FEDERAL HOME LOAN MORTGAGE CORP
Form 10-Q
August 07, 2014
Table of Contents

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 June 30, 2014
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 ý	Accelerated filer ¨
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 July 24, 2014, there were 650,040,391 shares of the registrant's common stock outstanding.

Table of Contents

TABLE OF CONTENTS

	Page
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements	97
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1
Executive Summary	1
Selected Financial Data	12
Consolidated Results of Operations	13
Consolidated Balance Sheets Analysis	33
Risk Management	48
Liquidity and Capital Resources	85
Fair Value Balance Sheets and Analysis	88
Off-Balance Sheet Arrangements	90
Critical Accounting Policies and Estimates	90
Forward-Looking Statements	90
Risk Management and Disclosure Commitments	91
Legislative and Regulatory Matters	92
Item 3. Quantitative and Qualitative Disclosures About Market Risk	94
Item 4. Controls and Procedures	96
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	172
Item 1A. Risk Factors	172
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	172
Item 6. Exhibits	172
SIGNATURES	173
GLOSSARY	174
EXHIBIT INDEX	E-1

Table of Contents

MD&A TABLE REFERENCE

Table	Description	Page
1	Total Single-Family Loan Workout Volumes	3
2	Mortgage-Related Investments Portfolio	10
3	Selected Financial Data	12
4	Summary Consolidated Statements of Comprehensive Income	13
5	Net Interest Income/Yield and Average Balance Analysis	14
6	Derivative Gains (Losses)	17
7	Other Income (Loss)	18
8	Non-Interest Expense	19
9	REO Operations (Income) Expense	19
10	Composition of Segment Mortgage Portfolios and Credit Risk Portfolios	22
11	Segment Earnings and Key Metrics — Single-Family Guarantee	23
12	Segment Earnings Composition — Single-Family Guarantee Segment	25
13	Segment Earnings and Key Metrics — Investments	28
14	Segment Earnings and Key Metrics — Multifamily	31
15	Investments in Securities	33
16	Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets	35
17	Additional Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets	35
18	Mortgage-Related Securities Purchase Activity	36
19	Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, and Alt-A Loans and Certain Related Credit Statistics	37
20	Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans	39
21	Net Impairment of Available-For-Sale Mortgage-Related Securities Recognized in Earnings	39
22	Ratings of Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans, and CMBS	41
23	Mortgage Loan Purchases and Other Guarantee Commitment Issuances	42
24	Derivative Fair Values and Maturities	44
25	Freddie Mac Mortgage-Related Securities	46
26	Issuances and Extinguishments of Debt Securities of Consolidated Trusts	47
27	Changes in Total Equity	48
28	Single-Family Credit Guarantee Portfolio Data by Year of Origination	49
29	Characteristics of Purchases for the Single-Family Credit Guarantee Portfolio	51
30	Characteristics of the Single-Family Credit Guarantee Portfolio	52
31	Certain Higher-Risk Categories in the Single-Family Credit Guarantee Portfolio	56
32	Single-Family Loan Workout, Serious Delinquency, and Foreclosure Volumes	59
33	Quarterly Percentages of Modified Single-Family Loans — Current or Paid Off	60
34	Single-Family Relief Refinance Loans	61
35	Single-Family Serious Delinquency Statistics	62
36	Credit Concentrations in the Single-Family Credit Guarantee Portfolio	64
37	Single-Family Credit Guarantee Portfolio by Attribute Combinations	66
38	Multifamily Mortgage Portfolio — by Attribute	69
39	TDRs and Non-Accrual Mortgage Loans	71
40	REO Activity by Region	72
41	Single-Family REO Property Status	73
42	Credit Loss Performance	74
43	Severity Ratios for Single-Family Loans	75
44	Single-Family Impaired Loans with Specific Reserve Recorded	76

45	Single-Family Credit Loss Sensitivity	77
46	Mortgage Insurance by Counterparty	79

Table of Contents

47	Bond Insurance by Counterparty	80
48	Derivative Counterparty Credit Exposure	83
49	Activity in Other Debt	86
50	Freddie Mac Credit Ratings	86
51	Consolidated Fair Value Balance Sheets	89
52	Summary of Change in the Fair Value of Net Assets	89
53	PMVS and Duration Gap Results	95
54	Derivative Impact on PMVS-L (50 bps)	95

Table of Contents

FINANCIAL STATEMENTS

	Page
Consolidated Statements of Comprehensive Income	98
Consolidated Balance Sheets	99
Consolidated Statements of Equity	100
Consolidated Statements of Cash Flows	101
Note 1: Summary of Significant Accounting Policies	102
Note 2: Conservatorship and Related Matters	104
Note 3: Variable Interest Entities	105
Note 4: Mortgage Loans and Loan Loss Reserves	107
Note 5: Impaired Loans	112
Note 6: Real Estate Owned	118
Note 7: Investments in Securities	118
Note 8: Debt Securities and Subordinated Borrowings	124
Note 9: Derivatives	126
Note 10: Collateral and Offsetting of Assets and Liabilities	129
Note 11: Stockholders’ Equity	132
Note 12: Income Taxes	134
Note 13: Segment Reporting	134
Note 14: Financial Guarantees	139
Note 15: Concentration of Credit and Other Risks	140
Note 16: Fair Value Disclosures	146
Note 17: Legal Contingencies	166
Note 18: Regulatory Capital	169
Note 19: Selected Financial Statement Line Items	170

Table of Contents

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, business operations so that the company can continue to operate in the ordinary course. 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, 2013, or 2013 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 2013 Annual Report, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014; and (b) the "RISK FACTORS" and "BUSINESS" sections of our 2013 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 six months ended June 30, 2014 included in "FINANCIAL STATEMENTS" and our 2013 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 essential mortgage liquidity in a wide range of economic environments. We are working to support the continued recovery of the housing market and the nation's economy by: (a) providing America's families with access to mortgage funding at low rates while helping distressed borrowers keep their homes and avoid foreclosure, where possible; and (b) providing consistent liquidity to the multifamily mortgage market, which includes providing financing for affordable rental housing. At the same time, we are working with FHFA, our customers and the industry to build a stronger housing finance system for the nation.

