80 to 100[1]		Current LTV > 100[1]		Current LTV Ratio All Loans[1]		
	Percentage of Portfolio[2]	Serious Delinquency Rate	Percentage of Portfolio[2]	Serious Delinquency Rate	Percentage of Portfolio[2]	Serious Delinquency Rate	Percentage of Portfolio[2]	Percentage Modified[3]	Serious Delinquency Rate
By Product Type									
FICO scores < 620:									
20 and 30- year or more amortizing fixed-rate	1.1 %	7.9 %	0.7 %	12.6 %	0.7 %	18.8 %	2.5 %	20.6 %	11.4 %
15- year amortizing fixed-rate	0.2	3.8	<0.1	4.2	<0.1	3.6	0.2	1.1	3.9
ARMs/adjustable rate[4]	0.1	10.0	<0.1	17.1	<0.1	28.4	0.1	12.5	13.3
Interest-only[5]	<0.1	13.3	<0.1	20.9	0.1	32.5	0.1	0.4	24.0
Other[6]	<0.1	3.6	<0.1	9.5	<0.1	16.8	<0.1	5.4	5.4
Total FICO scores < 620	1.4	7.0	0.7	12.6	0.8	19.2	2.9	16.7	10.4
FICO scores of 620 to 659:									
20 and 30- year or more amortizing fixed-rate	2.4	5.4	1.1	9.5	1.3	15.9	4.8	15.7	8.4
15- year amortizing fixed-rate	0.5	2.3	0.1	2.8	<0.1	3.1	0.6	0.6	2.3
ARMs/adjustable rate[4]	0.1	5.0	0.1	11.5	<0.1	25.2	0.2	3.3	9.1
Interest-only[5]	0.1	10.0	0.1	17.4	0.1	28.8	0.3	0.4	20.7
Other[6]	<0.1	3.2	<0.1	4.7	<0.1	6.8	<0.1	2.3	4.5
Total FICO scores of 620 to 659	3.1	4.6	1.4	9.4	1.4	16.6	5.9	12.1	7.6
FICO scores of ≥ 660:									
20 and 30- year or more amortizing fixed-rate	45.6	1.1	14.7	2.9	6.8	7.7	67.1	3.6	2.1
15- year amortizing fixed-rate	15.8	0.4	1.2	0.5	0.4	0.9	17.4	0.1	0.4
ARMs/adjustable rate[4]	3.4	1.0	0.5	5.2	0.2	16.3	4.1	0.8	2.5
Interest-only[5]	0.6	4.5	0.6	10.4	0.8	19.8	2.0	0.2	12.3
Other[6]	<0.1	1.9	0.1	1.6	<0.1	3.3	0.1	0.9	2.0
Total FICO scores ≥ 660	65.4	0.9	17.1	2.9	8.2	8.5	90.7	2.5	1.8
Total FICO scores not available	0.3	5.6	0.1	12.1	0.1	23.8	0.5	7.6	8.5

All FICO scores:									
20 and 30- year or more amortizing fixed-rate	49.3	1.6	16.6	3.9	8.8	9.8	74.7	5.3	3.0
15- year amortizing fixed-rate	16.5	0.6	1.3	0.7	0.4	1.1	18.2	0.1	0.6
ARMs/adjustable rate[4]	3.6	1.6	0.6	6.4	0.3	18.4	4.5	1.4	3.4
Interest-only[5]	0.7	5.2	0.7	11.4	0.9	21.3	2.3	0.3	13.5
Other[6]	0.1	9.1	0.1	6.2	0.1	12.6	0.3	8.9	8.6
Total single-family credit guarantee portfolio[7]	70.2 %	1.3 %	19.3 %	4.0 %	10.5 %	10.5 %	100.0 %	3.7 %	2.6 %
By Region[8]									
FICO scores < 620:									
North Central	0.1 %	5.5 %	0.2 %	9.1 %	0.2 %	14.0 %	0.5 %	16.0 %	8.4 %
Northeast	0.4	10.4	0.2	19.1	0.2	26.6	0.8	18.6	14.9
Southeast	0.3	7.4	0.1	12.7	0.2	22.5	0.6	17.5	11.9
Southwest	0.3	5.1	0.1	10.6	<0.1	15.6	0.4	11.5	6.6
West	0.3	5.1	0.1	9.5	0.2	13.7	0.6	19.4	7.9
Total FICO scores < 620	1.4	7.0	0.7	12.6	0.8	19.2	2.9	16.7	10.4
FICO scores of 620 to 659:									
North Central	0.5	3.7	0.3	6.9	0.3	11.6	1.1	11.5	6.0
Northeast	0.9	6.6	0.4	14.4	0.3	23.6	1.6	12.8	10.6
Southeast	0.5	5.2	0.3	9.7	0.4	19.6	1.2	12.7	9.2
Southwest	0.5	3.2	0.2	7.1	<0.1	12.3	0.7	7.6	4.3
West	0.7	3.5	0.2	8.2	0.4	13.1	1.3	15.7	6.3
Total FICO scores of 620 to 659	3.1	4.6	1.4	9.4	1.4	16.6	5.9	12.1	7.6
FICO scores ≥ 660:									
North Central	10.6	0.6	3.8	2.0	1.6	5.6	16.0	2.0	1.3
Northeast	17.4	1.2	4.6	4.5	1.5	12.3	23.5	2.3	2.3
Southeast	9.2	1.2	3.2	3.1	2.2	10.9	14.6	2.9	2.7
Southwest	8.5	0.7	1.9	1.6	0.2	4.2	10.6	1.1	0.9
West	19.7	0.6	3.6	3.2	2.7	7.0	26.0	3.6	1.5
Total FICO scores ≥ 660	65.4	0.9	17.1	2.9	8.2	8.5	90.7	2.5	1.8
Total FICO scores not available	0.3	5.6	0.1	12.1	0.1	23.8	0.5	7.6	8.5
All FICO scores:									
North Central	11.4	1.0	4.3	2.8	2.1	7.2	17.8	3.2	1.9
Northeast	18.7	1.9	5.3	6.0	2.0	15.4	26.0	3.6	3.4
Southeast	10.1	1.8	3.7	4.3	2.9	13.1	16.7	4.4	3.8
Southwest	9.2	1.1	2.0	2.7	0.3	7.0	11.5	2.2	1.4
West	20.8	0.8	4.0	3.8	3.2	8.0	28.0	4.6	1.9
Total single-family credit guarantee portfolio[7]	70.2 %	1.3 %	19.3 %	4.0 %	10.5 %	10.5 %	100.0 %	3.7 %	2.6 %

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	As of December 31, 2012								
	Current LTV Ratio ≤ 80[1]		Current LTV Ratio of > 80 to 100[1]		Current LTV > 100[1]		Current LTV Ratio All Loans[1]		
	Percentage of Portfolio[2]	Serious Delinquency Rate	Percentage of Portfolio[2]	Serious Delinquency Rate	Percentage of Portfolio[2]	Serious Delinquency Rate	Percentage of Portfolio[2]	Percentage Modified[3]	Serious Delinquency Rate
By Product Type									
FICO scores < 620:									
20 and 30- year or more amortizing fixed-rate	1.0 %	8.3 %	0.8 %	13.4 %	0.9 %	22.9 %	2.7 %	18.8 %	13.4 %
15- year amortizing fixed-rate	0.2	4.2	<0.1	8.0	<0.1	9.5	0.2	1.2	4.5
ARMs/adjustable rate[4]	0.1	10.0	<0.1	16.5	<0.1	26.7	0.1	11.4	14.1
Interest-only[5]	<0.1	15.0	<0.1	20.8	0.1	33.6	0.1	0.6	27.6
Other[6]	<0.1	4.0	<0.1	8.4	<0.1	14.9	<0.1	4.9	5.7
Total FICO scores < 620	1.3	7.2	0.8	13.4	1.0	23.2	3.1	15.3	12.2
FICO scores of 620 to 659:									
20 and 30- year or more amortizing fixed-rate	2.2	5.5	1.3	9.7	1.7	18.8	5.2	13.8	9.8
15- year amortizing fixed-rate	0.6	2.5	<0.1	5.1	<0.1	8.4	0.6	0.6	2.7
ARMs/adjustable rate[4]	0.1	5.1	0.1	11.7	0.1	23.7	0.3	2.6	10.9
Interest-only[5]	<0.1	10.7	0.1	17.2	0.2	30.0	0.3	0.5	24.4
Other[6]	<0.1	2.8	<0.1	4.6	<0.1	7.0	<0.1	1.9	4.7
Total FICO scores of 620 to 659	2.9	4.7	1.5	9.7	2.0	19.5	6.4	10.7	9.0
FICO scores of ≥ 660:									
20 and 30- year or more amortizing fixed-rate	40.1	1.1	17.0	2.9	9.8	9.4	66.9	3.3	2.6
15- year amortizing fixed-rate	14.7	0.4	1.0	0.9	0.3	2.3	16.0	0.1	0.5
ARMs/adjustable rate[4]	3.0	1.0	0.7	4.6	0.5	15.4	4.2	0.6	3.4
Interest-only[5]	0.4	4.2	0.7	9.7	1.6	20.6	2.7	0.2	15.0
Other[6]	<0.1	1.9	0.1	1.5	0.1	2.5	0.2	0.7	1.9
	58.2	0.9	19.5	3.0	12.3	10.6	90.0	2.3	2.3

Total FICO scores ≥ 660									
Total FICO scores not available	0.3	5.4	0.1	11.6	0.1	23.0	0.5	6.5	8.9
All FICO scores:									
20 and 30- year or more amortizing fixed-rate	43.4	1.7	19.1	4.0	12.6	11.8	75.1	4.9	3.7
15- year amortizing fixed-rate	15.4	0.6	1.1	1.2	0.3	2.8	16.8	0.1	0.6
ARMs/adjustable rate(4)	3.3	1.6	0.8	5.8	0.6	17.1	4.7	1.2	4.3
Interest-only(5)	0.5	4.9	0.8	10.7	1.8	22.0	3.1	0.2	16.3
Other(6)	0.1	9.6	0.1	6.8	0.1	10.2	0.3	7.9	8.9
Total single-family credit guarantee portfolio(7)	62.7 %	1.4 %	21.9 %	4.1 %	15.4 %	12.7 %	100.0 %	3.4 %	3.3 %
By Region(8)									
FICO scores < 620:									
North Central	0.2 %	5.9 %	0.2 %	10.4 %	0.2 %	18.1 %	0.6 %	14.8 %	10.5 %
Northeast	0.5	10.4	0.2	19.7	0.2	30.6	0.9	16.6	16.1
Southeast	0.2	7.9	0.2	13.5	0.3	27.7	0.7	16.0	14.5
Southwest	0.2	5.2	0.1	11.2	<0.1	19.5	0.3	10.6	7.4
West	0.2	4.9	0.1	10.2	0.3	17.3	0.6	18.0	10.1
Total FICO scores < 620	1.3	7.2	0.8	13.4	1.0	23.2	3.1	15.3	12.2
FICO scores of 620 to 659:									
North Central	0.5	3.9	0.3	7.7	0.4	14.5	1.2	10.2	7.5
Northeast	0.9	6.6	0.4	14.4	0.4	25.8	1.7	11.1	11.5
Southeast	0.5	5.4	0.3	10.2	0.5	23.9	1.3	11.0	11.3
Southwest	0.5	3.3	0.2	7.6	0.1	14.5	0.8	6.8	4.8
West	0.5	3.4	0.3	8.0	0.6	16.1	1.4	14.2	8.3
Total FICO scores of 620 to 659	2.9	4.7	1.5	9.7	2.0	19.5	6.4	10.7	9.0
FICO scores of ≥ 660:									
North Central	9.4	0.7	4.4	2.2	2.3	7.0	16.1	1.9	1.7
Northeast	15.9	1.2	5.2	4.6	1.9	14.2	23.0	2.0	2.6
Southeast	8.3	1.3	3.5	3.3	3.0	14.2	14.8	2.5	3.7
Southwest	8.0	0.7	2.1	2.0	0.3	5.9	10.4	1.1	1.0
West	16.6	0.6	4.3	2.8	4.8	9.1	25.7	3.4	2.3
Total FICO scores ≥ 660	58.2	0.9	19.5	3.0	12.3	10.6	90.0	2.3	2.3
Total FICO scores not available	0.3	5.4	0.1	11.6	0.1	23.0	0.5	6.5	8.9
All FICO scores:									
North Central	10.1	1.0	4.8	3.0	3.0	9.0	17.9	3.0	2.5

Northeast	17.1	1.9	5.9	6.1	2.5	17.6	25.5	3.3	3.8
Southeast	9.1	1.9	4.0	4.5	3.8	16.7	16.9	4.0	5.0
Southwest	8.9	1.1	2.5	3.2	0.4	9.3	11.8	2.1	1.7
West	17.5	0.8	4.7	3.3	5.7	10.2	27.9	4.4	2.8
Total single-family credit guarantee portfolio[7]	62.7 %	1.4 %	21.9 %	4.1 %	15.4 %	12.7 %	100.0 %	3.4 %	3.3 %

(1) The current LTV ratios are our estimates. See endnote (3) to "Table 34 — Characteristics of the Single-Family Credit Guarantee Portfolio" for further information.
(2) Based on UPB of the single-family credit guarantee portfolio.
(3) See endnote (2) to "Table 41 — Credit Concentrations in the Single-Family Credit Guarantee Portfolio" for further information.
(4) Includes balloon/reset and option ARM mortgage loans.
(5) Includes both fixed rate and adjustable rate loans. The percentages of interest-only loans which have been modified at period end reflect that a number of these loans have not yet been assigned to their new product category (post-modification), primarily due to delays in processing.

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(6) Consist of FHA/VA and other government guaranteed mortgages.

(7) The total of all FICO scores categories may not sum due to the inclusion of loans where FICO scores are not available in the respective totals for all loans. See endnote (5) to “Table 34 — Characteristics of the Single-Family Credit Guarantee Portfolio” for further information about our presentation of FICO scores.

(8) Presentation with the following regional designation: West (AK, AZ, CA, GU, HI, ID, MT, NV, OR, UT, WA); Northeast (CT, DE, DC, MA, ME, MD, NH, NJ, NY, PA, RI, VT, VA, WV); North Central (IL, IN, IA, MI, MN, ND, OH, SD, WI); Southeast (AL, FL, GA, KY, MS, NC, PR, SC, TN, VI); and Southwest (AR, CO, KS, LA, MO, NE, NM, OK, TX, WY).

The table below presents foreclosure and short sale rate information for loans in our single-family credit guarantee portfolio based on year of origination.

Table 43 — Single-Family Credit Guarantee Portfolio Foreclosure and Short Sale Rates

	As of September 30, 2013		As of December 31, 2012	
Year of Loan Origination	Percentage of Portfolio	Foreclosure and Short Sale Rate(1)	Percentage of Portfolio	Foreclosure and Short Sale Rate(1)
2013	18 %	— %	N/A	N/A
2012	24	0.05	22 %	<0.01%
2011	11	0.15	14	0.06
2010	11	0.33	15	0.20
2009	9	0.47	12	0.34
Combined — 2009 to 2013	73	0.22	63	0.17
2008	3	3.90	6	3.26
2007	5	11.10	7	9.74
2006	4	9.72	5	8.66
2005	5	5.76	6	5.11
Combined — 2005 to 2008	17	7.81	24	6.87
2004 and prior(2)	10	1.32	13	1.20
Total	100 %		100 %	

(1) Calculated for each year of origination as the number of loans that have proceeded to foreclosure transfer or short sale and resulted in a credit loss, excluding any subsequent recoveries, during the period from origination to September 30, 2013 and December 31, 2012, respectively, divided by the number of loans originated in that year that were acquired in our single-family credit guarantee portfolio.

(2) The foreclosure and short sale rate presented for loans originated in 2004 and prior represents the rate associated with loans originated in 2000 through 2004.

Loans originated from 2005 through 2008 have experienced higher foreclosure and short sale rates than loans originated in other years. We attribute this performance to a number of factors, including: (a) the expansion of credit terms under which loans were underwritten during these years; (b) an increase in the origination and our purchase of interest-only and Alt-A mortgage products in these years; and (c) an environment of persistently high unemployment, decreasing home sales, and broadly declining home prices in the periods following the loans’ origination.

Multifamily Mortgage Credit Risk

To manage our multifamily mortgage portfolio credit risk, we focus on several key areas: (a) underwriting standards and processes we believe to be prudent; (b) selling significant portions of the expected credit risk through subordination by issuance of our multifamily K Certificates; (c) portfolio diversification, particularly by product and geographical area; and (d) portfolio management activities, including loss mitigation and use of credit enhancements. We monitor the loan performance, the underlying properties and a variety of mortgage loan characteristics that may affect the default experience on our multifamily mortgage portfolio, such as DSCR, LTV ratio, geographic location, payment type, and loan maturity. See “NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS”

for information about loss mitigation activities that we have classified as TDRs and subsequent performance information of these loans. See "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS" for more information about the loans in our multifamily mortgage portfolio, including geographic concentrations of these loans. The table below provides certain attributes of our multifamily mortgage portfolio at September 30, 2013 and December 31, 2012.

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Table 44 — Multifamily Mortgage Portfolio — by Attribute

	UPB at September 30, 2013	December 31, 2012	Delinquency Rate[1] at September 30, 2013	December 31, 2012
	(dollars in billions)			
Original LTV ratio				
Below 75%	$92.1	$87.6	0.03 %	0.04 %
75% to 80%	34.8	34.0	0.06	0.22
Above 80%	5.2	5.8	0.33	2.31
Total	$132.1	$127.4	0.05 %	0.19 %
Weighted average LTV ratio at origination	70 %	70 %		
Maturity Dates				
2013	$0.5	$3.3	1.73 %	0.86 %
2014	3.4	5.8	—	—
2015	7.8	9.8	—	0.53
2016	11.9	13.0	0.04	0.05
2017	10.4	10.9	0.17	0.02
Beyond 2017	98.1	84.6	0.04	0.19
Total	$132.1	$127.4	0.05 %	0.19 %
Year of Acquisition or Guarantee[2]				
2004 and prior	$6.5	$9.2	0.03 %	0.35 %
2005	5.8	6.5	—	0.17
2006	8.9	9.5	—	—
2007	15.8	17.8	0.29	0.86
2008	14.1	16.6	0.15	0.30
2009	11.5	12.2	—	—
2010	11.4	12.0	—	—
2011	16.4	17.0	—	—
2012	24.1	26.6	—	—
2013	17.6	N/A	—	N/A
Total	$132.1	$127.4	0.05 %	0.19 %
Current Loan Size				
Above $25 million	$50.8	$48.5	— %	0.06 %
Above $5 million to $25 million	72.4	70.0	0.07	0.26
$5 million and below	8.9	8.9	0.23	0.37
Total	$132.1	$127.4	0.05 %	0.19 %
Legal Structure				
Unsecuritized loans	$64.9	$76.6	0.05 %	0.08 %
Freddie Mac mortgage-related securities	58.1	41.4	0.07	0.41
Other guarantee commitments	9.1	9.4	—	0.13
Total	$132.1	$127.4	0.05 %	0.19 %
Credit Enhancement				
Credit-enhanced	$64.1	$47.8	0.06 %	0.36 %
Non-credit-enhanced	68.0	79.6	0.05	0.10
Total	$132.1	$127.4	0.05 %	0.19 %
Payment Type				
Interest-only	$20.5	$22.8	0.04 %	0.05 %
Partial interest-only[3]	33.1	29.8	—	0.05

Amortizing	78.5	74.8	0.08	0.30
Total	$132.1	$127.4	0.05 %	0.19 %

(1) See "Multifamily Delinquencies" below for more information about our multifamily delinquency rates.

(2) Based on either: (a) the year of acquisition, for loans recorded on our consolidated balance sheets; or (b) the year that we issued our guarantee, for the remaining loans in our multifamily mortgage portfolio.

(3) Represent loans that have an interest-only period and where the borrower's payments were interest-only at the respective reporting date. Loans which have reached the end of their interest-only period by the respective reporting date have converted to, and are classified as, amortizing loans.

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Multifamily Product Types

Our multifamily mortgage portfolio consists of product types that are categorized based on loan terms. Multifamily loans may: (a) be amortizing or interest-only (for the full term or a portion thereof); and (b) have a fixed or variable rate of interest. Our multifamily loans generally have shorter terms than single-family mortgages and typically have balloon maturities ranging from five to ten years. At both September 30, 2013 and December 31, 2012, approximately 59% of our multifamily mortgage portfolio consisted of amortizing loans, which reduce our credit exposure over time since the UPB of the loan declines with each mortgage payment. In addition, as of September 30, 2013 and December 31, 2012, approximately 25% and 23%, respectively, of our multifamily mortgage portfolio consisted of partial interest-only loans, which after a defined period of time will begin to include amortization of principal. Because most multifamily loans require a significant lump sum (i.e., balloon) payment of unpaid principal at maturity, the borrower's potential inability to refinance or pay off the loan at maturity is a primary concern for us. Borrowers may be less able to refinance their obligations during periods of rising interest rates, which could lead to default if the borrower is unable to find affordable refinancing. Of the $132.1 billion in UPB of our multifamily mortgage portfolio as of September 30, 2013, less than 1% and 3% will mature during 2013 and 2014, respectively, and the remaining 97% will mature in 2015 and beyond.

Multifamily Credit Enhancements

Our primary business model in the Multifamily segment is to purchase multifamily mortgage loans for aggregation and then securitization through issuance of multifamily K Certificates, which we categorize as Other Guarantee Transactions. With this model, we have securitized more than $63.7 billion in UPB of multifamily loans since 2009 and have attracted private capital to the multifamily market by selling subordinate securities of these transactions to private investors. These securities are backed by loans that are sourced by our seller/servicers and directly underwritten by us. Our K Certificates are structured such that private investors are the first to absorb losses. As a result, we believe private investors will absorb most of the potential losses in these transactions. As of September 30, 2013, we have not realized any credit losses on our K Certificate guarantees. At September 30, 2013 and December 31, 2012, the UPB of guaranteed multifamily K Certificates with subordination coverage was $53.6 billion and $36.7 billion, respectively, and the average subordination coverage on these securities was 18% and 17%, respectively. See "NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES" for additional information about credit protections and other forms of credit enhancements covering loans in our multifamily mortgage portfolio.

Multifamily Delinquencies

We report multifamily delinquency rates based on UPB of mortgage loans in our multifamily mortgage portfolio that are two monthly payments or more past due or in the process of foreclosure, as reported by our servicers. Mortgage loans that have been modified are not counted as delinquent as long as the borrower is less than two monthly payments past due under the modified terms.

There were 15 and 33 delinquent loans in our multifamily mortgage portfolio at September 30, 2013 and December 31, 2012, respectively. Our multifamily mortgage portfolio delinquency rate was 0.05% at September 30, 2013 and 0.19% at December 31, 2012. Our delinquency rate for credit-enhanced loans was 0.06% and 0.36% at September 30, 2013 and December 31, 2012, respectively, and for non-credit-enhanced loans was 0.05% and 0.10% at September 30, 2013 and December 31, 2012, respectively. As of September 30, 2013, more than 55% of our multifamily loans that were two or more monthly payments past due, measured on a UPB basis, had credit enhancements that we currently believe will mitigate our expected losses on those loans and guarantees.

Non-Performing Assets

Non-performing assets consist of non-performing loans and REO assets, net. We place non-performing loans on non-accrual status when we believe the collectability of interest and principal on a loan is not reasonably assured, unless the loan is well secured and in the process of collection. When a loan is placed on non-accrual status, any interest income accrued but uncollected is reversed. Thereafter, interest income is recognized only upon receipt of cash payments.

We classify TDRs as non-performing loans. TDRs represent those loans where we have granted a concession to a borrower that is experiencing financial difficulties. Loans that have been classified as TDRs remain categorized as non-performing throughout the remaining life of the loan regardless of whether the borrower makes payments which

return the loan to a current payment status. TDRs include HAMP and non-HAMP loan modifications, as well as loans in modification trial periods and loans subject to certain other loss mitigation actions. See “NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” in our 2012 Annual Report and “NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS” for further information about our TDRs.

The table below provides detail on non-performing loans and REO assets on our consolidated balance sheets and non-performing loans underlying our financial guarantees.

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Table 45 — Non-Performing Assets[1]

	September 30, 2013	December 31, 2012	September 30, 2012
	(dollars in millions)		
Non-performing mortgage loans — on balance sheet:			
Single-family TDRs:			
Less than three monthly payments past due	$73,416	$65,784	$64,432
Seriously delinquent	20,378	22,008	22,321
Multifamily TDRs[2]	737	815	793
Total TDRs	94,531	88,607	87,546
Other seriously delinquent single-family loans[3]	26,440	39,711	43,218
Other multifamily loans[4]	896	1,411	1,638
Total non-performing mortgage loans — on balance sheet	121,867	129,729	132,402
Non-performing mortgage loans — off-balance sheet:			
Single-family loans	920	1,096	1,135
Multifamily loans	494	474	461
Total non-performing mortgage loans — off-balance sheet	1,414	1,570	1,596
Real estate owned, net	4,368	4,378	4,502
Total non-performing assets	$127,649	$135,677	$138,500
Loan loss reserves as a percentage of our non-performing mortgage loans	20.3 %	23.5 %	25.2 %
Total non-performing assets as a percentage of the total mortgage portfolio, excluding non-Freddie Mac securities	7.1 %	7.5 %	7.6 %

(1) Mortgage loan amounts are based on UPB and REO, net is based on carrying values.

(2) Of these amounts, $732 million, $806 million and $779 million of UPB were current at September 30, 2013, December 31, 2012 and September 30, 2012, respectively.

(3) Represents loans recognized by us on our consolidated balance sheets, including loans removed from PC trusts due to the borrower's serious delinquency.

(4) Of these amounts, $0.9 billion, $1.4 billion and $1.5 billion of UPB were current at September 30, 2013, December 31, 2012 and September 30, 2012, respectively.

Our loan loss reserves as a percentage of our non-performing mortgage loans declined at September 30, 2013 compared to December 31, 2012 primarily due to a decline in our loan loss reserves. See "Credit Loss Performance - Loan Loss Reserves" for more information.

Our non-performing assets declined to $127.6 billion as of September 30, 2013, from $135.7 billion as of December 31, 2012. We expect our non-performing assets, including loans deemed to be TDRs, to remain at elevated levels for the remainder of 2013 and into 2014.

The table below provides detail by region for REO activity. Our REO activity consists almost entirely of single-family residential properties. See "Table 42 — Single-Family Credit Guarantee Portfolio by Attribute Combinations" for information about regional serious delinquency rates of loans in our portfolio.

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Table 46 — REO Activity by Region[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(number of properties)			
REO Inventory				
Beginning property inventory	44,628	53,282	49,077	60,555
Properties acquired by region:				
Northeast	3,317	2,001	7,217	5,688
Southeast	6,697	5,425	17,795	18,416
North Central	5,488	7,075	16,542	21,450
Southwest	1,668	2,607	5,446	7,922
West	2,271	3,196	6,743	10,668
Total properties acquired	19,441	20,304	53,743	64,144
Properties disposed by region:				
Northeast	(1,618)	(1,887)	(5,047)	(5,765)
Southeast	(5,137)	(6,619)	(15,795)	(19,964)
North Central	(5,959)	(6,813)	(20,091)	(21,108)
Southwest	(1,965)	(2,945)	(6,637)	(9,477)
West	(2,270)	(4,403)	(8,130)	(17,466)
Total properties disposed	(16,949)	(22,667)	(55,700)	(73,780)
Ending property inventory	47,120	50,919	47,120	50,919

(1) See endnote (8) to “Table 42 — Single-Family Credit Guarantee Portfolio by Attribute Combinations” for a description of these regions.

Our REO inventory (measured in number of properties) declined 4% from December 31, 2012 to September 30, 2013 primarily due to lower foreclosure activity, as compared to the first nine months of 2012, as well as a significant number of borrowers completing short sales rather than foreclosures. Although our REO inventory has generally declined in recent periods, it increased in the third quarter of 2013 as foreclosure activity increased in judicial foreclosure states and disposition activity moderated. We expect our REO acquisitions and dispositions to remain at elevated levels in the fourth quarter of 2013, as we have a large inventory of seriously delinquent loans in our single-family credit guarantee portfolio.

The volume of our single-family REO acquisitions in recent periods has been significantly affected by the lengthening of the foreclosure process, which extends the time it takes for loans to be foreclosed upon and the underlying property to transition to REO. We expect that the length of the foreclosure process will continue to remain above historical levels, particularly in states that require a judicial foreclosure process. Foreclosures generally take longer to complete in states where judicial foreclosures (those conducted under the supervision of a court) are required than in states where non-judicial foreclosures are permitted. In addition, our expanded loss mitigation efforts are providing borrowers with viable alternatives to foreclosure. As a result of the continued high level of loss mitigation efforts and a declining amount of delinquent loans, fewer of our loans proceeded through foreclosure and to REO acquisition during the first nine months of 2013.

Our single-family REO acquisitions in the first nine months of 2013 were most significant in the states of Florida, Illinois, Michigan, and Ohio, which collectively represented 40% of total single-family REO acquisitions during that period, based on the number of properties, and comprised 42% of our total single-family REO property inventory at September 30, 2013. The North Central region comprised 37% and 42% of our REO property inventory, based on the number of properties, as of September 30, 2013 and December 31, 2012, respectively. This region generally has experienced more challenging economic conditions, includes a number of states with longer foreclosure timelines due to the local laws and foreclosure process, and has housing markets with generally lower demand and lower home

values than in other regions. See "NOTE 6: REAL ESTATE OWNED" for more information on our REO properties. Our REO acquisition activity is disproportionately high for certain types of loans in our single-family credit guarantee portfolio, including loans with certain higher-risk characteristics. For example, the percentage of interest-only and Alt-A loans in our single-family credit guarantee portfolio, based on UPB, was approximately 2% and 4%, respectively, at September 30, 2013 and was 5% on a combined basis. The percentage of our REO acquisitions in the first nine months of 2013 that had been financed by either of these loan types represented approximately 24% of our total REO acquisitions, based on loan amount prior to acquisition. In addition, loans originated in 2005 through 2008 comprised approximately 78% of our REO acquisition activity during the first nine months of 2013.

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We continue to experience significant variability in the average time for foreclosure by state. For example, during the first nine months of 2013, the average time for completion of foreclosures associated with loans in our single-family credit guarantee portfolio, excluding Other Guarantee Transactions, ranged from 393 days in Michigan to 1,221 days in Florida.

We are unable to market a significant portion of our REO property inventory at any given time, which can increase the average holding period of our inventory. For example, some jurisdictions require a period of time after foreclosure during which the borrower may reclaim the property. During this period, we generally are not able to sell the property. As of September 30, 2013 and December 31, 2012, the percentage of our single-family REO property inventory that had been held for sale longer than one year was 6.0% and 5.8%, respectively. Though it varied significantly in different states, the average holding period of our single-family REO properties, excluding any post-foreclosure period during which borrowers may reclaim a foreclosed property, was 205 days for our REO dispositions during the nine months ended September 30, 2013.

The table below provides information about our REO properties at September 30, 2013 and December 31, 2012.

Table 47 — Single-Family REO Property Status

	As of September 30, 2013		As of December 31, 2012	
	(Percent of properties)			
Unable to market:				
Redemption status[1]	13	%	15	%
Occupied (waiting for eviction or vacancy)	17		18	
Other[2]	4		3	
Subtotal — unable to market	34		36	
Pre-listing[3]	28		23	
Pending settlement for sale[4]	13		14	
Available for sale	25		27	
Total	100	%	100	%

(1) Consists of properties located in jurisdictions that require a period of time after foreclosure during which the borrower may reclaim the property.

(2) Includes properties where marketing is on hold, including where we are involved in litigation or other legal and regulatory issues concerning the property.

(3) Consists of properties that are not being actively marketed because we are evaluating the property condition and preparing the property for sale.

(4) Consists of properties where we have an executed sales contract and settlement has not yet occurred.

As shown in the table above, a significant portion of the properties in our REO inventory are unable to be marketed because they remain occupied or are located in states with a redemption period, particularly in the states of Illinois, Michigan, and Minnesota. The percentage of our REO inventory that is in the pre-listing category also remained high at September 30, 2013, primarily because many of these properties are under repair or are otherwise being prepared for sale.

Credit Loss Performance

Many loans that are seriously delinquent, or in foreclosure, result in credit losses. The table below provides detail on our credit loss performance associated with mortgage loans and REO assets on our consolidated balance sheets and underlying our non-consolidated mortgage-related financial guarantees.

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Table 48 — Credit Loss Performance

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in millions)			
REO				
REO balances, net:				
Single-family	$4,366	$4,459	$4,366	$4,459
Multifamily	2	43	2	43
Total	$4,368	$4,502	$4,368	$4,502
REO operations (income) expense:				
Single-family	$(67)	$(40)	$(168)	$98
Multifamily	(12)	(9)	(15)	(6)
Total	$(79)	$(49)	$(183)	$92
Charge-offs				
Single-family:				
Charge-offs, gross[1] (including $2.3 billion, $3.5 billion, $7.3 billion and $10.4 billion relating to loan loss reserves, respectively)	$2,361	$3,522	$7,474	$10,677
Recoveries[2]	(1,730)	(546)	(2,916)	(1,546)
Single-family, net	$631	$2,976	$4,558	$9,131
Multifamily:				
Charge-offs, gross[1] (including $3 million, $3 million, $4 million and $11 million relating to loan loss reserves, respectively)	$3	$3	$10	$11
Recoveries[2]	—	—	(1)	—
Multifamily, net	$3	$3	$9	$11
Total Charge-offs:				
Charge-offs, gross[1] (including $2.3 billion, $3.5 billion, $7.3 billion and $10.4 billion relating to loan loss reserves, respectively)	$2,364	$3,525	$7,484	$10,688
Recoveries[2]	(1,730)	(546)	(2,917)	(1,546)
Total Charge-offs, net	$634	$2,979	$4,567	$9,142
Credit Losses (Gains)[3]				
Single-family	$564	$2,936	$4,390	$9,229
Multifamily	(9)	(6)	(6)	5
Total	$555	$2,930	$4,384	$9,234
Total (in bps)[4]	12.3	64.8	32.6	67.0

(1) Represent the carrying amount of a loan that has been discharged in order to remove the loan from our consolidated balance sheet at the time of resolution, regardless of when the impact of the credit loss was recorded on our consolidated statements of comprehensive income through the provision for credit losses or losses on loans purchased. Charge-offs primarily result from foreclosure transfers and short sales and are generally calculated as the recorded investment of a loan at the date it is discharged less the estimated value in final disposition or actual net sales in a short sale.