Conservatorship and Government Support for Our Business

We continue to operate in conservatorship that began in September 2008, under the direction of FHFA, as our Conservator. The conservatorship and related matters continue to have a wide-ranging impact on us, including our management, business, financial condition, and results of operations. There is significant uncertainty as to our future, as conservatorship has no specified termination date, and it is unknown what changes may occur to our business model during or following conservatorship, including whether we will continue to exist.

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. We cannot over the long term build and retain capital from the earnings generated by our business operations, or return capital to stockholders other than Treasury.

For more information on the conservatorship and government support for our business, including the Purchase Agreement, see "BUSINESS — Conservatorship and Related Matters" and "NOTE 2: CONSERVATORSHIP AND RELATED MATTERS" in our 2013 Annual Report.

Consolidated Financial Results

During the second quarter of 2014, home price growth continued to moderate compared to the first half of 2013. Comprehensive income was $1.9 billion for the second quarter of 2014 compared to $4.4 billion for the second quarter of 2013. Comprehensive income for the second quarter of 2014 consisted of $1.4 billion of net income and

$0.5 billion of other comprehensive income. Our results for the second quarter of 2014 include: (a) a benefit for credit losses; and (b) settlements of lawsuits regarding our investments in certain residential non-agency mortgage-related securities; offset by (c) declines in the fair value of our derivatives due to the decrease in longer-term interest rates. Our total equity was $4.3 billion at June 30, 2014. As a result of our positive net worth at June 30, 2014, no draw is being requested from Treasury under the Purchase Agreement for the second quarter of 2014. Through June 30, 2014, we have paid aggregate cash dividends to Treasury that exceed our

aggregate draws received under the Purchase Agreement by $14.9 billion. At June 30, 2014, our aggregate funding received from Treasury under the Purchase Agreement was $71.3 billion.

Sustainability of Earnings

The level of earnings we have experienced in recent periods is not sustainable over the long term. Our 2013 financial results included a significant benefit related to the release of the deferred tax asset valuation allowance. As a result, we no longer maintain a valuation allowance against our deferred tax asset. Additionally, our 2013 and 2014 financial results included settlements of representation and warranty claims and of residential non-agency mortgage-related securities litigation. We do not expect future settlements, if any, of representation and warranty claims related to pre-conservatorship loan originations to have a significant effect on our financial results. Our recent financial results, particularly the level of loan loss provisioning, also benefited significantly from strong home price appreciation, which is moderating. 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, yield curves, implied volatility, and mortgage spreads (which impact both derivatives and mortgage-related securities held by us), and therefore can cause significant earnings and net worth variability from period to period.

Our Primary Business Objectives

Our business objectives reflect direction that we have received from the Conservator. We are focused on the following primary business objectives: (a) reducing taxpayer exposure to losses by reducing and managing our overall risk profile, especially to mortgage-related risks; (b) supporting U.S. homeowners and renters by providing lenders with a constant source of liquidity for mortgage products even when other sources of financing are scarce; (c) building a commercially strong and efficient business enterprise; and (d) positioning the company, in particular our people and infrastructure, to succeed in a to-be-determined “future state.”

On May 13, 2014, FHFA issued its 2014 Strategic Plan and the 2014 Conservatorship Scorecard. The 2014 Strategic Plan provides an updated vision for FHFA's implementation of its obligations as conservator of Freddie Mac and Fannie Mae (the “Enterprises”), and establishes three reformulated strategic goals: (a) maintain, in a safe and sound manner, foreclosure prevention activities and credit availability for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets; (b) reduce taxpayer risk through increasing the role of private capital in the mortgage market; and (c) build a new single-family securitization infrastructure for use by the Enterprises and adaptable for use by other participants in the secondary market in the future. The 2014 Conservatorship Scorecard establishes objectives and performance targets and measures for 2014 for the Enterprises related to the strategic goals set forth in the 2014 Strategic Plan. For more information, see "LEGISLATIVE AND REGULATORY MATTERS — FHFA's 2014 Strategic Plan for the Conservatorships of Freddie Mac and Fannie Mae and the 2014 Conservatorship Scorecard."

Reducing Taxpayer Exposure to Losses by Reducing and Managing Our Overall Risk Profile, Especially to Mortgage-Related Risks

We are working diligently with FHFA to reduce the taxpayers' exposure and improve the return on the taxpayers' investment. We continue to actively manage and reduce the high credit risk related to our 2005-2008 Legacy single-family book by: (a) providing homeowners with alternatives that allow them to stay in their homes; (b) maximizing the proceeds from short sales and REO sales; (c) actively managing our servicers; (d) pursuing our rights with our sellers; (e) enforcing our rights with other counterparties; and (f) reducing our mortgage-related investments portfolio over time. The 2005-2008 Legacy single-family book represented 15% of our single-family credit guarantee portfolio at June 30, 2014, but comprised 81% of our credit losses in the first half of 2014.

Providing Homeowners with Alternatives that Allow Them to Stay in Their Homes

We establish guidelines for our servicers to follow and provide them default management programs to use, in part, in determining which type of loan workout would be expected to provide us with an 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 on a reperforming loan may often be much higher than would be the case with a foreclosure or a foreclosure alternative. Since 2009, we have helped approximately 1,017,000 borrowers experiencing hardship complete a loan workout. Under our loan workout programs, our servicers contact borrowers

experiencing hardship with a goal of helping them stay in their homes or avoid foreclosure. Across all of our modification programs, we modified $7.0 billion and $8.5 billion in UPB of loans in the first six months of 2014 and 2013, respectively. Our servicers seek and also facilitate the completion of foreclosure alternatives when a home retention solution is not possible.

Beginning in 2009, we introduced a variety of borrower-assistance programs, including HAMP, to help keep families in their homes. Our relief refinance initiative, including HARP (which is the portion of our relief refinance initiative for loans with LTV ratios above 80%), is another key program used by our seller/servicers to help keep families in their homes. In the first six months of 2014 and 2013, we purchased or guaranteed $16.0 billion and $65.1 billion in UPB of relief refinance loans, respectively, which included $8.9 billion and $41.8 billion in UPB of HARP loans, respectively. We have purchased HARP loans provided to nearly 1.3 million borrowers since the initiative began in 2009, including approximately 51,000 borrowers

Table of Contents

during the first half of 2014. See "Table 34 — Single-Family Relief Refinance Loans" for more information about the volume of our relief refinance purchases.