(2) Recoveries of charge-offs primarily result from foreclosure alternatives and REO acquisitions on loans where: (a) a share of default risk has been assumed by mortgage insurers, servicers, or other third parties through credit enhancements; or (b) we received a reimbursement of our losses from a seller/servicer associated with a repurchase request on a loan that experienced a foreclosure transfer or a foreclosure alternative. Includes $1.6 billion and $0.4 billion for the nine months ended September 30, 2013 and 2012, respectively, related to repurchase requests from our seller/servicers (including amounts related to agreements with certain seller/servicers to release specified loans

from certain repurchase obligations in exchange for one-time cash payments).

(3) Excludes foregone interest on non-performing loans, which reduces our net interest income but is not reflected in our total credit losses. In addition, excludes other market-based credit losses: (a) incurred on our investments in mortgage loans and mortgage-related securities; and (b) recognized in our consolidated statements of comprehensive income.

(4) Calculated as credit losses divided by the average carrying value of our total mortgage portfolio, excluding non-Freddie Mac mortgage-related securities and that portion of REMICs and Other Structured Securities that are backed by Ginnie Mae Certificates.

Our credit losses generally measure losses at the conclusion of the loan and related collateral resolution process. Our expenses associated with home retention actions (e.g., loan modifications) are generally not reflected in our credit losses. There is a significant lag in time from the start of loan workout activities by our servicers on problem loans (e.g., seriously delinquent loans) to the final resolution of those loans by the completion of foreclosures (and subsequent REO sales) and foreclosure alternatives (e.g., short sales). Single-family charge-offs, gross, for the three and nine months ended September 30, 2013 were $2.4 billion and $7.5 billion, respectively, compared to $3.5 billion and $10.7 billion for the three and nine months ended September 30, 2012, respectively. These charge-offs were associated with approximately $5.5 billion and $17.3 billion in UPB of loans for the three and nine months ended September 30, 2013, respectively, and $7.2 billion and $21.4 billion for the three and nine months ended September 30, 2012. Our single-family charge-offs, gross, declined in the first nine months of 2013, compared to the first nine months of 2012, primarily due to improvements in home prices in recent periods in many of the areas

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in which we have had significant foreclosure and short sale activity. The decline in single-family charge-offs, net, in the 2013 periods also includes recoveries of: (a) $1.1 billion related to agreements with certain seller/servicers to release specified loans from certain repurchase obligations in exchange for one-time cash payments; and (b) $0.2 billion related to an agreement to resolve outstanding and future primary mortgage insurance claims on certain loans with one of our mortgage insurers.

To a lesser extent, charge-offs also declined due to slowing volumes of foreclosures in our single-family guarantee portfolio since fewer loans have transitioned to foreclosure in the first nine months of 2013, compared to the first nine months of 2012. We expect our charge-offs and credit losses to continue to remain elevated in the fourth quarter of 2013 due to the large number of single-family non-performing loans that will likely be resolved.

Our single-family credit losses during the first nine months of 2013 were high in California (since it represents a significant portion of our single-family credit guarantee portfolio) and credit losses continued to be disproportionately high in Florida, Nevada, and Arizona. Collectively, these states comprised approximately 35% and 49% of our total credit losses in the three and nine months ended September 30, 2013, respectively. We estimate that these four states had the largest cumulative declines in home prices during the housing crisis that began in 2006, as measured by our home price index. Loans originated in 2005 through 2008 comprised approximately 17% of our single-family credit guarantee portfolio, based on UPB at September 30, 2013; however, these loans accounted for approximately 82% of our credit losses during the first nine months of 2013. In addition, although Alt-A loans comprised approximately 4% of our single-family credit guarantee portfolio at September 30, 2013, these loans accounted for approximately 25% of our credit losses during the first nine months of 2013. At September 30, 2013, loans in states with a judicial foreclosure process comprised 38% of our single-family credit guarantee portfolio, based on UPB, while loans in these states contributed to approximately 58% of our credit losses recognized in the first nine months of 2013. We expect the portion of our credit losses related to loans in states with judicial foreclosure processes will remain high in the near term as the substantial backlog of loans awaiting court proceedings in those states transitions to REO or other loss events. See "Table 4 — Credit Statistics, Single-Family Credit Guarantee Portfolio" for information on short sale and REO disposition severity ratios, and "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS" for additional information about our credit losses.

Loan Loss Reserves

We maintain mortgage-related loan loss reserves at levels we believe appropriate to absorb probable incurred losses on mortgage loans held-for-investment on our consolidated balance sheets and those underlying Freddie Mac mortgage-related securities and other guarantee commitments. Determining the loan loss reserves is complex and requires significant management judgment about matters that involve a high degree of subjectivity. See "NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in our 2012 Annual Report for information on our accounting policies for loan loss reserves and impaired loans.

Our single-family loan loss reserves declined from $30.5 billion at December 31, 2012 to $24.8 billion at September 30, 2013, which reflects continued high levels of loan charge-offs compared to levels before 2009. This decline was also due to improvement in both borrower payment performance and lower severity ratios for REO dispositions and short sale transactions due to the improvements in home prices in most areas during the period.

In recent periods, including the first nine months of 2013, the portion of our loan loss reserves attributable to individually impaired loans increased while the portion of our loan loss reserves determined on a collective basis declined since the number of loans classified as TDRs has significantly increased in the last two years. Although the housing market continued to significantly improve in many geographic areas, we expect that our loan loss reserves may remain elevated for an extended period because: (a) the resolution of problem loans takes considerable time, often several years in the case of foreclosure; and (b) a significant portion of our reserves are associated with performing loans classified as individually impaired and will require us to maintain a loss reserve until the loans are fully repaid or complete a short sale or foreclosure.

As of September 30, 2013 and December 31, 2012, the recorded investment of individually impaired single-family mortgage loans was $94.5 billion and $89.3 billion, respectively, and the loan loss reserves associated with these loans were $18.1 billion and $17.9 billion, respectively. Our loan loss reserve associated with individually impaired single-family loans as a percentage of the total recorded investment of these loans was 19% and 20% of the balance as

of September 30, 2013 and December 31, 2012, respectively. Our loan loss reserve associated with collectively evaluated single-family loans as a percentage of the total recorded investment of these loans was 0.4% and 0.8% of the balance as of September 30, 2013 and December 31, 2012, respectively. See “Table 4.4 — Net Investment in Mortgage Loans” for information about collectively evaluated and individually evaluated loans on our consolidated balance sheets. See “NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS” for additional information about our impaired loans. See “CONSOLIDATED RESULTS OF OPERATIONS — Provision for Credit Losses,” for a discussion of our provision for credit losses.

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The table below summarizes our net investment for individually impaired single-family mortgage loans on our consolidated balance sheets for which we have recorded a specific reserve.

Table 49 — Single-Family Impaired Loans with Specific Reserve Recorded

	2013		2012	
	# of Loans	Amount (in millions)	# of Loans	Amount (in millions)
TDRs (recorded investment):				
TDRs, at beginning of year	449,145	$83,484	252,749	$53,494
New additions	87,271	13,967	209,506	32,671
Repayments	(23,191)	(3,980)	(4,646)	(1,013)
Loss events[1]	(26,260)	(4,748)	(11,805)	(2,385)
September 30, balance	486,965	88,723	445,804	82,767
Other (recorded investment)[2]	14,545	1,281	21,514	1,987
Total impaired loans with specific reserve	501,510	90,004	467,318	84,754
Total allowance for loan losses of individually impaired single-family loans		(18,092)		(18,501)
Net investment, September 30,		$71,912		$66,253

(1) Foreclosure transfers or foreclosure alternatives, such as a deed in lieu of foreclosure or short sale transaction.
(2) Loans impaired upon purchase as of September 30.

Credit Risk Sensitivity

Under a 2005 agreement with FHFA, then OFHEO, we are required to disclose the estimated increase in the NPV of future expected credit losses for our single-family credit guarantee portfolio over a ten year period as the result of an immediate 5% decline in home prices nationwide, followed by a stabilization period and return to the base case. This sensitivity analysis is hypothetical and may not be indicative of our actual results. We do not use this analysis for determination of our reported results under GAAP. Although slightly increased in the third quarter of 2013, the estimate of our portfolio's credit sensitivity to a 5% home price decline (with this scenario's assumptions) has decreased in recent periods, which we believe is primarily due to the combination of improvement in home prices in most of the U.S. as well as the decline in the composition of our portfolio of loans originated in 2005 through 2008.

The table below presents the estimated credit loss sensitivity of our single-family credit guarantee portfolio, based on assumptions required by FHFA, both before and after consideration of credit enhancements, measured at the end of the last five quarterly periods.

Table 50 — Single-Family Credit Loss Sensitivity

	Before Receipt of Credit Enhancements[1]		After Receipt of Credit Enhancements[2]	
	NPV[3]	NPV Ratio[4]	NPV[3]	NPV Ratio[4]
	(dollars in millions, ratios in bps)			
At:				
September 30, 2013	$4,059	24.6	$3,734	22.6
June 30, 2013	$4,000	24.3	$3,663	22.2
March 31, 2013	$4,961	30.3	$4,575	27.9
December 31, 2012	$6,356	38.8	$5,908	36.1
September 30, 2012	$6,479	39.2	$6,085	36.8

(1) Assumes that none of the credit enhancements currently covering our mortgage loans have any mitigating effect on our credit losses.
(2)

Assumes we collect amounts due from credit enhancement providers after giving effect to certain assumptions about counterparty default rates.

(3) Based on the single-family credit guarantee portfolio, excluding REMICs and Other Structured Securities backed by Ginnie Mae Certificates.

(4) Calculated as the ratio of NPV of increase in credit losses to the single-family credit guarantee portfolio, defined in note (3) above.

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Institutional Credit Risk

Single-family Mortgage Seller/Servicers

We acquire a significant portion of our single-family mortgage purchase volume from several large lenders, or seller/servicers. Our top 10 single-family seller/servicers provided approximately 65% of our single-family purchase volume during the nine months ended September 30, 2013. Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A., accounted for 18% and 13%, respectively, of our single-family mortgage purchase volume and were the only single-family seller/servicers that comprised 10% or more of our purchase volume during the nine months ended September 30, 2013.

We are exposed to institutional credit risk arising from the potential insolvency of or non-performance by our mortgage seller/servicers, including non-performance of their repurchase obligations arising from breaches of the representations and warranties made to us for loans they underwrote and sold to us or failure to honor their recourse and indemnification obligations to us. This exposure remained high during the nine months ended September 30, 2013.

We have contractual arrangements with our seller/servicers under which they agree to sell us mortgage loans, and represent and warrant that those loans meet specified eligibility and underwriting standards. In addition, our servicers represent and warrant to us that those loans will be serviced in accordance with our servicing contract. If we subsequently discover that the representations and warranties were breached (i.e., that contractual standards were not followed), we can exercise certain contractual remedies to mitigate our actual or potential credit losses. These contractual remedies include the ability to require the seller/servicer to repurchase the loan at its current UPB and/or make us whole for losses realized with respect to the loan after consideration of other recoveries, if any. We require that a seller/servicer repurchase a mortgage after we issue a repurchase request, unless the seller/servicer avails itself of an appeals process provided for in our contracts, in which case the deadline for repurchase is extended pending our decision on the appeal. Our practices for repurchases associated with the loans we purchase on or after January 1, 2013 are subject to our new representation and warranty framework. For information on this framework, see "RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Single-family Mortgage Seller/Servicers" in our 2012 Annual Report.

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The table below provides a summary of our repurchase request activity for the nine months ended September 30, 2013 and 2012.

Table 51 — Repurchase Request Activity and Counterparty Balances[1]

	Nine Months Ended September 30,	
	2013	2012
	(in millions)	
Beginning balance	$3,028	$ 2,716
New requests issued	8,266	7,127
Requests collected[2]	(3,379)	(2,849)
Requests cancelled[3]	(4,391)	(4,025)
Other[4]	(165)	(33)
Ending balance	$3,359	$ 2,936

	As of September 30,	As of December 31,
	2013	2012
	(in millions)	
Seller/servicer counterparty[5]:		
Bank of America, N.A.	$1,404	$ 1,029
JPMorgan Chase Bank, N.A.	827	279
U.S. Bank, N.A.	116	113
PNC Bank, N.A.	81	45
Provident Funding Associates, L.P.	64	29
All other counterparties	867	1,533
Total	$3,359	$ 3,028

(1) Amounts are based on the UPB of the loans associated with the repurchase requests.

(2) Requests collected are based on the UPB of the loans associated with the repurchase requests, which in many cases is more than the amount of payments received for reimbursement of losses for requests associated with foreclosed mortgage loans, negotiated agreements, and other alternative remedies. For the nine months ended September 30, 2013 and 2012, approximately 34% and 33%, respectively, of the requests collected in each period were satisfied by reimbursement of losses associated with the request. Includes $0.9 billion in the nine months ended September 30, 2013 related to agreements with certain seller/servicers to release specified loans from certain repurchase obligations in exchange for one-time cash payments.

(3) Consists primarily of those requests that were resolved by the servicer providing missing documentation or rescinded through a successful appeal of the request.

(4) Other includes items that affect the UPB of the loan while the repurchase request is outstanding, such as changes in UPB due to payments made on the loan. Also includes requests deemed uncollectible due to the insolvency or other failure of the counterparty.

(5) Counterparties presented represent the five with the largest outstanding balances at September 30, 2013. All other includes certain counterparties that were within the top five balances at December 31, 2012, but subsequently entered agreements that resolved many of their outstanding repurchase requests. See endnote (2) for additional information.

The UPB of loans subject to open repurchase requests increased to $3.4 billion at September 30, 2013 from $3.0 billion at December 31, 2012 as the volume of new request issuances exceeded the combined volume of requests collected and cancelled. As measured by UPB, approximately 31% and 41% of the repurchase requests outstanding at September 30, 2013 and December 31, 2012, respectively, were outstanding for four months or more since issuance of the initial request (these figures include repurchase requests for which appeals were pending). FHFA set a goal for us (in the 2013 Conservatorship Scorecard) to complete our demands for remedies for breaches of representations and

warranties related to pre-conservatorship loan activity. Although we resolved a significant amount of requests in the first nine months of 2013, including through negotiated agreements, the balance of repurchase requests outstanding has increased in 2013 due to our efforts to meet this goal. We are continuing our reviews of loans originated prior to 2009 in accordance with FHFA's guidance. Consequently, our repurchase request volumes with our seller/servicers may remain high in the near term.

As of September 30, 2013, two of our largest seller/servicers (Bank of America, N.A. and JPMorgan Chase Bank, N.A.) had aggregate repurchase requests outstanding, based on UPB, of $2.2 billion, and approximately 36% of these requests were outstanding for four months or more since issuance of the initial request. The amount we expect to collect on the outstanding requests is significantly less than the UPB of the loans subject to the repurchase requests primarily because many of these requests will likely be satisfied by reimbursement of our realized credit losses by seller/servicers, instead of repurchase of loans at their UPB. Some of these requests also may be rescinded in the course of the contractual appeal process. Based on our historical loss experience and the fact that many of these loans are covered by credit enhancements (e.g., mortgage insurance), we expect the actual credit losses experienced by us should we fail to collect on these repurchase requests will also be less than the UPB of the loans.

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Repurchase requests related to mortgage insurance rescission and claim denial tend to be outstanding longer than other repurchase requests. Of the total amount of repurchase requests outstanding at September 30, 2013 and December 31, 2012, approximately $0.6 billion and $1.2 billion, respectively, were issued due to mortgage insurance rescission or mortgage insurance claim denial.

For more information on our contractual remedies concerning breaches of representations and warranties, including (a) the impact of the expansion of our relief refinance initiative in late 2011 and during 2012, and (b) repurchase requests associated with mortgage insurance rescission, see "RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Single-family Mortgage Seller/Servicers" and "RISK FACTORS — Competitive and Market Risks — Our financial condition or results of operations may be adversely affected if mortgage seller/servicers fail to repurchase loans sold to us in breach of representations and warranties or fail to honor any related indemnification or recourse obligations" in our 2012 Annual Report.

Historically, we have used a process of reviewing a sample of the loans we purchase to validate compliance with our underwriting standards. In addition, we review many delinquent loans and loans that have resulted in credit losses, such as through foreclosure or short sale. The loan review and appeal process is lengthy, but we have completed a substantial number of reviews and compiled results of our review of 2012 originations. Based on reviews completed through September 2013, the average aggregate deficiency rate across all seller/servicers for loans funded during 2012, 2011, and 2010 was approximately 3%, 5%, and 13%, respectively. The most common underwriting deficiencies found in our review of loans funded during 2012 were related to insufficient income and inadequate or missing documentation to support borrower qualification. In recent periods, we also made revisions to our loan review process that are designed to standardize the process and facilitate more timely review of loans we purchase.

During the first quarter of 2013, we entered into an agreement with GMAC Mortgage, LLC (in connection with its bankruptcy proceeding) to release specified loans from certain repurchase obligations in exchange for a one-time cash payment. During the third quarter of 2013, we entered into similar agreements with Wells Fargo Bank, N.A., CitiMortgage, Inc., Citibank, N.A., and SunTrust Mortgage, Inc., and in October 2013, we entered into a similar agreement with JPMorgan Chase Bank, N.A., to release specified loans from certain repurchase obligations. See "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS" for more information about these agreements.

Our estimate of recoveries from seller/servicer repurchase obligations is considered in our allowance for loan losses; however, our actual recoveries may be different than our estimates. Such differences are reflected in our allowance for loan losses and impact the amount of the provision for credit losses that we record during a given period. We believe we have appropriately provided for these exposures, based upon our estimates of incurred losses, in our loan loss reserves; however, our actual losses may exceed our estimates.

A significant portion of our single-family mortgage loans are serviced by several large seller/servicers. Because we are the master servicer and delegate the primary servicing function to our servicers, if our servicers lack appropriate process controls, experience a failure in their controls, or experience an operating disruption in their ability to service mortgage loans, our business and financial results could be adversely affected. Our top two single-family loan servicers, Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A., serviced approximately 24% and 13%, respectively, of our single-family mortgage loans as of September 30, 2013, and together serviced approximately 37% of our single-family mortgage loans. We continue to face challenges with respect to the performance of certain of our seller/servicers in managing our seriously delinquent loans. As part of our efforts to address this issue and mitigate our credit losses, we have continued to facilitate the transfer of servicing for certain pools of loans with higher credit risk from certain underperforming servicers to other servicers that specialize in workouts of problem loans. Some of these specialized servicers have grown rapidly in the last two years and now service a large share of our loans. We also seek remedies such as compensatory fees for underperformance.

We rely on our seller/servicers to perform loan workout activities as well as foreclosures on loans that they service for us. We also continue to be adversely affected by the length of the foreclosure timeline, particularly in states that require a judicial foreclosure process, which has provided challenges to our seller/servicers because they have had to change their processes for compliance with the requirements of each jurisdiction.

In recent periods, including the first quarter of 2013, we made changes to our programs for reviewing the performance of our servicers. Under the programs, we assess certain fees to compensate us for deficiencies in servicer performance.

These fees are recorded in other expenses, and other income, respectively, within our consolidated statements of comprehensive income. These fees were not significant to our consolidated financial results for the nine months ended September 30, 2013.

Multifamily Mortgage Seller/Servicers

We acquire a significant portion of our multifamily purchase volume from several large sellers. We are exposed to certain institutional credit risks arising from the potential non-performance by our multifamily sellers and mortgage servicers. For the nine months ended September 30, 2013, our top two multifamily sellers, CBRE Capital Markets, Inc. and Berkadia

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Commercial Mortgage LLC, accounted for 23% and 17%, respectively, of our multifamily purchase and guarantee issuance volume. Our top 10 multifamily sellers represented an aggregate of approximately 84% of our multifamily purchase and guarantee issuance volume for the nine months ended September 30, 2013.

A significant portion of our multifamily mortgage portfolio is serviced by several large multifamily servicers. As of September 30, 2013, our top three multifamily servicers, Berkadia Commercial Mortgage LLC, CBRE Capital Markets, Inc., and Wells Fargo Bank, N.A., each serviced more than 10% of our multifamily mortgage portfolio, excluding Other Guarantee Transactions, and together serviced approximately 40% of this portfolio.

Mortgage Insurers

We have institutional credit risk relating to the potential insolvency of, or non-performance by, mortgage insurers that insure single-family mortgages we purchase or guarantee. As a guarantor, we remain responsible for the payment of principal and interest if a mortgage insurer fails to meet its obligations to reimburse us for claims. If any of our mortgage insurers fail to fulfill their obligation, we could experience increased credit losses.

We attempt to manage this risk by establishing eligibility standards for mortgage insurers and by monitoring our exposure to individual mortgage insurers. Our monitoring includes performing periodic analysis of the estimated financial capacity of individual mortgage insurers under different adverse economic conditions. The 2013 Conservatorship Scorecard includes a goal for us to develop counterparty risk management standards for mortgage insurers that include uniform master policies and eligibility requirements. In connection with this goal, we expect to publish changes to the capital requirements and other standards for mortgage insurer eligibility by the end of 2013. In addition, working with FHFA and Fannie Mae, we have guided mortgage insurers in their adoption of new master policies, for which the mortgage insurers are expected to seek state regulatory approval.

As part of the estimate of our loan loss reserves, we evaluate the recovery and collectability related to mortgage insurance policies on mortgage loans we own or guarantee. We also evaluate the collectability of outstanding receivables from these counterparties related to unpaid claims. The majority of our mortgage insurance exposure is concentrated with four counterparties, certain of which have been under financial stress during the last several years. Some of our eligible mortgage insurers have, in the past, exceeded risk to capital ratios required by their state insurance regulators. Although the financial condition of some of our primary mortgage insurance counterparties improved in recent periods, there is still a significant risk that these counterparties may fail to fully perform on their obligations to pay our claims. Except for those insurers under regulatory or court ordered supervision, which no longer issue new coverage, we continue to acquire new loans with mortgage insurance from the mortgage insurers shown in the table below. In addition, in recent years, new entrants have emerged that may diversify a concentrated industry.

The table below summarizes our exposure to mortgage insurers as of September 30, 2013. In the event that a mortgage insurer fails to perform, the coverage outstanding represents our maximum exposure to credit losses resulting from such failure. Our most significant exposure to these insurers is through primary mortgage insurance. As of September 30, 2013, we had primary mortgage insurance coverage on loans that represented approximately 12% of the UPB of our single-family credit guarantee portfolio.

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Table 52 — Mortgage Insurance by Counterparty[1]

Counterparty Name	Credit Rating	Credit Rating Outlook	As of September 30, 2013			
			UPB of Covered Loans		Coverage Outstanding	
			Primary Insurance[2]	Pool Insurance[2]	Primary Insurance[3]	Pool Insurance[3]
			(in billions)			
Mortgage Guaranty Insurance Corporation (MGIC)	B	Stable	$44.6	$ 1.6	$11.1	<0.1
Radian Guaranty Inc. (Radian)	B	Stable	42.3	3.9	10.5	1.0
United Guaranty Residential Insurance Company	BBB+	Stable	39.4	0.1	9.8	<0.1
Genworth Mortgage Insurance Corporation	B	Negative	28.0	0.4	7.0	<0.1
PMI Mortgage Insurance Co. (PMI)[4]	Not Rated	N/A	15.2	0.4	3.7	0.1
Republic Mortgage Insurance Company (RMIC)[5]	Not Rated	N/A	12.4	0.7	3.1	0.1
Essent Guaranty, Inc.	BBB+	Stable	9.2	—	2.3	—
Triad Guaranty Insurance Corporation (Triad)[6]	Not Rated	N/A	5.5	0.2	1.4	<0.1
CMG Mortgage Insurance Company	BBB-	Negative	2.8	<0.1	0.7	—
Total			$199.4	$ 7.3	$49.6	$ 1.2

(1) Ratings and outlooks are for the corporate entity to which we have the greatest exposure. Coverage amounts may include coverage provided by consolidated affiliates and subsidiaries of the counterparty. Latest rating available as of October 24, 2013. Represents the lower of S&P and Moody's credit ratings and outlooks stated in terms of the S&P equivalent.

(2) These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected mortgage is covered under both types of insurance. See "Table 4.5 — Recourse and Other Forms of Credit Protection" in "NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES" for further information.

(3) Represents the remaining aggregate contractual limit for reimbursement of losses under the respective policy type. These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected mortgage is covered under both types of insurance.

(4) In April 2013, PMI began paying valid claims 55% in cash and 45% in deferred payment obligations and made a one-time cash payment to us for claims that were previously settled for 50% in cash.

(5) Under a plan announced in November 2012, RMIC is paying all valid claims settled on or after January 19, 2012, 60% in cash and 40% in deferred payment obligations.

(6) In June 2009, Triad began paying valid claims 60% in cash and 40% in deferred payment obligations under order of its state regulator. In October 2013, Triad's plan of rehabilitation was approved, under which the cash portion of claims payments would be increased to 75% with a one-time cash payment for claims previously settled for 60% in cash. The plan could go into effect as early as January 2014.

We received proceeds of $1.6 billion and $1.5 billion during the nine months ended September 30, 2013 and 2012, respectively, from our primary and pool mortgage insurance policies for recovery of losses on our single-family loans (including $255 million in the third quarter of 2013 associated with the Radian agreement discussed below). We had outstanding receivables from mortgage insurers (including deferred payment obligations associated with unpaid claim amounts), net of associated reserves, of $0.6 billion and $0.8 billion at September 30, 2013 and December 31, 2012, respectively.

In August 2013, we entered into an agreement with Radian involving approximately 26,000 single-family loans held by us and insured by Radian that were in default as of December 31, 2011. The agreement generally resolves

outstanding and future primary mortgage insurance claims by us against Radian with respect to these loans. In connection with this agreement, Radian paid us $255 million and also deposited $205 million in an escrow account in which we hold a secured interest. Subject to the terms and conditions of the agreement, the funds in the escrow account will be returned to Radian to the extent of Radian's final rescission, cancellation, curtailment or denial of filed claims. Freddie Mac will receive any funds in the account that are not returned to Radian. The agreement does not affect our right to pursue repurchase remedies against seller/servicers related to Radian's insurance rescissions and claim denials on these loans. This agreement did not have a significant impact on our financial results for the third quarter of 2013.

PMI, RMIC, and Triad are all under regulatory or court ordered supervision, and a substantial portion of their claims are recorded by us as deferred payment obligations. These insurers continue to pay a portion of their respective claims in cash. However, the state regulators of these companies have generally not allowed them to pay their respective deferred payment obligations. If, as we currently expect, these insurers do not pay the full amount of their deferred payment obligations, we would lose a portion of the coverage from these counterparties shown in the table above. As of September 30, 2013, we had cumulative unpaid deferred payment obligations of $0.7 billion from these insurers. We reserved for substantially all of these unpaid amounts as collectibility is uncertain.

Recently, some of our mortgage insurance counterparties have been able to obtain additional capital and we expect that they will continue to explore additional opportunities to further improve their capital position as the housing market continues to improve.

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Our mortgage insurance exposure has become concentrated among a smaller number of counterparties in recent years and could become more concentrated in the future. For more information, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Mortgage Insurers" in our 2012 Annual Report.

Bond Insurers

Bond insurance, which may be either primary or secondary policies, is a credit enhancement covering certain of the non-agency mortgage-related securities we hold. Primary policies are acquired by the securitization trust issuing the securities we purchase, while secondary policies are acquired by us. Bond insurance exposes us to the risk that the bond insurer will be unable to satisfy claims.

The table below presents our coverage amounts of bond insurance, including secondary coverage, for the non-agency mortgage-related securities we hold. In the event a bond insurer fails to perform, the coverage outstanding represents our maximum principal exposure to credit losses related to such a failure.

Table 53 — Bond Insurance by Counterparty(1)

			As of September 30, 2013		
Counterparty Name	Credit Rating	Credit Rating Outlook	Coverage Outstanding(2)	Percent of Total Coverage Outstanding(2)	
			(dollars in millions)		
Ambac Assurance Corporation (Ambac)(3)	Not Rated	N/A	$3,712	46	%
Financial Guaranty Insurance Company (FGIC)(3)	Not Rated	N/A	1,433	18	
National Public Finance Guarantee Corp.	BBB+	Positive	1,095	14	
MBIA Insurance Corp.	B-	Positive	926	12	
Assured Guaranty Municipal Corp.	A	Stable	732	9	
Syncora Guarantee Inc. (Syncora)(3)	Not Rated	N/A	50	1	
CIFG Assurance Corporation	Not Rated	N/A	30	<1	
Total			$7,978	100	%

(1) Ratings and outlooks are for the corporate entity to which we have the greatest exposure. Coverage amounts may include coverage provided by consolidated affiliates and subsidiaries of the counterparty. Latest ratings available as of October 24, 2013. Represents the lower of S&P and Moody's credit ratings stated in terms of the S&P equivalent.

(2) Represents maximum principal exposure to credit losses.

(3) Ambac, FGIC, and Syncora are currently operating under regulatory or court ordered supervision.

We monitor the financial strength of our bond insurers in accordance with our risk management policies. Some of our larger bond insurers are in runoff mode where no new business is being written. We expect to receive substantially less than full payment of our claims from Ambac and FGIC as these companies are insolvent. We believe that we will also likely receive substantially less than full payment of our claims from some of our other bond insurers because we believe they also lack sufficient ability to fully meet all of their expected lifetime claims-paying obligations to us as such claims emerge.

On June 11, 2013, FGIC's plan of rehabilitation was approved by the appropriate authorities. Under the plan, permitted claims will be paid 17% in cash and the remainder in deferred payment obligations. On August 19, 2013, FGIC announced that state regulatory authorities had approved their payment of initial permitted claims and settlement of deferred obligations in accordance with the plan. Ambac, which had not paid claims since March 2010, began paying a portion of its claims in cash in the third quarter of 2012. For more information concerning Ambac and FGIC, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Bond Insurers" in our 2012 Annual Report.

In the event one or more of our other bond insurers were to become subject to a regulatory order or insolvency proceeding, our ability to recover certain unrealized losses on our non-agency mortgage-related securities would be negatively affected. We considered our expectations regarding our bond insurers' ability to meet their obligations in making our impairment determinations on our non-agency mortgage-related securities at September 30, 2013 and December 31, 2012. See "NOTE 7: INVESTMENTS IN SECURITIES — Other-Than-Temporary Impairments on Available-For-Sale Securities" for additional information regarding impairment losses on securities covered by bond insurers.

Cash and Other Investments Counterparties

We are exposed to institutional credit risk arising from the potential insolvency or non-performance of counterparties of non-mortgage-related investment agreements and cash equivalent transactions, including those entered into on behalf of our securitization trusts. These financial instruments are investment grade at the time of purchase and primarily short-term in nature, which mitigates institutional credit risk for these instruments.

Our cash and other investment counterparties are primarily major financial institutions, Treasury, and the Federal Reserve Bank. As of September 30, 2013 and December 31, 2012, including amounts related to our consolidated VIEs, there were $56.3 billion and $60.7 billion, respectively, of: (a) cash and securities purchased under agreements to resell invested with institutional counterparties; (b) Treasury securities classified as cash equivalents; or (c) cash deposited with the Federal Reserve Bank. See "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS" for further information on counterparty credit ratings and concentrations within our cash and other investments.

For information about institutional credit risk associated with our investments in non-mortgage-related securities, see "NOTE 7: INVESTMENTS IN SECURITIES — Table 7.8 — Trading Securities."

Agency and Non-Agency Mortgage-Related Security Issuers

Our investments in securities expose us to institutional credit risk to the extent that servicers, issuers, guarantors, or third parties providing credit enhancements become insolvent or do not perform their obligations. Our investments in non-Freddie Mac mortgage-related securities include both agency and non-agency securities. Agency securities have historically presented minimal institutional credit risk due to the guarantee provided by those institutions, and the U.S. government's support of those institutions. However, we recognized impairment charges in the nine months ended September 30, 2013 related to certain of our investments in non-agency mortgage-related securities. The servicing of loans underlying these securities is significantly concentrated with several counterparties and our ability to mitigate this concentration is limited. See "CONSOLIDATED BALANCE SHEETS ANALYSIS — Investments in Securities" for further information about these securities, including a discussion of the higher-risk components of these investments.

At the direction of our Conservator, we are working to enforce our rights as an investor with respect to the non-agency mortgage-related securities we hold, and are engaged in various efforts to mitigate or recover losses on our investments in these securities, in some cases in conjunction with other investors. We and FHFA reached settlements with General Electric Company and affiliates (in January 2013), Citigroup Inc. and affiliates (in May 2013), UBS Americas, Inc. (in July 2013), Wells Fargo Bank, N.A. and affiliates (August 2013), Ally Financial Inc. (October 2013), and JPMorgan Chase & Co. and certain affiliates (October 2013). Lawsuits with a number of groups are currently pending. The effectiveness of our efforts is highly uncertain and any potential recoveries may take significant time to realize. For more information on these efforts, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS" in this Form 10-Q and in our 2012 Annual Report and "MD&A — RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Non-Agency Mortgage-Related Security Issuers" in our 2012 Annual Report.

Derivative Counterparties

We use cleared derivatives, exchange-traded derivatives, and OTC derivatives, and are exposed to institutional credit risk with respect to these derivatives. OTC derivatives refer to those derivatives that are neither cleared derivatives nor exchange-traded derivatives, as described below. For more information about the institutional credit risk associated with our use of derivatives, and our strategies to manage our exposures related to such risk, see "MD&A — RISK MANAGEMENT — Credit Risk —Institutional Credit Risk — Derivative Counterparties" in our 2012 Annual Report.

The relative concentration of our derivative exposure among our primary OTC derivative counterparties remains high as compared to historical levels. This concentration has increased significantly since 2008 primarily due to industry consolidation and the failure or weakening of certain counterparties, and could further increase. See "NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES" for additional information.