As of June 30, 2014, the borrower's monthly payment for all of our completed HAMP modifications was reduced on average by an estimated $529 at the time of modification, which amounts to an average of $6,348 per year, and a total of $1.6 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).

The table below presents our single-family loan workout activities for the last five quarterly periods.

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

(1) Based on workouts 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 June 30, 2014, approximately 23,000 borrowers were in modification trial periods, including approximately 20,000 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 within the year; however, a single loan may be included under separate forbearance agreements in separate periods.

While we believe our home retention programs have been largely successful, many borrowers still need our assistance. See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk" for more information about loss mitigation activities and our efforts to keep families in their homes, including through our loan modification initiatives and our relief refinance mortgage initiative. Under the 2014 Conservatorship Scorecard, FHFA set goals for us relating to: (a) encouraging eligible borrowers to refinance their mortgages under HARP; and (b) assessing and developing additional plans for loss mitigation strategies. In June 2014, FHFA announced that it would begin a nationwide outreach campaign. This campaign includes open forum meetings with participation from us and Fannie Mae, in certain cities, to inform community leaders about HARP eligibility criteria and benefits. We are also assessing or piloting other new strategies for loss mitigation with FHFA and Fannie Mae, including implementing a temporary new modification initiative in Detroit, Michigan, to assist troubled borrowers in the city.

Maximizing the Proceeds from Short Sales and REO Sales

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

Table of Contents

We believe our REO disposition and short sale severity ratios in the first half of 2014 were positively affected by changes made in 2012 to our process for evaluating the market value of impaired loan collateral and determining the list price for our REO properties when we offer them for sale.

Under the 2014 Conservatorship Scorecard, FHFA set a goal for us to develop and implement a plan for targeted sales of non-performing loans and REO properties that facilitate neighborhood stabilization, especially in markets that have been hardest hit by the housing downturn. In the first half of 2014, we worked with FHFA and Fannie Mae to develop a plan for both short sales and REO sales, including expanded auctions of properties, in certain cities that were hardest hit by the housing crisis. In these areas we are also: (a) expanding our efforts with locally-based private entities to facilitate REO dispositions; and (b) expanding our first look opportunities, which provide an initial period for REO properties to be purchased by owner occupants and non-profits dedicated to neighborhood stabilization before permitting investors to make offers.

Actively Managing our Servicers

We continue to face challenges with respect to the performance of certain of our single-family servicers in managing our seriously delinquent loans. Our servicers represent and warrant to us that loans serviced on our behalf will be serviced in accordance with our servicing contract. These contractual obligations provide us with remedies for breaches in servicing. These contractual remedies include the ability to require the servicer to pay compensatory or other fees, repurchase the loan at its current UPB, and/or reimburse us for losses realized. Beginning in 2013, we increased our review of servicing related violations, which included issuing notices of defect to our servicers for certain violations of our servicing standards. As of June 30, 2014, we had: (a) $0.4 billion of outstanding repurchase requests for servicing related violations; and (b) an additional $0.3 billion of outstanding notices of defect, with our servicers, based on the UPB of the related loans. We also recognized $179 million of compensatory fees in the first half of 2014 primarily for servicer failures to complete a foreclosure within our timelines.

We continue to have a large population of seriously delinquent loans, many of which have been delinquent for more than one year; these loans tend to be more challenging to resolve. As of June 30, 2014, our serious delinquency rate for the aggregate of those states that require a judicial foreclosure and all other states was 2.89% and 1.39%, respectively. Foreclosures generally take longer to complete in states where judicial foreclosures are required, compared to other states. During the six months ended June 30, 2014, the average time to foreclose on properties in states that require a judicial foreclosure was 1,033 days compared to 644 days in all other states for loans in our single-family credit guarantee portfolio, excluding those underlying our Other Guarantee Transactions. These averages are based on the loans that completed foreclosure during the period.

In the first half of 2014, we facilitated the transfer of servicing for $15.1 billion in UPB of loans from our primary servicers to specialty servicers. As part of our efforts to maximize foreclosure alternatives, increase problem loan workouts, and mitigate our credit losses, we have continued to facilitate the transfer of servicing for certain pools of loans to servicers that specialize in workouts of problem loans.

Pursuing Our Rights with Our Sellers

We have contractual arrangements with our sellers under which they agree to sell us mortgage loans, and represent and warrant that those loans have been originated under specified underwriting standards. 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 remedies include the ability to require the seller to repurchase the loan at its current UPB and/or reimburse us for losses realized. In 2013, we substantially achieved the goal set for us (in the 2013 Conservatorship Scorecard) to complete our requests for remedies for breaches of seller representations and warranties related to pre-conservatorship loan activity. As a result, our exposure to single-family mortgage seller/servicers has declined with respect to repurchase obligations arising from breaches of representations and warranties made to us for loans they underwrote and sold to us. As of June 30, 2014 and December 31, 2013, we had $0.5 billion and $1.6 billion, respectively, of outstanding repurchase requests with sellers, based on UPB of the loans.

We continue to recover credit losses from seller/servicers in the normal course of business related to breaches of representations and warranties for loans they sold to us or service for us. In the first half of 2014, we recovered amounts from seller/servicers with respect to $1.4 billion in UPB of loans subject to our repurchase requests for

selling and servicing violations, including $0.4 billion in UPB related to settlement agreements. Approximately 18% of the $1.4 billion in UPB associated with resolved repurchase requests in the first half of 2014 were satisfied by the reimbursement of losses (excluding amounts related to settlement agreements).

In May 2014, at the direction of FHFA, we announced certain changes to our representation and warranty framework for loans acquired on and after July 1, 2014. See "RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Single-Family Mortgage Seller/Servicers" for information about these changes.

Enforcing Our Rights with Other Counterparties

We continue to pursue claims for coverage under mortgage insurance policies. We also continue to actively pursue settlements with mortgage insurance counterparties. We use mortgage insurance, which is a form of credit enhancement, to

Table of Contents

mitigate our credit loss exposure. Primary mortgage insurance is generally required to be purchased at loan origination, typically at the borrower's expense, for mortgages with LTV ratios greater than 80%, from an insurer that is typically selected by the lender.

We received payments under primary and other mortgage insurance of $0.6 billion and $0.9 billion during the six months ended June 30, 2014 and 2013, respectively. Although the financial condition of certain of our mortgage insurers has improved in recent periods, there is still significant risk that some of these counterparties may fail to fully meet their obligations. We expect to receive substantially less than full payment of our claims from one of our top five mortgage insurance counterparties, as it is only permitted to partially pay claims under orders of its regulator.