The Dodd-Frank Act requires central clearing and trading on exchanges or comparable trading facilities of many types of derivatives. Pursuant to the Dodd-Frank Act, the U.S. Commodity Futures Trading Commission has determined that the types of interest-rate swaps that we use most frequently are subject to the central clearing requirement, for transactions executed or modified on or after June 10, 2013. We refer to these interest-rate swaps as cleared derivatives. As a result, our exposure to the clearinghouse we use to clear such interest-rate derivatives, and to the clearing firms that administer our transactions once accepted for clearing, will increase and become more concentrated over time. However, our exposure to individual counterparties associated with OTC interest-rate swaps will decrease over time.

The table below summarizes our exposure to our derivative counterparties, which represents the net positive fair value of derivative contracts, related accrued interest and collateral held by us from our counterparties, after netting by counterparty where allowable (i.e., net amounts due to us under derivative contracts which are recorded as derivative

assets). For OTC interest-rate swaps, option-based derivatives, and foreign-currency swaps that are in an asset position, we hold collateral against those positions in accordance with agreed upon thresholds. The collateral posting thresholds we assign our counterparties depend on the credit rating of the counterparty and are based on our credit risk policies. In addition, we have OTC interest-rate swap, option-based derivative, and foreign-currency swap liabilities where we post collateral to counterparties in accordance with agreed upon thresholds. Pursuant to certain collateral agreements we have with OTC interest-rate swap, option-based derivative, and foreign-currency swap counterparties, the collateral posting threshold we are assigned is based on S&P or Moody’s credit rating of our long-term senior unsecured debt securities. The lowering or withdrawal of our

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credit rating by S&P or Moody's may increase our obligation to post collateral, depending on the amount of the counterparty's exposure to Freddie Mac with respect to the derivative transactions. At September 30, 2013, our collateral posted exceeded our collateral held. See "CONSOLIDATED BALANCE SHEETS ANALYSIS — Derivative Assets and Liabilities, Net" and "Table 27 — Derivative Fair Values and Maturities" for a reconciliation of fair value to the amounts presented on our consolidated balance sheets as of September 30, 2013, which includes both cash collateral held and posted by us, net.

Table 54 — Derivative Counterparty Credit Exposure

	As of September 30, 2013					
Rating[1]	Number of Counterparties[2]	Notional or Contractual Amount[3]	Total Exposure at Fair Value[4]	Exposure, Net of Collateral[5]	Weighted Average Contractual Maturity (in years)	Collateral Posting Threshold
	(dollars in millions)					
AA-	4	$55,082	$207	$40	4.6	$10 million or less
A+	3	32,600	1,090	5	6.1	$1 million or less
A	7	298,806	—	20	5.4	$1 million or less
A-	3	139,316	255	11	5.5	$1 million or less
BBB+	2	38,476	2	—	5.7	$ —
Subtotal	19	564,280	1,554	76	5.4	
Cleared and exchange-traded derivatives		127,366	313	203		
Commitments		26,690	203	203		
Swap guarantee derivatives		3,537	—	—		
Other derivatives[6]		8,882	—	—		
Total derivatives		$730,755	$2,070	$482		

	As of December 31, 2012					
Rating[1]	Number of Counterparties[2]	Notional or Contractual Amount[3]	Total Exposure at Fair Value[4]	Exposure, Net of Collateral[5]	Weighted Average Contractual Maturity (in years)	Collateral Posting Threshold
	(dollars in millions)					
AA-	4	$41,169	$—	$—	5.6	$10 million or less
A+	4	86,717	1,220	15	6.0	$1 million or less
A	5	343,353	734	32	5.8	$1 million or less
A-	4	148,271	6	22	5.7	$1 million or less
BBB+	1	42,643	—	—	6.0	$ —
Subtotal	18	662,153	1,960	69	5.8	
Cleared and exchange-traded derivatives		42,673	66	66		
Commitments		25,530	20	20		
Swap guarantee derivatives		3,628	—	—		
Other derivatives[6]		11,847	1	1		

Total derivatives	$745,831	$2,047	$156

(1) Ratings of our OTC interest-rate swap, options-based derivative (excluding certain written options), and foreign-currency swap derivative counterparties. We use the lower of S&P and Moody's ratings to manage collateral requirements. In this table, the Moody's rating of the legal entity is stated in terms of the S&P equivalent.

(2) Based on legal entities.

(3) Notional or contractual amounts are used to calculate the periodic settlement amounts to be received or paid and generally do not represent actual amounts to be exchanged.

(4) For each counterparty, this amount includes derivatives with a positive fair value (recorded as derivative assets, net), including the related accrued interest receivable/payable, when applicable. For counterparties included in the subtotal and the cleared and exchange-traded derivatives category, positions are shown netted at the counterparty or clearing member level, as applicable, including accrued interest receivable/payable and trade/settle fees.

(5) Calculated as Total Exposure at Fair Value less both cash and non-cash collateral held as determined at the counterparty level. At September 30, 2013 and December 31, 2012, $446 million and $501 million, respectively, of non-cash collateral had been posted to us. Includes amounts related to our posting of cash collateral in excess of our derivative liability as determined at the counterparty level. For more information about margin we have posted in connection with cleared and exchange-traded derivatives, see "NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES - Collateral Pledged."

(6) Consists primarily of certain written options and certain credit derivatives. Written options do not present counterparty credit exposure because we receive a one-time up-front premium in exchange for giving the holder the right to execute a contract under specified terms, which generally puts us in a liability position.

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Over time, our exposure to individual counterparties for derivatives varies depending on changes in fair values, which are affected by changes in period-end interest rates, the implied volatility of interest rates, foreign-currency exchange rates, and the amount of derivatives held. See "NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES — Derivative Portfolio — Master Netting and Collateral Agreements" for more information about our maximum loss for accounting purposes and concentrations of counterparty risk related to derivative counterparties.
Approximately 96% of our counterparty credit exposure for OTC interest-rate swap, option-based, and foreign-currency swap derivatives was collateralized at September 30, 2013 (excluding amounts related to our posting of cash collateral in excess of our derivative liability as determined at the counterparty level). The remaining exposure was primarily due to exposure amounts below the applicable counterparty collateral posting threshold, as well as market movements during the time period between when a derivative was marked to fair value and the date we received the related collateral. In some instances, these market movements result in us having provided collateral that has fair value in excess of our obligation, which represents our overcollateralization exposure. Collateral is typically transferred within one business day based on the values of the related derivatives.
In the event an OTC derivative counterparty defaults, our economic loss may be higher than the uncollateralized exposure of our derivatives if we are not able to replace the defaulted derivatives in a timely and cost-effective fashion (e.g., due to a significant interest rate movement during the period or other factors). We could also incur economic loss if non-cash collateral posted to us by the defaulting counterparty and held by the custodian cannot be liquidated at prices that are sufficient to recover the amount of such exposure. We regularly review the market values of the securities pledged to us to manage our exposure to loss. When non-cash collateral is posted to us, we require collateral in excess of our exposure to satisfy the net obligation to us in accordance with the counterparty agreement.
As noted above, beginning with contracts executed or modified on or after June 10, 2013, the types of interest-rate swaps that we use most frequently became subject to the central clearing requirement. Our exposure to cleared and exchange-traded derivatives was $203 million and $66 million as of September 30, 2013 and December 31, 2012, respectively. We are required to post margin in connection with our cleared and exchange-traded derivatives. At September 30, 2013, the majority of our exposure for our cleared and exchange-traded derivatives resulted from our posting of initial margin, which is the collateral that we post to a derivative clearinghouse in order to do business with such clearinghouse. The amount of initial margin we must post for cleared and exchange-traded derivatives is based, in part, on S&P or Moody's credit rating of our long-term senior unsecured debt securities. The amount of initial margin varies over time. The lowering or withdrawal of our credit rating by S&P or Moody's may increase our obligation to post collateral, depending on the amount of the counterparty's exposure to Freddie Mac with respect to the derivative transactions. For information about margin we have posted in connection with cleared and exchange-traded derivatives, see "NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES — Collateral Pledged."
The total exposure on our forward purchase and sale commitments for mortgages and mortgage-related securities, treated as derivatives for accounting purposes, was $203 million and $20 million at September 30, 2013 and December 31, 2012, respectively. Our exposure to commitments increased primarily due to the effect of a higher volume of commitments to purchase mortgage-related securities. Approximately 86% of our total exposure to commitments at September 30, 2013 settled in October 2013. We do not require master netting and collateral agreements for the counterparties of these commitments. However, the typical maturity of our forward purchase and sale commitments is less than 60 days, and we monitor the credit fundamentals of the counterparties to these commitments on an ongoing basis in an effort to ensure that they continue to meet our internal risk-management standards. Many of our transactions involving forward purchase and sale commitments of mortgage-related securities, including our dollar roll transactions, utilize the Mortgage Backed Securities Division of the Fixed Income Clearing Corporation ("MBSD/FICC") as a clearinghouse. As a clearing member of the clearinghouse, we post margin to the MBSD/FICC and are exposed to the institutional credit risk of the organization.
Selected European Sovereign and Non-Sovereign Exposures
The sovereign debt of Spain, Italy, Ireland, Portugal, Greece, and Cyprus (which we refer to herein as the "troubled European countries") and the credit status of financial institutions with significant exposure to the troubled European countries has been adversely affected due to ongoing weaknesses in the economic and fiscal situations of those

countries. As of September 30, 2013, we did not hold any debt issued by the governments of the troubled European countries and did not hold any financial instruments entered into with sovereign governments in those countries. As of that date, we also did not hold any debt issued by corporations or financial institutions domiciled in the troubled European countries and did not hold any other financial instruments entered into with corporations or financial institutions domiciled in those countries. For purposes of this discussion, we consider an entity to be domiciled in a country if its parent entity is headquartered in that country. However, we believe a number of our counterparties have direct or indirect exposure to the troubled European countries. It is possible that continued adverse developments in Europe could significantly affect such counterparties, which in turn could adversely affect

their ability to meet their obligations to us. For more information, see "MD&A — RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Selected European Sovereign and Non-Sovereign Exposures" in our 2012 Annual Report.

Operational Risks

We continue to face significant levels of operational risk, due to a variety of factors, including: (a) the complexity of our business operations; (b) the amount of change to our core systems required to keep pace with regulatory and other requirements; and (c) the fact that we face a variety of different, and potentially competing, business objectives and new FHFA-mandated activities (e.g., the initiatives we are pursuing under the 2013 Conservatorship Scorecard). For more information, see "MD&A — RISK MANAGEMENT — Operational Risks" and "RISK FACTORS — Operational Risks" in our 2012 Annual Report.

Management, including the company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2013. As of September 30, 2013, we had one material weakness in our internal control over financial reporting, related to conservatorship, which remained unremediated, causing us to conclude that our disclosure controls and procedures were not effective at a reasonable level of assurance. For additional information, see "CONTROLS AND PROCEDURES."

Interest Rate and Other Market Risks

For a discussion of our interest rate and other market risks, see "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK."

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our business activities require that we maintain adequate liquidity to fund our operations, which may include the need to make payments of principal and interest on our debt securities, including securities issued by our consolidated trusts, and otherwise make payments related to our guarantees of mortgage assets; make payments upon the maturity, redemption or repurchase of our other debt securities; make net payments on derivative instruments; pay dividends on our senior preferred stock; purchase mortgage-related securities and other investments; purchase mortgage loans; and remove modified or seriously delinquent loans from PC trusts.

We fund our cash requirements primarily by issuing short-term and long-term debt. Other sources of cash include:

- receipts of principal and interest payments on securities or mortgage loans we hold;
- other cash flows from operating activities, including the management and guarantee fees we receive in connection with our guarantee activities (excluding those fees we remit to Treasury pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011);
- borrowings against mortgage-related securities and other investment securities we hold; and
- sales of securities we hold.

We have also received substantial amounts of cash from Treasury pursuant to draws under the Purchase Agreement, which are made to address quarterly deficits in our net worth. Our most recent draw request of $19 million occurred in May 2012, to address our deficit in net worth at March 31, 2012.

We believe that the support provided by Treasury pursuant to the Purchase Agreement currently enables us to maintain our access to the debt markets and to have adequate liquidity to conduct our normal business activities. However, the costs and availability of our debt funding could vary for a number of reasons, including the uncertainty about the future of the GSEs and any future downgrades in our credit ratings or the credit ratings of the U.S. government. For more information, see "Other Debt Securities — Credit Ratings."

Our securities and other obligations are not guaranteed by the U.S. government and do not constitute a debt or obligation of the U.S. government or any agency or instrumentality thereof, other than Freddie Mac.

Liquidity Management

Maintaining sufficient liquidity is of primary importance and we continually strive to enhance our liquidity management practices and policies. Under these practices and policies, we maintain an amount of cash and cash equivalent reserves in the form of liquid, high quality short-term investments that is intended to enable us to meet ongoing cash obligations for an extended period, in the event we do not have access to the short- or long-term unsecured debt markets. We also actively manage the concentration of debt maturities and closely monitor our monthly maturity profile. For a discussion of our liquidity management practices and policies, see "MD&A —

LIQUIDITY AND CAPITAL RESOURCES — Liquidity — Liquidity Management” in our 2012 Annual Report.

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Throughout the nine months ended September 30, 2013, we complied with all requirements under our liquidity management policies or FHFA guidance, as applicable. During the nine months ended September 30, 2013, the majority of the funds used to cover our short-term cash liquidity needs was deposited with the Federal Reserve Bank, invested in short-term assets with a rating of A-1/P-1 or AAA, or was issued by a counterparty with that rating. In the event of a downgrade of a position or counterparty, as applicable, below minimum rating requirements, our credit governance policies require us to exit from the position within a specified period.

Notwithstanding these practices and policies, our ability to maintain sufficient liquidity, including by pledging mortgage-related and other securities as collateral to other financial institutions, could cease or change rapidly and the cost of the available funding could increase significantly due to changes in market interest rates, market confidence, and other factors. For more information, see "RISK FACTORS — Competitive and Market Risks — Our investment activities may be adversely affected by limited availability of financing and increased funding costs" in our 2012 Annual Report.

Other Debt Securities

During the three months ended September 30, 2013, we had sufficient access to the debt markets due largely to support from the U.S. government. Our effective short-term debt was 43% of outstanding other debt at September 30, 2013 as compared to 42% at December 31, 2012. Effective short-term debt is the aggregate of short-term debt and the current portion of long-term debt (the portion due within one year). The categories of short-term debt (due within one year) and long-term debt (due after one year) are based on the original contractual maturity of the debt instruments classified as other debt. We rely significantly on our ability to issue debt on an on-going basis to refinance our short-term debt.

Our debt cap under the Purchase Agreement is $780.0 billion in 2013 and will decline to $663.0 billion on January 1, 2014. As of September 30, 2013, we estimate that our aggregate indebtedness was $259.7 billion below the applicable debt cap. Our aggregate indebtedness is calculated as the par value of other debt. We disclose the amount of our indebtedness on this basis monthly under the caption "Other Debt Activities — Total Debt Outstanding" in our Monthly Volume Summary reports, which are available on our web site at www.freddiemac.com and in current reports on Form 8-K we file with the SEC.

Other Debt Issuance Activities

The table below summarizes the par value of other debt securities we issued, based on settlement dates, during the three and nine months ended September 30, 2013 and 2012.

Table 55 — Other Debt Security Issuances by Product, at Par Value[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Other short-term debt[2]:				
Reference Bills® securities and discount notes	$69,120	$72,291	$227,110	$214,374
Medium-term notes — non-callable	—	—	3,500	—
Total other short-term debt	69,120	72,291	230,610	214,374
Other long-term debt:				
Medium-term notes — callable[3]	11,870	21,543	51,141	66,416
Medium-term notes — non-callable	8,011	5,983	13,187	18,264
U.S. dollar Reference Notes® securities — non-callable	3,500	8,500	16,500	40,500
Total other long-term debt	23,381	36,026	80,828	125,180
Total other debt issued	$92,501	$108,317	$311,438	$339,554

(1) Excludes federal funds purchased and securities sold under agreements to repurchase, and lines of credit. Also excludes debt securities of consolidated trusts held by third parties.

(2) Due within one year based on the original contractual maturity of the debt instruments.
(3) During the three and nine months ended September 30, 2013, includes $500 million of single-family risk transfer transactions.

Other Debt Retirement Activities

We repurchase, call, or exchange our outstanding medium- and long-term debt securities from time to time for a variety of reasons, including: (a) to help support the liquidity of the market for our other debt securities; (b) to manage our mix of liabilities funding our assets; or (c) for economic reasons.

The table below provides the par value, based on settlement dates, of other debt securities we repurchased and called during the three and nine months ended September 30, 2013 and 2012.

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Table 56 — Other Debt Security Repurchases and Calls[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Repurchases of outstanding medium-term notes	$314	$—	$2,060	$1,747
Calls of callable medium-term notes	7,325	14,763	42,354	95,770

(1) Excludes debt securities of consolidated trusts held by third parties.

Credit Ratings

Our ability to access the capital markets and other sources of funding, as well as our cost of funds, is highly dependent upon our credit ratings. The table below indicates our credit ratings as of October 24, 2013.

Table 57 — Freddie Mac Credit Ratings

	Nationally Recognized Statistical Rating Organization		
	S&P	Moody's	Fitch
Senior long-term debt[1]	AA+	Aaa	AAA
Short-term debt[2]	A-1+	P-1	F1+
Subordinated debt[3]	A	Aa2	AA-
Preferred stock[4]	C	Ca	C/RR6[5]
Outlook	Stable	Stable	Rating Watch Negative (includes AAA-rated long-term Issuer Default Rating)

(1) Consists of medium-term notes, U.S. dollar Reference Notes® securities and €Reference Notes® securities.
(2) Consists of Reference Bills® securities and discount notes.
(3) Consists of Freddie SUBS® securities.
(4) Does not include senior preferred stock issued to Treasury.
(5) Preferred stock is not on Rating Watch Negative.

Our credit ratings are primarily based on the support we receive from Treasury, and therefore, are affected by changes in the credit ratings of the U.S. government. On October 16, 2013, Fitch placed our AAA-rated long-term Issuer Default Rating (IDR), as well as our senior long-term debt, short-term debt and subordinated debt ratings, on Rating Watch Negative (RWN). This action followed Fitch's placement of the U.S. government's debt ratings on RWN.

For information about factors that could lead to future ratings actions, and the potential impact of a downgrade in our credit ratings, see "RISK FACTORS — Competitive and Market Risks — Any downgrade in the credit ratings of the U.S. government would likely be followed by a downgrade in our credit ratings. A downgrade in the credit ratings of our debt could adversely affect our liquidity and other aspects of our business" in our 2012 Annual Report.

A security rating is not a recommendation to buy, sell or hold securities. It may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Cash and Cash Equivalents, Federal Funds Sold, Securities Purchased Under Agreements to Resell, and Non-Mortgage-Related Securities

Excluding amounts related to our consolidated VIEs, we held $70.9 billion and $47.3 billion in the aggregate of cash and cash equivalents, securities purchased under agreements to resell, and non-mortgage-related securities at September 30, 2013 and December 31, 2012, respectively. These investments are important to our cash flow and asset and liability management and our ability to provide liquidity and stability to the mortgage market. The balance

increased in anticipation of the need to make a potential significant dividend payment to Treasury in December 2013. At September 30, 2013, our non-mortgage-related securities consisted primarily of Treasury notes that we could sell to provide us with an additional source of liquidity to fund our business operations. We also maintained non-interest-bearing deposits at the Federal Reserve Bank, which are included in cash and cash equivalents on our consolidated balance sheets. For additional information on these assets, see "CONSOLIDATED BALANCE SHEETS ANALYSIS — Cash and Cash Equivalents, Federal Funds Sold and Securities Purchased Under Agreements to Resell" and "— Investments in Securities — Non-Mortgage-Related Securities."

Mortgage Loans and Mortgage-Related Securities

We invest principally in mortgage loans and mortgage-related securities, certain categories of which are largely unencumbered and highly liquid. Our primary source of liquidity among these mortgage assets is our holdings of agency securities. While our holdings of unsecuritized performing single-family mortgage loans and CMBS are also potential sources of liquidity, we consider them to be less liquid than agency securities. Our holdings of non-agency mortgage-related securities backed by subprime, option ARM, and Alt-A and other loans are considered to be illiquid due to market conditions and the continued poor credit quality of the underlying assets. Our holdings of unsecuritized seriously delinquent and modified single-family mortgage loans are also considered to be illiquid.

We are subject to limits on the amount of mortgage assets we can sell in any calendar month without review and approval by FHFA and, if FHFA so determines, Treasury. See "EXECUTIVE SUMMARY — Limits on Investment Activity and Our Mortgage-Related Investments Portfolio" for more information on the relative liquidity of our mortgage assets.

Cash Flows

Our cash and cash equivalents increased by $1.0 billion to $9.5 billion during the nine months ended September 30, 2013, as compared to a decrease of $20.7 billion to $7.8 billion during the nine months ended September 30, 2012. Cash flows provided by operating activities during the nine months ended September 30, 2013 and 2012 were $9.4 billion and $6.2 billion, respectively, primarily driven by cash proceeds from net interest income. Cash flows provided by investing activities during the nine months ended September 30, 2013 and 2012 were $322.1 billion and $357.4 billion, respectively, primarily resulting from net proceeds received as a result of repayments of single-family held-for-investment mortgage loans. Cash flows used for financing activities during the nine months ended September 30, 2013 and 2012 were $330.4 billion and $384.2 billion, respectively, largely attributable to funds used to repay debt securities of consolidated trusts held by third parties.

Capital Resources, the Purchase Agreement, and the Dividend Obligation on the Senior Preferred Stock

Since our entry into conservatorship, Treasury and FHFA have taken a number of actions that affect our cash requirements and ability to fund those requirements. The conservatorship, and the resulting support we have received from Treasury, has enabled us to access debt funding on terms sufficient for our needs. Under the Purchase Agreement, Treasury made a commitment to provide us with funding, under certain conditions, to eliminate deficits in our net worth. The amount of available funding remaining under the Purchase Agreement is currently $140.5 billion. This amount will be reduced by any future draws.

At September 30, 2013, our assets exceeded our liabilities under GAAP; therefore no draw is being requested from Treasury under the Purchase Agreement. In future periods, we may experience variability in our net income and/or comprehensive income due to changes in factors such as interest rates, mortgage spreads, and home prices. Such changes could adversely affect our net worth and result in additional draws under the Purchase Agreement. For more information, see "RISK FACTORS — Conservatorship and Related Matters — We may request additional draws under the Purchase Agreement in future periods" in our 2012 Annual Report.

Under the GSE Act, FHFA must place us into receivership if FHFA determines in writing that our assets are and have been less than our obligations for a period of 60 days. Obtaining funding from Treasury pursuant to its commitment under the Purchase Agreement enables us to avoid being placed into receivership by FHFA. See "BUSINESS — Regulation and Supervision — Federal Housing Finance Agency — Receivership" in our 2012 Annual Report for additional information on mandatory receivership.

During the three months ended September 30, 2013, we experienced a significant non-cash increase in our net worth due to a benefit for federal income taxes of $23.9 billion that resulted from our conclusion to release our valuation allowance against our net deferred tax assets. Based on our Net Worth Amount at September 30, 2013, our dividend obligation to Treasury in December 2013 will be $30.4 billion. Once this dividend payment is made to Treasury, we will have paid slightly more in aggregate cash dividends to Treasury than aggregate cash draws received from Treasury under the Purchase Agreement. We paid dividends of $4.4 billion in cash on the senior preferred stock during the three months ended September 30, 2013, based on our Net Worth Amount at June 30, 2013. Through September 30, 2013, we have paid aggregate cash dividends to Treasury of $40.9 billion, an amount equal to 57% of our aggregate draws received under the Purchase Agreement.

At September 30, 2013, our aggregate funding received from Treasury under the Purchase Agreement was $71.3 billion. This aggregate funding amount does not include the initial $1.0 billion liquidation preference of senior preferred stock that we issued to Treasury in September 2008 as an initial commitment fee and for which no cash was received.

Under the Purchase Agreement, our ability to repay the liquidation preference of the senior preferred stock is limited and we will not be able to do so for the foreseeable future, if at all. In addition, under the Purchase Agreement, the payment of dividends cannot be used to reduce prior draws from Treasury. Accordingly, while we have paid aggregate cash dividends to Treasury of $40.9 billion, the liquidation preference on the senior preferred stock remains $72.3 billion.

For more information on these matters, see “BUSINESS — Conservatorship and Related Matters” and “— Regulation and Supervision” in our 2012 Annual Report.

FAIR VALUE BALANCE SHEETS AND ANALYSIS

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or non-recurring basis. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We categorize assets and liabilities recorded or disclosed at fair value within the fair value hierarchy based on the valuation processes used to derive their fair values and our judgment regarding the observability of the related inputs. Those judgments are based on our knowledge and observations of the markets relevant to the individual assets and liabilities and may vary based on current market conditions. In applying our judgments, we review ranges of third-party prices and transaction volumes, and hold discussions with dealers and pricing service vendors to understand and assess the extent of market benchmarks available and the judgments or modeling required in their processes. Based on these factors, we determine whether the inputs are observable and whether the principal markets are active or inactive. For additional information regarding our classification of assets, liabilities, and equity within the fair value hierarchy and the valuation techniques used to measure fair value, see “MD&A — FAIR VALUE MEASUREMENTS AND ANALYSIS” in our 2012 Annual Report and “NOTE 16: FAIR VALUE DISCLOSURES.”

Level 3 Recurring Fair Value Measurements

At September 30, 2013 and December 31, 2012, we measured and recorded: (a) 26% and 28% of total assets carried at fair value on a recurring basis; and (b) 12% and 7% of total liabilities carried at fair value on a recurring basis using unobservable inputs (Level 3). These percentages were calculated before the impact of counterparty and cash collateral netting. The process for determining fair value using unobservable inputs is generally more subjective and involves a higher degree of management judgment and assumptions than the measurement of fair value using observable inputs. See “NOTE 16: FAIR VALUE DISCLOSURES — Changes in Fair Value Levels” for a discussion of changes in our Level 3 assets and liabilities and “—Table 16.2 — Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs” for the Level 3 reconciliation.

Consideration of Credit Risk in Our Valuation

We consider credit risk in the valuation of our assets and liabilities through consideration of credit risk of the counterparty in asset valuations and through consideration of our own institutional credit risk in liability valuations on our GAAP consolidated balance sheets.

We consider credit risk in our valuation of investments in securities based on fair value measurements that are largely the result of price quotes received from multiple dealers or pricing services. Some of the key valuation drivers of such fair value measurements include the collateral type, collateral performance, credit quality of the issuer, tranche type, weighted average life, vintage, coupon, and interest rates. We also make adjustments for items such as credit enhancements or other types of subordination and liquidity, where applicable. In cases where internally developed models are used, we maximize the use of market-based inputs or calibrate such inputs to market data. For a discussion of types and characteristics of mortgage loans underlying our mortgage-related securities, see “Table 19 — Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets” and “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk.”

We also consider credit risk when we evaluate the valuation of our derivative positions, including the impact of institutional credit risk in the event that the counterparty does not honor its payment obligation. However, our fair value of derivatives is not adjusted for credit risk because we obtain collateral from, or post collateral to, counterparties, typically within one business day of the daily market value calculation. See “RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Derivative Counterparties” for a discussion of our counterparty credit risk.

Consolidated Fair Value Balance Sheets Analysis

The consolidated fair value balance sheets in the table below are a supplemental disclosure not intended to be in conformity with GAAP, and present our estimates of the fair value of our assets and liabilities at September 30, 2013 and December 31, 2012. The valuations of financial instruments included on our consolidated fair value balance

sheets are in accordance with the accounting guidance for fair value measurements and disclosures. In conjunction with the preparation of our consolidated fair value balance sheets, we use a number of financial models. See "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — Interest-Rate Risk and Other Market Risks," in this Form 10-Q and our 2012 Annual Report, and "RISK FACTORS" and "RISK MANAGEMENT — Operational Risks" in our 2012 Annual Report for information concerning the risks associated with these models.
Limitations

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Our consolidated fair value balance sheets do not capture all elements of value that are implicit in our operations as a going concern because our consolidated fair value balance sheets only capture the values of the current investment and securitization portfolios as of the dates presented. For example, our consolidated fair value balance sheets do not capture the value of new investment and securitization business that would likely replace current business (for example, as prepayments and other liquidations occur), nor do they include any estimation of intangible or goodwill values. Thus, the fair value of net assets presented on our consolidated fair value balance sheets does not represent an estimate of our net realizable, liquidation, or market value as a whole. Furthermore, amounts we ultimately realize from the disposition of assets or settlement of liabilities may vary significantly from the fair values presented. Judgments, assumptions and methodologies used by management may have a significant effect on our measurements of fair value, and the use of different judgments, assumptions and methodologies, as well as changes in market conditions, could have a material effect on the fair value of net assets presented on our consolidated fair value balance sheets. For example, the fair value of certain financial instruments is based on our current principal market (i.e., the market with the greatest volume and level of activity for the financial instruments) as of the dates presented. As market conditions change or new markets evolve, our principal market may change, which could significantly affect the fair value of those instruments.

We report certain assets and liabilities that are not financial instruments, such as property and equipment, REO, and our net deferred tax assets, as well as certain financial instruments that are not covered by the disclosure requirements in the accounting guidance for financial instruments, such as pension liabilities, at their carrying amounts in accordance with GAAP on our consolidated fair value balance sheets. We do not believe these items have a significant impact on our overall fair value results. Other non-financial assets and liabilities on our GAAP consolidated balance sheets represent deferrals of costs and revenues that are amortized in accordance with GAAP, such as deferred debt issuance costs and deferred fees. Cash receipts and payments related to these items are generally recognized in the fair value of net assets when received or paid, with no basis reflected on our fair value balance sheets.

Our senior preferred stock held by Treasury in connection with the Purchase Agreement is recorded at the stated liquidation preference for purposes of the consolidated fair value balance sheets, which is the same as the carrying value in our GAAP consolidated balance sheets, and does not reflect fair value. As the senior preferred stock is restricted as to its redemption, we consider the liquidation preference to be the most appropriate measure for purposes of the consolidated fair value balance sheets.

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Table 58 — Consolidated Fair Value Balance Sheets

	September 30, 2013		December 31, 2012	
	Carrying Amount[1]	Fair Value	Carrying Amount[1]	Fair Value
	(in billions)			
Assets				
Cash and cash equivalents	$9.5	$9.5	$8.5	$8.5
Restricted cash and cash equivalents	5.8	5.8	14.6	14.6
Federal funds sold and securities purchased under agreements to resell	41.0	41.0	37.6	37.6
Investments in securities:				
Available-for-sale, at fair value	139.8	139.8	174.9	174.9
Trading, at fair value	52.6	52.6	41.5	41.5
Total investments in securities	192.4	192.4	216.4	216.4
Mortgage loans:				
Mortgage loans held by consolidated trusts	1,526.1	1,524.9	1,495.9	1,540.1
Unsecuritized mortgage loans	163.4	146.3	190.4	167.6
Total mortgage loans	1,689.5	1,671.2	1,686.3	1,707.7
Derivative assets, net	0.9	0.9	0.7	0.7
Other assets	42.7	42.6	25.8	25.8
Total assets	$1,981.8	$1,963.4	$1,989.9	$2,011.3
Liabilities				
Debt, net:				
Debt securities of consolidated trusts held by third parties	$1,419.9	$1,439.2	$1,419.5	$1,487.1
Other debt	515.7	524.0	547.5	565.6
Total debt, net	1,935.6	1,963.2	1,967.0	2,052.7
Derivative liabilities, net	0.4	0.4	0.2	0.2
Other liabilities	12.4	17.9	13.8	16.7
Total liabilities	1,948.4	1,981.5	1,981.0	2,069.6
Net assets				
Senior preferred stock	72.3	72.3	72.3	72.3
Preferred stock	14.1	2.9	14.1	0.9
Common stock	(53.0)	(93.3)	(77.5)	(131.5)
Total net assets	33.4	(18.1)	8.9	(58.3)
Total liabilities and net assets	$1,981.8	$1,963.4	$1,989.9	$2,011.3

(1) Equals the amount reported on our GAAP consolidated balance sheets.

Discussion of Fair Value Results

The table below summarizes the change in the fair value of net assets for the nine months ended September 30, 2013.

Table 59 — Summary of Change in the Fair Value of Net Assets

	Nine Months Ended September 30, 2013
	(in billions)
Beginning balance	$(58.3)
Changes in fair value of net assets, before capital transactions	57.4
Capital transactions:	

Dividends and share issuances, net[1]	(17.2)
Ending balance	$(18.1)

(1) We did not receive funds from Treasury for the nine months ended September 30, 2013 under the Purchase Agreement.

During the nine months ended September 30, 2013, the fair value of net assets, before capital transactions, increased by $57.4 billion. The increase in the fair value of net assets, before capital transactions, during the nine months ended September 30, 2013 was primarily due to: (a) the release of our valuation allowance against our net deferred tax assets; (b) an increase in the fair value of our single-family mortgage loans as the result of continued improvement in realized and expected

home prices; and (c) improvement in the overall credit environment coupled with high estimated core spread income on our mortgage-related securities and a tightening of OAS levels on our non-agency single-family mortgage-related securities. See "Table 58 — Consolidated Fair Value Balance Sheets" for additional details.

When the OAS on a given asset widens, the fair value of that asset will typically decline, all other market factors being equal. However, we believe such OAS widening has the effect of increasing the likelihood that, in future periods, we will recognize income at a higher spread on this existing asset. The reverse is true when the OAS on a given asset tightens — current period fair values for that asset typically increase due to the tightening in OAS, while future income recognized on the asset is more likely to be earned at a reduced spread. However, as market conditions change, our estimate of expected fair value gains and losses from OAS may also change, and the actual core spread income recognized in future periods could be significantly different from current estimates.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into certain business arrangements that are not recorded on our consolidated balance sheets or may be recorded in amounts that differ from the full contract or notional amount of the transaction and that may expose us to potential losses in excess of the amounts recorded on our consolidated balance sheets.