Our ability to manage our exposure to mortgage insurers is limited as: (a) certain of our mortgage insurers are operating below our eligibility thresholds; and (b) our ability to revoke a mortgage insurer's status as an eligible insurer requires FHFA approval under certain circumstances. We consider the collectability of our claims against our mortgage insurers when determining the carrying amount of our receivables and estimating our loan loss reserves on our consolidated balance sheets.

We are developing counterparty risk management standards for mortgage insurers, in conjunction with Fannie Mae, at the direction of FHFA, consisting of the following: (a) revised eligibility requirements, which includes financial requirements under a risk based framework; and (b) revised master policies that provide greater certainty of coverage and facilitate timely claims processing. The revised standards are designed to provide that mortgage insurers are able to withstand a stress economic scenario and fulfill their intended role of providing private capital to the mortgage market. In December 2013, FHFA announced that we and Fannie Mae, in collaboration with our mortgage insurers, had completed development of new master policies, for which the mortgage insurers are seeking state regulatory approval. Aligning mortgage insurer eligibility requirements is a key component of the 2014 Conservatorship Scorecard and the 2014 Strategic Plan. We have announced that the revised master policies will be implemented October 1, 2014. FHFA has published the draft eligibility requirements for public input during a comment period which will conclude on September 8, 2014. We expect to publish new eligibility requirements by the end of 2014, which will become effective 180 days after the publication date. Approved insurers that do not fully comply with the new financial requirements would be given a transition period of up to two years from the publication date.

At the direction of our Conservator, we are also 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, in some cases in conjunction with other investors, to mitigate or recover losses on our investments in these securities. In the first half of 2014, we and FHFA reached settlements with a number of institutions pursuant to which we received an aggregate of $4.9 billion, which was recognized in our consolidated statement of comprehensive income for the period. Lawsuits against a number of large institutions are currently pending. See "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS" for more information about our recent agreements with non-agency mortgage-related security issuers.

Reducing Our Mortgage-Related Investments Portfolio Over Time

In July 2014, pursuant to the 2014 Conservatorship Scorecard, we submitted a plan to FHFA to meet (even under adverse market conditions) the portfolio reduction requirements of the Purchase Agreement. Under the plan (and as set forth in the 2014 Conservatorship Scorecard), we are focused on reducing the less liquid assets in our mortgage-related investments portfolio. The Scorecard provides that any sales of less liquid assets should be economically sensible transactions that consider impacts to the market and neighborhood stability.

From December 31, 2013 to June 30, 2014, the size of our mortgage-related investments portfolio declined by 9% or $41.1 billion, to $419.9 billion. Our less liquid assets accounted for $27.6 billion of this decline. Our less liquid assets declined primarily due to liquidations and our active efforts to reduce less liquid assets through securitization of $3.5 billion of single-family reperforming and modified loans and sale of $8.2 billion of less liquid assets (excluding sales of: (a) multifamily held-for-sale loans; and (b) single-family loans purchased for cash). We plan to continue reducing the balance of our less liquid assets, although we continue to add certain of these assets to our mortgage-related investments portfolio as part of our business strategies (e.g., removal of seriously delinquent loans from PC pools and acquisitions of multifamily and single-family loans purchased for cash). For more information, see "Limits on Investment Activity and Our Mortgage-Related Investments Portfolio."

Supporting U.S. Homeowners and Renters by Providing Lenders with a Constant Source of Liquidity for Mortgage Products even when Other Sources of Financing are Scarce

We maintain a consistent market presence by providing lenders with a constant source of liquidity for mortgage products even when other sources of financing are scarce. This liquidity provides our customers with confidence to continue lending even in difficult environments. In the first six months of 2014 and 2013, we purchased or issued other guarantee commitments for $107.6 billion and $261.7 billion in UPB of single-family conforming mortgage loans, respectively, representing approximately 526,000 and 1,281,000 homes, respectively. Origination volumes in the U.S. residential mortgage market declined significantly during the first half of 2014, as compared to the first half of 2013, driven by a significant decline in the volume of refinance mortgages. We attribute this decline to higher average mortgage interest rates in the first half of 2014

compared to the first half of 2013. In addition, many borrowers have already refinanced their loans in recent periods at relatively low interest rates, and thus may be less likely to do so in the future. We estimate that we, Fannie Mae, and Ginnie Mae collectively guaranteed approximately 90% of the single-family conforming mortgages originated in the first half of 2014.

During the first half of 2014, our multifamily new business activity totaled $7.1 billion, and provided financing for 508 properties amounting to approximately 114,000 apartment units. Approximately 90% of the units were affordable to families earning at or below the median income in their area.

Under the 2014 Conservatorship Scorecard, FHFA set several goals for us relating to increasing access to single-family mortgage credit for creditworthy borrowers. These goals include continuing to improve, and provide additional clarity regarding, our representation and warranty framework.

Building a Commercially Strong and Efficient Business Enterprise

Single-Family Guarantee Segment Strategies

Our single-family business is our core business line. We continue to take steps to build a stronger, profitable business model for our ongoing business. Our goal is to strengthen the business model in order to run the business efficiently and effectively in support of homeowners and taxpayers and, if required as part of a future state for the enterprise, to be able to promptly return to private sector ownership.