We guarantee the payment of principal and interest on non-consolidated Freddie Mac mortgage-related securities we issue and on mortgage loans covered by our other guarantee commitments. Our maximum potential off-balance sheet exposure to credit losses relating to these securitization activities and the other guarantee commitments is primarily represented by the UPB of the underlying loans and securities, which was $94.0 billion and $74.2 billion at September 30, 2013 and December 31, 2012, respectively. We also enter into purchase commitments primarily related to future guarantor swap transactions for single-family loans, and, to a lesser extent, commitments to purchase or guarantee multifamily mortgage loans. These non-derivative commitments totaled $286.1 billion and $291.5 billion in notional amount at September 30, 2013 and December 31, 2012, respectively.

As part of the guarantee arrangements pertaining to certain multifamily housing revenue bonds and securities backed by multifamily housing revenue bonds, we provided commitments to advance funds, commonly referred to as "liquidity guarantees," which were $9.9 billion and $10.2 billion at September 30, 2013 and December 31, 2012, respectively. These guarantees require us to advance funds to third parties that enable them to repurchase tendered bonds or securities that are unable to be remarketed. In addition, as part of the HFA initiative, we, together with Fannie Mae, provide liquidity guarantees for certain variable-rate single-family and multifamily housing revenue bonds, under which Freddie Mac generally is obligated to purchase 50% of any tendered bonds that cannot be remarketed within five business days. At September 30, 2013 and December 31, 2012, there were no liquidity guarantee advances outstanding.

We own interests in numerous entities that are considered to be VIEs for which we are not the primary beneficiary and which we do not consolidate in accordance with the accounting guidance for the consolidation of VIEs. These VIEs relate primarily to our investment activity in mortgage-related assets and non-mortgage assets, and include LIHTC partnerships, certain Other Guarantee Transactions, and certain asset-backed investment trusts. Our consolidated balance sheets reflect only our investment in the VIEs, rather than the full amount of the VIEs' assets and liabilities. See "NOTE 3: VARIABLE INTEREST ENTITIES" in our 2012 Annual Report for additional information related to our variable interests in these VIEs.

For further information on our off-balance sheet arrangements, see "MD&A — Off-Balance Sheet Arrangements" in our 2012 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires us to make a number of judgments, estimates, and assumptions that affect the reported amounts within our consolidated financial statements. Certain of our accounting policies, as well as estimates we make, are critical, as they are both important to the presentation of our financial condition and results of operations and require management to make difficult, complex, or subjective judgments and estimates, often regarding matters that are inherently uncertain. Actual results could differ from our estimates and the use of different judgments and assumptions related to these policies and estimates could have a material impact on our consolidated financial statements.

Our critical accounting policies and estimates relate to: (a) the allowance for loan losses and the reserve for guarantee losses; (b) fair value measurements; (c) impairment recognition on investments in securities; and (d) our ability to realize net deferred tax assets. For additional information about our critical accounting policies and estimates and other significant accounting policies, as well as recently issued accounting guidance, see "MD&A — CRITICAL ACCOUNTING POLICIES AND ESTIMATES" in our 2012 Annual Report and "NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in this Form 10-Q and our 2012 Annual Report. For additional information about our ability to realize net deferred tax assets, see "CONSOLIDATED BALANCE SHEETS ANALYSIS — Deferred Tax Assets and Liabilities."

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FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, the news media, securities analysts, and others as part of our normal operations. Some of these communications, including this Form 10-Q, contain "forward-looking statements," including statements pertaining to the conservatorship, our current expectations and objectives for our efforts under the MHA Program, the servicing alignment initiative and other programs to assist the U.S. residential mortgage market, future business plans, liquidity, capital management, economic and market conditions and trends, market share, the effect of legislative and regulatory developments, implementation of new accounting guidance, credit losses, internal control remediation efforts, and results of operations and financial condition on a GAAP, Segment Earnings, and fair value basis. Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond our control. Forward-looking statements are often accompanied by, and identified with, terms such as "objective," "expect," "trend," "forecast," "anticipate," "believe," "intend," "future," "may," "will," and similar phrases. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates, and projections. Actual results may differ significantly from those described in or implied by such forward-looking statements due to various factors and uncertainties, including those described in the "RISK FACTORS" sections of this Form 10-Q and our 2012 Annual Report, and:

- the actions FHFA, Treasury, the Federal Reserve, the SEC, HUD, other federal agencies, the Administration, Congress, and our management may take, including actions related to implementing FHFA's strategic plan for Freddie Mac and Fannie Mae's conservatorships and the Conservatorship Scorecards;
- the effect of the restrictions and other terms of the conservatorship, the Purchase Agreement and the Warrant on our business, including payment of our dividend obligation on the senior preferred stock;
- our ability to maintain adequate liquidity to fund our operations, including following any changes in the support provided to us by Treasury or FHFA, a change in the credit ratings of our debt securities or a change in the credit rating of the U.S. government;
- changes in our charter or applicable legislative or regulatory requirements (including any restructuring or reorganization in the form of our company, whether we will remain a stockholder-owned company or continue to exist and whether we will be wound down or placed under receivership), regulations under the GSE Act, the Reform Act, or the Dodd-Frank Act, regulatory or legislative actions that require us to support non-mortgage market initiatives, changes to affordable housing goals regulation, reinstatement of regulatory capital requirements, or the exercise or assertion of additional regulatory or administrative authority;
- changes in housing or economic conditions, legislation or other factors that affect our assessment of our ability to realize our net deferred tax asset, and cause us to establish a valuation allowance against our net deferred tax asset;
- changes in the federal government's fiscal and monetary policy (including the completion, modification or termination of the Federal Reserve's program of purchasing Treasury securities and agency mortgage-related securities, or any sales of such securities, and any resulting impact on interest rates, home prices and the national economy);
- changes in the regulation of the mortgage, housing finance, and financial services industries, including changes caused by the Dodd-Frank Act, or any other legislative, regulatory, or judicial action at the federal, state, or local level;
- actions against mortgage originators and servicers, mortgage insurers, and other mortgage industry participants by federal or state authorities;
- the scope of various initiatives designed to help in the housing recovery (including the extent to which borrowers participate in HAMP, HARP, the non-HAMP standard loan modification initiative, the streamlined non-HAMP modification initiative, and the recent short sale initiative), and the effect of such programs on our credit losses, expenses, and the size and composition of our mortgage-related investments portfolio;
- the effect of the lengthening of the foreclosure timeline;
- the ability of our financial, accounting, data processing, and other operating systems or infrastructure, and those of our vendors to process the complexity and volume of our transactions;
- changes in accounting or tax guidance or in our accounting policies or estimates, and our ability to effectively implement any such changes in guidance, policies, or estimates;

- changes in general regional, national, or international economic, business, or market conditions and competitive pressures, including changes in employment rates and interest rates;
- changes in the U.S. residential mortgage market, including changes in the rate of growth in total outstanding U.S. residential mortgage debt, the size of the U.S. residential mortgage market, and home prices;
- our ability to effectively implement our business strategies, including any efforts to improve the supply and liquidity of, and demand for, our mortgage-related and debt securities, and restrictions on our ability to offer new products or engage in new activities;
- our ability to recruit and retain executive officers and other key employees;

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- our ability to effectively identify and manage credit, interest-rate, operational, and other risks in our business, including changes to the credit environment and the levels and volatilities of interest rates, as well as the shape and slope of the yield curves;
- the effects of internal control deficiencies and our ability to effectively identify, assess, evaluate, manage, mitigate, or remediate control deficiencies and risks, including material weaknesses and significant deficiencies, in our internal control over financial reporting and disclosure controls and procedures;
- incomplete or inaccurate information provided by customers and counterparties;
- consolidation among, or adverse changes in the financial condition of, our customers and counterparties;
- the failure of our customers and counterparties to fulfill their obligations to us, and the potential cost and difficulty of legally enforcing those obligations. These obligations include, for example: (a) the obligation of seller/servicers to repurchase loans sold to us in breach of their representations and warranties, and (b) the obligation of mortgage insurers to pay our claims in full;
- changes in our judgments, assumptions, forecasts, or estimates regarding the volume of our business and spreads we expect to earn;
- the availability of options, interest-rate and currency swaps, and other derivative financial instruments of the types and quantities, on acceptable terms, and with acceptable counterparties needed for investment funding and risk management purposes;
- changes in pricing, valuation or other methodologies, models, assumptions, judgments, estimates and/or other measurement techniques, or their respective reliability;
- changes in mortgage-to-debt OAS;
- the potential effect on the market for our securities resulting from any purchases or sales by any large investor, including the Federal Reserve, of Freddie Mac debt or mortgage-related securities;
- adverse judgments or settlements in connection with legal proceedings, governmental investigations, and IRS examinations;
- volatility of reported results due to changes in the fair value of certain instruments or assets;
- the development of different types of mortgage servicing structures and servicing compensation;
- preferences of originators in selling into the secondary mortgage market;
- changes to our underwriting or servicing requirements (including servicing alignment efforts under the servicing alignment initiative), our practices with respect to the disposition of REO properties, or investment standards for mortgage-related products;
- investor preferences for mortgage loans and mortgage-related and debt securities compared to other investments;
- borrower preferences for fixed-rate mortgages versus ARMs;
- the occurrence of a major natural or other disaster in geographic areas in which our offices or portions of our total mortgage portfolio are concentrated;
- other factors and assumptions described in this Form 10-Q, our Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, and our 2012 Annual Report, including in the “MD&A” sections;
- our assumptions and estimates regarding the foregoing and our ability to anticipate the foregoing factors and their effects; and
- market reactions to the foregoing.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statements we make to reflect events or circumstances occurring after the date of this Form 10-Q.

RISK MANAGEMENT AND DISCLOSURE COMMITMENTS

Under an agreement with FHFA, we have committed to provide certain disclosures, including the interest-rate risk and credit risk sensitivity disclosures discussed below. FHFA has suspended certain other disclosure commitments under the agreement. For more information, see “MD&A — RISK MANAGEMENT AND DISCLOSURE COMMITMENTS” in our 2012 Annual Report.

For disclosures concerning our PMVS and duration gap, see “QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — Interest-Rate and Other Market Risks — PMVS and Duration Gap.” Our

monthly average PMVS results, duration gap, and related disclosures are provided in our Monthly Volume Summary reports, which are available on our web site, www.freddiemac.com and in current reports on Form 8-K we file with the SEC. For disclosures concerning credit risk sensitivity, see "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Credit Risk Sensitivity."

LEGISLATIVE AND REGULATORY MATTERS

Legislation Related to Freddie Mac and its Future Status

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Our future structure and role will be determined by the Administration and Congress, and there are likely to be significant changes beyond the near-term. Congress continues to hold hearings and consider legislation on the future state of Freddie Mac, Fannie Mae and the housing finance system.

Several bills related to Freddie Mac, Fannie Mae and the future of the mortgage finance system were introduced in Congress in June and July 2013, as discussed in "MD&A — LEGISLATIVE AND REGULATORY MATTERS - Legislation Related to Freddie Mac and its Future Status" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013. We anticipate that other bills will be introduced. We cannot predict whether any of such bills might be enacted.

For more information, see "RISK FACTORS — Conservatorship and Related Matters — The future status and role of Freddie Mac is uncertain and could be materially adversely affected by legislative and regulatory action that alters the ownership, structure, and mission of the company" in our 2012 Annual Report.

FHFA Advisory Bulletin

On April 9, 2012, FHFA issued Advisory Bulletin AB 2012-02, "Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention." This Advisory Bulletin will, among other provisions, require that we classify the portion of the loan balance in excess of the fair value of the underlying property, less costs to sell, adjusted for any credit enhancements, as a "loss" no later than when an outstanding single-family loan becomes 180 days delinquent, except in certain specified circumstances (such as those involving properly secured loans with an LTV ratio equal to or less than 60%). The Advisory Bulletin also requires classification of the portion of the loan balance in excess of the fair value of the underlying property, less costs to sell, adjusted for any credit enhancements, as a "loss" for single-family loans within 60 days of notification of a bankruptcy filing by the borrower, unless it can be clearly demonstrated and documented that repayment is likely to occur. For multifamily loans, the Advisory Bulletin will require any portion of a loan balance that exceeds the amount secured by the fair value of the collateral, less costs to sell, where there are no available and reliable sources of repayment other than the sale of the underlying real estate collateral, to be classified as a "loss."

The Advisory Bulletin will require us to charge off the portion of the loan classified as a "loss." Under our existing accounting policy and upon adoption of the Advisory Bulletin, the ultimate amount of losses we realize on loans will be the same; however, the timing of when the losses will be recorded will differ.

On May 13, 2013, FHFA issued an additional Advisory Bulletin clarifying the implementation timeline for AB 2012-02, requiring that: (a) the asset classification provisions of AB 2012-02 should be implemented by January 1, 2014; and (b) the charge-off provisions of AB 2012-02 should be implemented no later than January 1, 2015.

The Advisory Bulletin will require us to change our practice for determining when a loan is deemed to be uncollectible. We will work with FHFA to consider how the Advisory Bulletin may impact our credit risk management practices. Our current practice is based on our historical loss data and results in a loan being deemed to be uncollectible at the date of foreclosure or other liquidation event (such as a deed-in-lieu of foreclosure or a short sale). The Advisory Bulletin will require us to determine a loan is uncollectible when the loan becomes 180 days delinquent.

The Advisory Bulletin will not have an impact on the approach we use to estimate the allowance for loan losses for our single-family and multifamily loans that are not classified as a "loss." We establish an allowance for loan losses against these loans either through our collective loss reserve or through our loss reserve for individually impaired loans. Thus, at the time loans become 180 days delinquent, we have already established loss reserves against them. However, under the Advisory Bulletin, the amount of the charge-off for loans classified as a "loss" is likely to exceed the allowance for loan losses because the charge-off will not be reduced by the benefit we expect from borrower reperformance on those loans, which is considered in our current allowance for loan losses methodology. As a result, we will record an additional provision for loan losses at the time a loan is classified as a "loss," and we will record an offsetting amount of income in future periods as certain loans that are classified as a "loss" reperform.

Our financial results will be impacted by two separate populations of loans upon adoption of the Advisory Bulletin: (a) single-family loans that are classified as a "loss" because they are 180 days or more delinquent; and (b) single-family loans that are classified as a "loss" due to a bankruptcy filing by the borrower. We do not expect a significant impact to our financial results from multifamily loans that are classified as a "loss."

As of September 30, 2013, we estimate that single-family loans with an unpaid principal balance of approximately $29.6 billion were 180 days or more delinquent and would have been classified as a "loss" under the provisions of the Advisory Bulletin. As of September 30, 2013, we have recognized an allowance for loan losses of $6.8 billion for probable incurred losses on those loans. By measuring impairment for those loans based on the fair value of the underlying collateral without consideration for estimated cash flows from borrowers that may reperform, we estimate that the amount of the charge-off we would need to record on those loans would be $8.7 billion. As a result, if we were to adopt the Advisory Bulletin as of September 30, 2013, we would need to record additional losses of $1.9 billion in order to write those loans down to the fair value of the underlying collateral. We would expect to record loss recoveries as additional income on those loans in future periods, as certain of those loans reperform and we recover amounts previously charged off. We also estimate that the amount of the additional losses that we will need to record with respect to loans that are 180 days or more delinquent to adopt the

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Advisory Bulletin on January 1, 2015, will be lower than the $1.9 billion estimate as of September 30, 2013 because we expect our population of loans that are 180 days or more delinquent to decline between September 30, 2013 and December 31, 2014.

As of September 30, 2013, we are not able to assess the impact of adoption of the Advisory Bulletin on our financial results with respect to the population of single-family loans that would be classified as a "loss" due to a bankruptcy filing by the borrower. However, we believe that the impact of adoption with respect to those loans will be substantially lower than the impact from the population of loans that are 180 days or more delinquent.

The estimates presented above, which required significant management judgment, are based on our current interpretation of certain significant issues under the Advisory Bulletin, such as how to apply the guidance to loans that reperform after having previously been 180 days or more delinquent. In turn, these interpretations are based on discussions with and guidance from FHFA. These discussions are ongoing, and we continue to work with FHFA and Fannie Mae to assess the operational and accounting impacts of the Advisory Bulletin. As a result, these estimates are subject to potentially significant change.

In addition, we have received a comment letter from the SEC Division of Corporation Finance, dated August 6, 2013, regarding our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. This comment letter contains a comment and several questions specifically related to our adoption of the Advisory Bulletin. We filed written responses to the comments with the SEC on August 20, 2013. We continue to work with the SEC staff to clarify the impact of the adoption of the Advisory Bulletin on our financial results.

Dodd-Frank Act

The Dodd-Frank Act, which was signed into law on July 21, 2010, significantly changed the regulation of the financial services industry, including by creating new standards related to regulatory oversight of systemically important financial companies, derivatives, capital requirements, asset-backed securitization, mortgage underwriting, and consumer financial protection. The Dodd-Frank Act has directly affected and will continue to directly affect the business and operations of Freddie Mac by subjecting us to new and additional regulatory oversight and standards, including with respect to our activities and products. We may also be affected by provisions of the Dodd-Frank Act and implementing regulations that affect the activities of servicers, banks, savings institutions, insurance companies, securities dealers, and other regulated entities that are our customers and counterparties.