Our Single-family Guarantee segment is focused on strengthening our business model by:

- Leveraging the fundamentals: We are leveraging our existing product offerings to better meet the needs of an evolving mortgage market. This includes working to reduce repurchase requests and penalties, in the form of fees, by providing greater certainty for seller/servicers that the loans they sell to us or service for us meet our requirements. We are doing this by enhancing the tools we make available to our customers (including Loan Prospector, Loan Quality Advisor, and Home Value Estimator), and expanding and leveraging the data standards of the Uniform Mortgage Data Program. We intend to continue to simplify, streamline, and strengthen our operations, while keeping pace with regulatory requirements, such as those implemented under the Dodd-Frank Act.
- Better serving our customers: Our customers are our sellers, servicers, and investor/dealers. Based on feedback we have received directly from our customers through our Customer Advisory Boards, surveys, and ongoing conversations, we are enhancing our processes and programs to improve our customers’ experience when doing business with us.
- Managing the credit risk of the single-family credit guarantee portfolio: We are managing our credit risk by setting our underwriting standards at a level commensurate with the long-term credit risk appetite of the company. 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. Beginning in 2009, we have made various changes to our credit policies, including changes to improve our underwriting standards, purchased fewer loans with higher risk characteristics, and assisted in improving our mortgage insurers’ and lenders’ underwriting practices. As a result, the credit quality of the New single-family book is significantly better than that of the 2005-2008 Legacy single-family book, as measured by original LTV ratios, FICO scores, the proportion of loans underwritten with full documentation, delinquency rates, and credit losses. However, in recent periods, as refinancing volumes have declined, the composition of our loan purchase activity has been shifting to a higher proportion of home purchase loans and these loans generally have higher original LTV ratios and lower credit scores, in aggregate, than loans sold to us during 2010 through 2012.
- Transferring the credit risk of the single-family credit guarantee portfolio: We consider credit risk transfer transactions to be a prudent way to manage risk in our business. In addition to three credit risk transfer transactions completed in 2013, we executed four transactions (two STACR debt note transactions and two Agency Credit Insurance Structure, or ACIS transactions) during the first half of 2014. These transactions shift a portion of the mezzanine credit loss position on certain groups of loans in the New single-family book from us to private investors. While these credit risk transfer transactions have been relatively small compared to our overall mortgage credit risk exposure, we believe they have attracted broad interest in the market. We will continue to seek to expand and refine our offerings of credit risk transfer transactions in the future. The 2014 Conservatorship Scorecard includes a goal for

us to complete credit risk transfer transactions for $90 billion in UPB using at least one transaction type in addition to STACR debt note transactions.

- Optimizing the economics of the single-family credit guarantee portfolio: We strive to achieve the highest economic returns on our portfolio while considering and balancing our: (a) customer diversification; (b) housing mission and goals; and (c) customers' liquidity needs. However, economic returns on our guarantee activities are limited by, and subject to, FHFA's oversight. We also align our mortgage-related securities offerings and disclosures with customer needs and investor demand to balance the achievement of the above objectives while considering the relative performance of our securities in the market.

Table of Contents

Investments Segment Strategies

Our Investments segment is a key business operation, which has certain objectives in 2014, including:

- Maintaining a presence in the agency mortgage-related securities market. Our activities in this market may include outright purchases and sales, dollar roll transactions, and structuring activities (e.g., resecuritizing existing agency securities into REMICs) and selling some or all of the tranches.
- Maintaining a portfolio of liquid securities consistent with our liquidity management guidelines. In managing the reduction of our mortgage-related investments, we evaluate the liquidity of these investments based on two categories: (a) single-class and multiclass agency securities (excluding certain structured agency securities collateralized by non-agency mortgage-related securities); and (b) assets that are less liquid than the agency securities noted above. We are focusing our efforts on reducing the balance of less liquid assets in the mortgage-related investments portfolio. Our liquid assets collectively represented $161.2 billion and $174.7 billion at June 30, 2014 and December 31, 2013, respectively, or approximately 38% of UPB of the portfolio at both June 30, 2014 and December 31, 2013.
- Managing the single-family performing loans obtained through our cash purchase program. In conjunction with the single-family business, we purchase loans from lenders for cash and securitize the majority of these loans into Freddie Mac agency securities that may be sold to dealers or investors, or retained in our mortgage investments portfolio as agency securities.
- Managing single-family reperforming loans and performing modified loans. This includes securitizing loans, structuring the resulting securities and selling some or all of the tranches, and could include selling loans or other disposition strategies in the future.
- Managing single-family delinquent loans along with the single-family business. This includes removing seriously delinquent loans from PC pools and selling loans, and could include other disposition strategies in the future.
- Reducing the overall balance of our holdings of non-agency mortgage-related securities through liquidations and sales, subject to a variety of constraints, including market conditions.
- Managing the treasury function, including funding and liquidity, for the overall company, through the issuance of short-term and long-term unsecured debt. We maintain a liquidity and contingency operating portfolio of cash and non-mortgage investments for short-term liquidity management.
- Managing the interest-rate risk for the overall company through the use of derivatives and unsecured debt.

Multifamily Segment Strategies

Our Multifamily business is a key business operation focusing on financing multifamily rental housing. We provide financing for affordable housing for renters nationwide and are a consistent source of liquidity to the multifamily mortgage market. We maintain a strong credit and capital management discipline, which we believe generates appropriate risk-adjusted returns on our business for taxpayers. We accomplish this primarily by focusing on our business model of purchasing, aggregating, and securitizing mortgage loans in order to transfer the expected credit risk associated with the loans to third-party investors. The Multifamily business model aligns with our objective that private investors absorb the first and predominant losses before any taxpayer exposure. We plan to continue to provide and support a consistent supply of affordable rental housing while reducing our exposure to credit risk through securitization.

The 2014 Conservatorship Scorecard includes a goal for us to maintain the dollar volume of new multifamily business activity for 2014 at or below the 2013 cap of $25.9 billion, excluding certain targeted loan types, such as those that support affordable housing. Additionally, the 2014 Conservatorship Scorecard set a goal for us to assess the economics and feasibility of adopting additional types of risk transfer structures and of increasing the amount of risk transferred in current risk transfer structures (i.e., K Certificate transactions). For this purpose, risk is broadly defined to include, but is not limited to, credit, counterparty or aggregation risk. During the first half of 2014, we continued our K Certificate securitizations in the multifamily market with K Certificate transactions of $8.4 billion in UPB.

Positioning the Company, in Particular Our People and Infrastructure, to Succeed in a To-Be-Determined “Future State”

Development of a New Secondary Mortgage Market

Under the direction of FHFA, we continue various efforts to build the infrastructure for a future housing finance system, including the following:

-

Common Securitization Platform: We continue to work with FHFA and Fannie Mae on the development of a new common securitization platform. In October 2013, Common Securitization Solutions, LLC (which is equally owned by us and Fannie Mae) was formed to build and operate the platform. As part of the 2014 Conservatorship Scorecard, FHFA set certain goals relating to the continued development of the common securitization platform. We and FHFA expect this will be a multi-year effort. In addition, the 2014 Strategic Plan provides for us and Fannie Mae to work towards the development of a single (common) security as part of this effort.

Table of Contents

- Uniform Mortgage Data Program: We and Fannie Mae continue to collaborate with the industry to develop and implement uniform data standards for single-family mortgages. The 2014 Conservatorship Scorecard set a goal for us to provide active support for the following mortgage data standardization initiatives: (a) the Servicing Data and Technology Initiative; (b) the Uniform Closing Disclosure Dataset; and (c) the Uniform Loan Application Dataset.
- Lender placed insurance standards: As part of the servicing alignment initiative, we announced changes in our servicing standards for situations in which our servicers obtain property hazard insurance on properties securing single-family loans we own or guarantee. As a result, effective June 1, 2014, our seller/servicers may not receive compensation or other payment from insurance carriers nor may they use their own or affiliated entities to insure or reinsure a property. The 2014 Conservatorship Scorecard includes a goal for us to continue to develop approaches to reduce borrower costs for lender placed insurance.

In addition, in the first half of 2014 we worked to help our seller/servicers improve their underwriting processes for loans that they sell to us, including the following:

- We continued our initiative for enhanced early-risk assessment by seller/servicers through the use of Loan Quality Advisor, an automated tool for use in evaluating the credit eligibility of loans and identifying non-compliance issues;
- We implemented 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. See "BUSINESS — Legislative and Regulatory Developments — Dodd-Frank Act" in our 2013 Annual Report for further information on the final rules;
- We adhered to recently 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 new representation and warranty framework; and
- We continued to execute our loan review sampling strategy, specifically focusing on newly purchased mortgage loans, to evaluate compliance with our standards.

Investing in Human Capital, Technology and Other Resources

We continue to make strategic investments to maintain and improve our ability to operate the company for the foreseeable future in conservatorship and potentially afterwards. Our human capital risks have stabilized in recent periods, as increased levels of voluntary turnover experienced in 2011 have abated. The possibility remains that we may experience increased turnover again in the future as the Administration and Congress continue to debate our future business model.

Our information technology risk also continues to decline. For example, in 2013, we completed a three-year multimillion dollar project to move our key legacy applications and infrastructure to current, supported technology. We are investing each year to maintain our technology and are focused on standardizing and simplifying the technology portfolio. We continue to focus on emerging information security risks. We are reviewing our information technology architecture design with a focus on simplifying our information technology environment. We are also improving our out-of-region disaster recovery capabilities.

Streamlining, Simplifying and Strengthening Operations

We continue to strengthen our operations. Beginning in mid-2012 and continuing in 2013 and 2014, we took steps to enhance management's focus on control issues by elevating awareness of those issues across the company and stressing timely remediation. As a result, the number of outstanding control issues reached its lowest level since conservatorship. We also continue to work to improve our operating efficiency. In 2013, we began a multi-year project focused on simplifying our control structure and eliminating redundant control activities. We updated our risk and control framework to increase our emphasis on risk management and are conducting detailed operational control design reviews to identify ways to simplify our controls structure.

Mortgage Market and Economic Conditions

Overview

The U.S. real gross domestic product rose by 4.0% on an annualized basis during the second quarter of 2014, compared to decreasing 2.1% in the first quarter of 2014 and increasing 2.5% in the second quarter of 2013, according to the Bureau of Economic Analysis. The national unemployment rate was 6.1% in June 2014, compared to 6.7% in both March 2014 and December 2013, based on data from the U.S. Bureau of Labor Statistics. An average of

approximately 233,000 monthly net new jobs (non-farm) were added to the economy during the first half of 2014, which shows evidence of a positive trend for the economy and the labor market. The average interest rate on new 30-year fixed-rate conforming mortgages largely held steady over the past three quarters, averaging 4.29% during the fourth quarter of 2013, 4.36% in the first quarter of 2014, and 4.23% during the second quarter of 2014, based on our weekly Primary Mortgage Market Survey. This compares with the second quarter of 2013, when the average rate on new 30-year fixed-rate conforming mortgages was 3.67%. Higher mortgage interest rates in recent periods contributed to a relatively low volume of single-family refinance mortgage activity in the market during the first half of 2014.

Table of Contents

Single-Family Housing Market

Although home prices increased on a national basis in the second quarter of 2014 and from June 2013 to June 2014 (based on our index), some localities continued to be affected by weakness in employment growth and a significant inventory of seriously delinquent loans in their markets.

Based on data from the National Association of Realtors, sales of existing homes in the second quarter of 2014 were 5.04 million (on a seasonally-adjusted annual basis), increasing 9.6% from 4.60 million in the first quarter of 2014. Based on data from the U.S. Census Bureau and HUD, sales of new homes in the second quarter of 2014 were approximately 419,000 (on a seasonally-adjusted annual basis), declining 3.5% from approximately 434,000 in the first quarter of 2014. Home price appreciation has continued to moderate, with our nationwide index registering approximately a 6.1% increase from June 2013 to June 2014, compared with a 7.9% increase from March 2013 to March 2014. Despite increases in recent periods, our national home price index reflects a cumulative decline of 11.2% since June 2006. 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 continued to experience positive trends during the first half of 2014. Recent data reported by Reis, Inc. indicated that the national apartment vacancy rate was 4.1% and 4.3% in the second quarter of 2014 and 2013, respectively, and remains low compared to the cyclical peak of 8% reached at the end of 2009. In addition, Reis, Inc. reported that effective rents (i.e., the average rent paid by the tenant over the term of the lease adjusted for concessions by the landlord and costs borne by the tenant) grew by 0.9% during the second quarter of 2014. 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 information available from Moody's Analytics, Inc. and Real Capital Analytics, Inc., apartment prices are now more than 7% above the peak level reached before the housing crisis, and reflect continued strong demand from investors for apartment properties.

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. See “FORWARD-LOOKING STATEMENTS” for additional information.

Although national home prices have increased in recent periods, home prices at June 30, 2014 remained significantly below their peak levels in many geographical areas. Declines in the market’s inventory of vacant housing have supported stabilization and increases in home prices in a number of metropolitan areas. We believe that home prices will not increase at the same growth rate experienced in 2013, but will continue to gradually moderate during the remainder of 2014 and will return towards growth rates that are consistent with long-term historical averages (approximately 2 to 5 percent growth on an annual basis). To the extent a large volume of loans concentrated in a particular geographic area completes the foreclosure process in a short period, the resulting increase in the market’s inventory of homes for sale could have a negative effect on home prices.