Recent developments with respect to Dodd-Frank rulemakings that may have a significant impact on Freddie Mac include an August 2013 rule proposal concerning credit risk retention. This rule, jointly proposed by six agencies, including FHFA, revises a 2011 proposal that would implement the credit risk retention requirements of the Dodd-Frank Act. The rule generally would require a securitizer of asset-backed securities to retain no less than five percent of the credit risk of the assets underlying such securities. The rule would provide an exemption from this requirement for asset-backed securities collateralized exclusively by qualified residential mortgages (or "QRMs"), and would define a QRM by reference to the definition of a "qualified mortgage" under the Truth in Lending Act. The proposal also requests comment on an alternative definition of QRM that would significantly reduce the number of loans that would qualify as QRM. As in the 2011 proposal, Freddie Mac's fully guaranteed securitizations generally would satisfy the risk retention requirements for so long as we are in conservatorship or receivership and receiving federal financial support. This exemption would not apply to securitization structures that are not fully guaranteed. The effective date of any final risk retention rule with respect to residential mortgage securitizations will be one year after such rule is finalized.

We continue to review and assess the impact of rulemakings and other activities under the Dodd-Frank Act. For more information, see "RISK FACTORS — Legal and Regulatory Risks — The Dodd-Frank Act and related regulation may adversely affect our business activities and financial results" in our 2012 Annual Report.

FHFA Request for Public Input on Reducing Freddie Mac and Fannie Mae Multifamily Businesses

On August 9, 2013, FHFA announced that it is evaluating alternatives for reducing Freddie Mac and Fannie Mae's presence in the multifamily housing finance market in 2014 and is seeking public input on the potential market impact of various strategies. FHFA stated that the strategies may include:

- Restrictions on available loan terms;
- Simplification and standardization of loan products;

- Limits on property financing;
- Limits on business activities; and,
- Other options that FHFA should consider to contract the enterprises' multifamily businesses.

Input from the public was due October 8, 2013 in order for FHFA to consider the responses for potential inclusion in our 2014 Conservatorship Scorecard and provide for continued gradual contraction of the GSEs' multifamily business.

Litigation Against the U.S. Government Concerning Conservatorship and the Purchase Agreement

In June, July and September 2013, a number of lawsuits were filed against the U.S. government and, in some cases, the Secretary of the Treasury and the Acting Director of FHFA challenging certain government actions related to the

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conservatorship (including actions taken in connection with the imposition of conservatorship) and the Purchase Agreement. Several of the lawsuits seek to invalidate the net worth sweep dividend provisions of the senior preferred stock, which were implemented pursuant to the August 2012 amendment to the Purchase Agreement. Another lawsuit seeks to require us to make payments to an affordable housing trust fund managed by HUD, as discussed in “LEGAL PROCEEDINGS.” It is possible that similar lawsuits will be filed in the future. Freddie Mac is not a party to these lawsuits. However, a number of lawsuits have been filed against Freddie Mac concerning the August 2012 amendment to the Purchase Agreement. See “NOTE 17: LEGAL CONTINGENCIES- Litigation Concerning the Purchase Agreement” for more information.

It is not possible for us to predict the outcome of these lawsuits, or the actions the U.S. government (including Treasury or FHFA) might take in response to any ruling or finding in any of these lawsuits or any future lawsuits. However, it is possible that we could be adversely affected by these events, including, for example, by changes to the Purchase Agreement, or any resulting actual or perceived changes in the level of U.S. government support for our business.

Termination of Certain Retirement Plans

On October 24, 2013, we received a directive from FHFA to terminate our tax-qualified defined benefit plan and certain non-qualified retirement plans. There will be no further accruals under these plans after December 31, 2013. For additional information, see our current report on Form 8-K dated October 25, 2013 that was filed with the SEC.

Affordable Housing Goals and Results for 2012

In October 2013, FHFA informed us that it had reviewed our performance with respect to the affordable housing goals for 2012, and determined that we achieved all of our single-family affordable housing goals and both multifamily goals. Our performance on the goals, as determined by FHFA, is set forth below.

Table 60 — Affordable Housing Goals and Results for 2012

	Goals for 2012		Market Level for 2012[1]		Results for 2012	
Single-family purchase money goals (benchmark levels):						
Low-income	23	%	26.6	%	24.4	%
Very low-income	7	%	7.7	%	7.1	%
Low-income areas[2]	20	%	20.5	%	20.6	%
Low-income areas subgoal	11	%	13.6	%	11.4	%
Single-family refinance low-income goal (benchmark level)	20	%	22.3	%	22.4	%
Multifamily low-income goal (in units)	225,000		N/A		298,529	
Multifamily low-income subgoal (in units)	59,000		N/A		60,084	

(1) Determined by FHFA based on its analysis of market data for 2012.

(2) FHFA will annually set the benchmark level for the low-income areas goal based on the benchmark level for the low-income areas subgoal, plus an adjustment factor reflecting the additional incremental share of mortgages for low- and moderate-income families in designated disaster areas in the most recent year for which such data are available. For 2012, FHFA set the benchmark level for the low-income areas goal at 20%.

For more information, see "BUSINESS — Regulation and Supervision — Federal Housing Finance Agency — Affordable Housing Goals" in our 2012 Annual Report.

Lender-Placed Insurance

On November 5, 2013, FHFA announced that it has directed Freddie Mac and Fannie Mae to prohibit servicers from being reimbursed for expenses associated with captive reinsurance arrangements. In March 2013, FHFA published a notice on certain lender-placed insurance practices and indicated that it planned a broader review of lender-placed insurance issues.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest-Rate Risk and Other Market Risks

Our investments in mortgage assets (i.e., mortgage loans and mortgage-related securities) expose us to interest-rate risk and other market risks, including basis and spread risk, arising primarily from the uncertainty as to when borrowers will pay the outstanding principal balance of mortgage loans and mortgage-related securities, known as prepayment risk, and the resulting potential mismatch in the timing of our receipt of cash flows related to our assets versus the timing of payment of cash flows related to the liabilities we use to fund those assets. Differences from expectations or changes in prepayments, basis, or spreads could result in significant economic losses and have an adverse impact on earnings. In addition, these risks could result in realized losses upon the sale of assets. While we do manage interest rate risk, we have limited ability to manage basis and spread risk. See "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — Interest-Rate Risk and Other Market Risks" in our 2012 Annual Report for a discussion of our market risk exposures, including those related to derivatives, institutional counterparties, and other market risks.

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PMVS and Duration Gap

Our primary interest-rate risk measures are PMVS and duration gap.

PMVS is an estimate of the change in the market value of our net assets and liabilities from an instantaneous 50 basis point shock to interest rates, assuming no rebalancing actions are undertaken and assuming the mortgage-to-LIBOR basis does not change. PMVS is measured in two ways, one measuring the estimated sensitivity of our portfolio market value to parallel movements in interest rates (PMVS-Level or PMVS-L) and the other to nonparallel movements (PMVS-YC).

Duration gap measures the difference in price sensitivity to interest rate changes between our assets and liabilities, and is expressed in months relative to the market value of assets. For example, assets with a six month duration and liabilities with a five month duration would result in a positive duration gap of one month. A duration gap of zero implies that the duration of our assets equals the duration of our liabilities.

The 50 basis point shift and 25 basis point change in slope of the LIBOR yield curve used for our PMVS measures reflect reasonably possible near-term changes that we believe provide a meaningful measure of our interest-rate risk sensitivity. Our PMVS measures assume instantaneous shocks. Therefore, these PMVS measures do not consider the effects on fair value of any rebalancing actions that we would typically expect to take to reduce our risk exposure.

Limitations of Market Risk Measures

Our PMVS and duration gap estimates are determined using models that involve our judgment of interest-rate and prepayment assumptions. Accordingly, while we believe that PMVS and duration gap are useful risk management tools, they should be understood as estimates rather than as precise measurements. There could be times when we hedge differently than our model estimates during the period (e.g., when we are making changes or market updates to these models). In those cases where we hedge differently than the model estimate, we still operate within our risk limits. While PMVS and duration gap estimate our exposure to changes in interest rates, they do not capture the potential impact of certain other market risks, such as changes in volatility, basis, and foreign-currency risk. The impact of these other market risks can be significant.

There are inherent limitations in any methodology used to estimate exposure to changes in market interest rates. Our sensitivity analyses for PMVS and duration gap contemplate only certain movements in interest rates and are performed at a particular point in time based on the estimated fair value of our existing portfolio. These sensitivity analyses do not consider other factors that may have a significant effect on our financial instruments, most notably business activities and strategic actions that management may take in the future to manage interest-rate risk. As such, these analyses are not intended to provide precise forecasts of the effect a change in market interest rates would have on the estimated fair value of our net assets.

In addition, it has been more difficult in recent years to measure and manage the interest-rate risk related to mortgage assets as risk for prepayment model error remains high due to the low interest rate environment and uncertainty regarding default rates, unemployment, government policy changes and programs, loan modifications, and the volatility and impact of home price movements on mortgage durations. Misestimation of prepayments could result in significant economic losses and have an adverse impact on earnings. In addition, this misestimation could result in realized losses upon the sale of assets.

Duration Gap and PMVS Results

The table below provides duration gap, estimated point-in-time and minimum and maximum PMVS-L and PMVS-YC results, and an average of the daily values and standard deviation for the three and nine months ended September 30, 2013 and 2012. The table below also provides PMVS-L estimates assuming an immediate 100 basis point shift in the LIBOR yield curve. We do not hedge the entire prepayment risk exposure embedded in our mortgage assets. The interest-rate sensitivity of a mortgage portfolio varies across a wide range of interest rates. Therefore, the difference between PMVS at 50 basis points and 100 basis points is non-linear.

Our PMVS-L (50 basis points) exposure at September 30, 2013 was $399 million, which increased compared to December 31, 2012 primarily due to an increase in our duration exposure. On an average basis for the three and nine months ended September 30, 2013, our PMVS-L (50 basis points) was $271 million and $287 million, respectively, primarily resulting from our negative convexity exposure on our mortgage assets.

To improve the accuracy of our models, we make changes to the underlying assumptions or modeling techniques on a periodic basis.

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Table 61 — PMVS and Duration Gap Results

	PMVS-YC 25 bps	PMVS-L 50 bps	100 bps
	(in millions)		
Assuming shifts of the LIBOR yield curve:			
September 30, 2013	$60	$399	$874
December 31, 2012	$61	$209	$737

	Three Months Ended September 30,					
	2013			2012		
	Duration Gap	PMVS-YC 25 bps	PMVS-L 50 bps	Duration Gap	PMVS-YC 25 bps	PMVS-L 50 bps
	(in months)	(dollars in millions)		(in months)	(dollars in millions)	
Average	(0.5)	$26	$271	(0.6)	$52	$215
Minimum	(1.6)	$2	$159	(2.4)	$1	$—
Maximum	0.8	$67	$451	0.6	$116	$661
Standard deviation	0.5	$18	$64	0.6	$35	$159

	Nine Months Ended September 30,					
	2013			2012		
	Duration Gap	PMVS-YC 25 bps	PMVS-L 50 bps	Duration Gap	PMVS-YC 25 bps	PMVS-L 50 bps
	(in months)	(dollars in millions)		(in months)	(dollars in millions)	
Average	(0.1)	$24	$287	(0.2)	$29	$198
Minimum	(1.6)	$—	$152	(2.4)	$1	$—
Maximum	1.6	$68	$586	0.6	$116	$661
Standard deviation	0.5	$16	$75	0.5	$28	$105

Derivatives have historically enabled us to reduce our interest-rate risk exposure, which could have been higher without the use of derivatives. The table below shows that the PMVS-L risk levels for the periods presented would have been higher if we had not used derivatives. The derivative impact on our PMVS-L (50 basis points) was $(1.3) billion at September 30, 2013, an increase of $0.4 billion from December 31, 2012. The increase was primarily driven by hedging an increase in the duration of our mortgage assets caused by the increase in interest rates during 2013.

Table 62 — Derivative Impact on PMVS-L (50 bps)

	Before Derivatives	After Derivatives	Effect of Derivatives
	(in millions)		
At:			
September 30, 2013	$1,687	$399	$(1,288)
December 31, 2012	$1,102	$209	$(893)

The disclosure in our Monthly Volume Summary reports, which are available on our web site at www.freddiemac.com and in current reports on Form 8-K we file with the SEC, reflects the average of the daily PMVS-L, PMVS-YC and duration gap estimates for a given reporting period (a month, quarter or year).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to management of the company, including the company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in implementing possible controls and procedures.

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Management, including the company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2013. As a result of management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2013, at a reasonable level of assurance, because we have not been able to update our disclosure controls and procedures to provide reasonable assurance that information known by FHFA on an ongoing basis is communicated from FHFA to Freddie Mac's management in a manner that allows for timely decisions regarding our required disclosure. Based on discussions with FHFA and the structural nature of this continuing weakness, we believe it is likely that we will not remediate this material weakness while we are under conservatorship. We consider this situation to be a material weakness in our internal control over financial reporting. For more information, see "CONTROLS AND PROCEDURES — Management's Report on Internal Control Over Financial Reporting" in our 2012 Annual Report.

Changes in Internal Control Over Financial Reporting During the Quarter Ended September 30, 2013

We evaluated the changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2013 and concluded that the following matters have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting:

- Linda B. Bammann, a member of Freddie Mac's Board of Directors and Chair of the Board's Business and Risk Committee, resigned from the Board effective July 31, 2013. Steven W. Kohlhagen was subsequently appointed as Chair of the Committee on an interim basis.
- On September 30, 2013, we announced that James G. Mackey will be joining Freddie Mac during the week of November 11, 2013 as our new Executive Vice President — Chief Financial Officer.

Mitigating Actions Related to the Material Weakness in Internal Control Over Financial Reporting

As described above in "Evaluation of Disclosure Controls and Procedures," we have one material weakness in internal control over financial reporting as of September 30, 2013 that we have not remediated.

Given the structural nature of this material weakness, we believe it is likely that we will not remediate it while we are under conservatorship. However, both we and FHFA have continued to engage in activities and employ procedures and practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws. These include the following:

- FHFA has established the Office of Conservatorship Operations, which is intended to facilitate operation of the company with the oversight of the Conservator.
- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of external press releases, statements and speeches to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-Q, and engage in discussions regarding issues associated with the information contained in those filings. Prior to filing this Form 10-Q, FHFA provided us with a written acknowledgement that it had reviewed the Form 10-Q, was not aware of any material misstatements or omissions in the Form 10-Q, and had no objection to our filing the Form 10-Q.
- The Acting Director of FHFA is in frequent communication with our Chief Executive Officer, typically meeting (in person or by phone) on at least a bi-weekly basis.
- FHFA representatives hold frequent meetings with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and capital markets management, external communications, and legal matters.
- Senior officials within FHFA's accounting group meet frequently with our senior financial executives regarding our accounting policies, practices, and procedures.

In view of our mitigating actions related to this material weakness, we believe that our interim consolidated financial statements for the quarter ended September 30, 2013 have been prepared in conformity with GAAP.

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ITEM 1. FINANCIAL STATEMENTS

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FREDDIE MAC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions, except share-related amounts)			
Interest income				
Mortgage loans:				
Held by consolidated trusts	$14,197	$15,838	$42,798	$50,112
Unsecuritized	1,872	2,108	5,898	6,644
Total mortgage loans	16,069	17,946	48,696	56,756
Investments in securities	1,871	2,522	6,047	8,237
Other	7	26	37	60
Total interest income	17,947	20,494	54,780	65,053
Interest expense				
Debt securities of consolidated trusts	(11,523)	(13,584)	(35,262)	(43,462)
Other debt	(2,041)	(2,493)	(6,473)	(7,969)
Total interest expense	(13,564)	(16,077)	(41,735)	(51,431)
Expense related to derivatives	(107)	(148)	(360)	(467)
Net interest income	4,276	4,269	12,685	13,155
Benefit (provision) for credit losses	1,138	(610)	2,264	(2,590)
Net interest income after benefit (provision) for credit losses	5,414	3,659	14,949	10,565
Non-interest income (loss)				
Gains (losses) on extinguishment of debt securities of consolidated trusts	135	(34)	197	(39)
Gains (losses) on retirement of other debt	143	11	136	(55)
Gains (losses) on debt recorded at fair value	(28)	(10)	(13)	35
Derivative gains (losses)	(74)	(488)	1,663	(2,426)
Impairment of available-for-sale securities:				
Total other-than-temporary impairment of available-for-sale securities	(130)	(332)	(169)	(942)
Portion of other-than-temporary impairment recognized in AOCI	4	65	(44)	13
Net impairment of available-for-sale securities recognized in earnings	(126)	(267)	(213)	(929)
Other gains (losses) on investment securities recognized in earnings	620	(330)	(153)	(974)
Other income (loss)	1,019	558	1,152	1,561
Non-interest income (loss)	1,689	(560)	2,769	(2,827)
Non-interest expense				
Salaries and employee benefits	(207)	(202)	(626)	(605)
Professional services	(144)	(93)	(387)	(245)
Occupancy expense	(14)	(15)	(41)	(43)
Other administrative expenses	(90)	(91)	(277)	(246)
Total administrative expenses	(455			