Single-Family

We continue to expect key macroeconomic drivers of the economy, such as income growth, employment, and inflation, will affect the performance of the housing and mortgage markets during the second half of 2014. Since we expect that economic growth will continue and mortgage interest rates will remain relatively low compared to historical levels, but trend slowly upward during the remainder of 2014, we believe that housing affordability will remain relatively high in most metropolitan housing markets during the remainder of 2014 for potential home buyers. We expect that the volume of home sales in the full year of 2014 will likely be slightly lower than in 2013. Important

factors that we believe will continue to negatively affect single-family housing demand are the relatively high unemployment rate in certain areas and relatively modest family income growth.

We expect the UPB of our single-family credit guarantee portfolio will be relatively unchanged at the end of 2014 compared to the end of 2013, as an expected decline in purchase volume is expected to be offset by a decline in prepayments. We expect mortgage origination volumes in the full year of 2014, including refinancings, to be at the lowest level since 2000. Our loan purchase activity in the first half of 2014 declined to $107.6 billion in UPB compared to $261.7 billion in UPB during the first half of 2013. We expect this trend to continue in the second half of 2014 as refinancing volumes continue to remain low. During the first half of 2014, refinancings, including HARP, comprised approximately 48% of our single-family purchase and issuance volume compared with 81% in the first half of 2013. We expect HARP activity to continue to remain low during

Table of Contents

the second half of 2014 since the pool of borrowers eligible to participate in the program has declined and mortgage interest rates moved higher in recent periods.

Our guarantee fee rate charged on new acquisitions is significantly higher than that of our Legacy single-family books as a result of two across-the-board increases in guarantee fees implemented in 2012. In June 2014, FHFA released a request for input on the guarantee fees that we and Fannie Mae charge lenders. We cannot predict what changes, if any, FHFA will require us to make to our guarantee fees as a result of the input received from this request. For more information, see "LEGISLATIVE AND REGULATORY MATTERS — FHFA Request for Input on Guarantee Fees."

Our charge-offs declined significantly during the first half of 2014 compared to the first half of 2013. We expect our charge-offs and credit losses to continue to be lower than the level we experienced in 2013, but to remain elevated in the remainder of 2014 in part due to the substantial number of delinquent and underwater mortgage loans in our single-family credit guarantee portfolio that will likely be resolved. 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 number of seriously delinquent loans and the volume of our loan workouts to continue to decline.

Multifamily

We expect that, at the national level, new supply of multifamily housing will be absorbed by market demand in the near term driven by a strengthening economy and positive demographics. However, there may be certain local markets where new supply may outpace demand, which would be evidenced by excess supply and rising vacancy rates. As multifamily market fundamentals improved in recent years, other market participants, particularly banking institutions, increased their activities in the multifamily market. As a result, we face increased competition and we believe that our portion of new business in the multifamily market will not increase during the full year 2014 compared to the level in 2013. We also expect that our new multifamily business activity for the full year of 2014 will be below the cap specified by the 2014 Conservatorship Scorecard of $25.9 billion in UPB.

As a result of the positive market fundamentals and continuing strong portfolio performance, we expect our credit losses and delinquency rates to remain low during the second half of 2014. We expect the performance of the multifamily market to continue to be positive through 2014 and believe the long-term outlook for the multifamily market continues to be favorable.

Limits on Investment Activity and Our Mortgage-Related Investments Portfolio

Our mortgage-related investments portfolio consists of agency securities, single-family non-agency mortgage-related securities, CMBS, housing revenue bonds, and single-family and multifamily unsecuritized mortgage loans. Our ability to acquire and sell mortgage assets is significantly constrained by limitations under the Purchase Agreement and those imposed by FHFA. Under 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 cap reaches $250 billion. The reduction in the mortgage-related investments portfolio will result in a decline in income from this portfolio over time. 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 2 — Mortgage-Related Investments Portfolio[1]

	June 30, 2014	December 31, 2013
	(in millions)	
Investments segment — Mortgage investments portfolio	$307,398	$331,071
Single-family Guarantee segment — Single-family unsecuritized mortgage loans[2]	32,443	37,726
Multifamily segment — Mortgage investments portfolio	80,039	92,227
Total mortgage-related investments portfolio	$419,880	$461,024
Mortgage-related investments portfolio cap[3]	$469,625	$552,500

(1) Based on UPB.

(2) Represents unsecuritized seriously delinquent single-family loans.
(3) Represents the portfolio cap as discussed above at December 31, 2014 and 2013, respectively.

We evaluate the liquidity of the assets in our mortgage-related investments portfolio based on two categories: (a) single-class and multiclass agency securities (excluding certain structured agency securities collateralized by non-agency mortgage-related securities); and (b) assets that are less liquid than the agency securities noted above. Assets that we consider to be less liquid than agency securities include unsecuritized performing single-family mortgage loans, multifamily mortgage loans, certain structured agency securities collateralized with non-agency mortgage-related securities, CMBS, housing revenue bonds, unsecuritized seriously delinquent and modified single-family mortgage loans which we removed from PC trusts, and investments in non-agency mortgage-related securities backed by subprime, option ARM, and Alt-A and other loans.

Table of Contents

The UPB of our mortgage-related investments portfolio at June 30, 2014 was $419.9 billion, a decline of 9% compared to $461.0 billion at December 31, 2013. Our less liquid assets accounted for $27.6 billion of this decline primarily due to liquidations (i.e., principal repayments) and our active efforts to reduce less liquid assets through securitization of $3.5 billion of single-family reperforming and modified loans and sale of $8.2 billion of less liquid assets (excluding sales of: (a) multifamily held-for-sale loans; and (b) single-family loans purchased for cash). Our less liquid assets collectively represented $258.6 billion and $286.3 billion at June 30, 2014 and December 31, 2013, respectively, or approximately 62% of UPB of the portfolio at both June 30, 2014 and December 31, 2013.

Table of Contents

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 3 — Selected Financial Data[1]

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(dollars in millions, except share-related amounts)			
Statements of Comprehensive Income Data				
Net interest income	$3,503	$4,144	$7,013	$8,409
Benefit for credit losses	618	623	533	1,126
Non-interest income (loss)	(1,406)	678	1,705	1,080
Non-interest expense	(680)	(498)	(1,451)	(1,122)
Income tax (expense) benefit	(673)	41	(2,418)	76
Net income	1,362	4,988	5,382	9,569
Comprehensive income	1,890	4,357	6,389	11,328
Net income (loss) attributable to common stockholders[2]	(528)	631	(1,007)	(1,759)
Net income (loss) per common share – basic and diluted	(0.16)	0.19	(0.31)	(0.54)
Cash dividends per common share	—	—	—	—
Weighted average common shares outstanding (in millions) – basic and diluted[3]	3,236	3,238	3,237	3,238

	June 30, 2014	December 31, 2013
	(dollars in millions)	
Balance Sheets Data		
Mortgage loans held-for-investment, at amortized cost by consolidated trusts (net of allowances for loan losses)	$1,533,521	$1,529,905
Total assets	1,916,618	1,966,061
Debt securities of consolidated trusts held by third parties	1,453,563	1,433,984
Other debt	445,112	506,767
All other liabilities	13,653	12,475
Total stockholders' equity	4,290	12,835
Portfolio Balances[4]		
Mortgage-related investments portfolio[5]	$419,880	$461,024
Total Freddie Mac mortgage-related securities[6]	1,601,788	1,592,511
Total mortgage portfolio[7]	1,895,319	1,914,661
TDRs on accrual status	81,976	78,708
Non-accrual loans	36,969	43,457

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Ratios[8]				
Return on average assets[9]	0.3 %	1.0 %	0.6 %	1.0 %
Allowance for loans losses as percentage of mortgage loans, held-for-investment[10]	1.3	1.5	1.3	1.5

Equity to assets ratio[11]	0.3	0.4	0.4	0.4

(1) See “NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” in our 2013 Annual Report and in 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 is determined and how it affects net income (loss) attributable to common stockholders, see “NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Earnings Per Common Share” in our 2013 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) Based on UPB.

(5) See ‘‘Table 2 — Mortgage-Related Investments Portfolio’’ for the composition of this line item.

(6) See ‘‘Table 25 — Freddie Mac Mortgage-Related Securities’’ for the composition of this line item.

(7) See ‘‘Table 10 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios’’ for the composition of this line item.

(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, 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 the allowance for loan losses divided by the total recorded investment of held-for-investment mortgage loans.

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

Table of Contents

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" in our 2013 Annual Report for information concerning certain significant accounting policies and estimates applied in determining our reported results of operations.

Table 4 — Summary Consolidated Statements of Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Net interest income	$3,503	$4,144	$7,013	$8,409
Benefit for credit losses	618	623	533	1,126
Net interest income after benefit for credit losses	4,121	4,767	7,546	9,535
Non-interest income (loss):				
Gains (losses) on extinguishment of debt securities of consolidated trusts	(188)	28	(176)	62
Gains (losses) on retirement of other debt	1	25	8	(7)
Derivative gains (losses)	(1,926)	1,362	(4,277)	1,737
Impairment of available-for-sale securities:				
Total other-than-temporary impairment of available-for-sale securities	(178)	(18)	(509)	(39)
Portion of other-than-temporary impairment recognized in AOCI	21	(26)	(12)	(48)
Net impairment of available-for-sale securities recognized in earnings	(157)	(44)	(521)	(87)
Other gains (losses) on investment securities recognized in earnings	372	(497)	1,138	(773)
Other income (loss)	492	(196)	5,533	148
Total non-interest income (loss)	(1,406)	678	1,705	1,080
Non-interest expense:				
Administrative expenses	(453)	(444)	(921)	(876)
REO operations income (expense)	50	110	(9)	104
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(187)	(123)	(365)	(216)
Other expenses	(90)	(41)	(156)	(134)
Total non-interest expense	(680)	(498)	(1,451)	(1,122)
Income before income tax (expense) benefit	2,035	4,947	7,800	9,493
Income tax (expense) benefit	(673)	41	(2,418)	76
Net income	1,362	4,988	5,382	9,569
Other comprehensive income (loss), net of taxes and reclassification adjustments:				
Changes in unrealized gains (losses) related to available-for-sale securities	479	(717)	906	1,563
Changes in unrealized gains (losses) related to cash flow hedge relationships	49	84	101	174
Changes in defined benefit plans	—	2	—	22
Total other comprehensive income (loss), net of taxes and reclassification adjustments	528	(631)	1,007	1,759
Comprehensive income	$1,890	$4,357	$6,389	$11,328

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.

Table of Contents

Table 5 — Net Interest Income/Yield and Average Balance Analysis

	Three Months Ended June 30,					
	2014			2013		
	Average Balance(1)	Interest Income (Expense)	Average Rate	Average Balance(1)	Interest Income (Expense)	Average Rate
	(dollars in millions)					
Interest-earning assets:						
Cash and cash equivalents	$13,081	$1	0.04 %	$29,467	$3	0.04 %
Federal funds sold and securities purchased under agreements to resell	33,574	5	0.06	38,996	9	0.09
Mortgage-related securities:						
Mortgage-related securities(2)	256,665	2,557	3.98	316,237	3,243	4.10
Extinguishment of PCs held by Freddie Mac	(110,559)	(1,037)	(3.75)	(123,582)	(1,244)	(4.02)
Total mortgage-related securities, net	146,106	1,520	4.16	192,655	1,999	4.15
Non-mortgage-related securities(2)	12,318	4	0.10	26,319	20	0.29
Mortgage loans held by consolidated trusts(3)	1,532,968	14,249	3.72	1,507,578	14,097	3.74
Unsecuritized mortgage loans(3)	171,029	1,660	3.88	210,508	2,017	3.83
Total interest-earning assets	$1,909,076	$17,439	3.65	$2,005,523	$18,145	3.62
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	$1,550,049	$(13,142)	(3.39)	$1,531,830	$(12,953)	(3.38)
Extinguishment of PCs held by Freddie Mac	(110,559)	1,037	3.75	(123,582)	1,244	4.02
Total debt securities of consolidated trusts held by third parties	1,439,490	(12,105)	(3.36)	1,408,248	(11,709)	(3.33)
Other debt:						
Short-term debt	110,240	(34)	(0.12)	129,920	(45)	(0.14)
Long-term debt(4)	332,560	(1,721)	(2.07)	395,137	(2,125)	(2.15)
Total other debt	442,800	(1,755)	(1.59)	525,057	(2,170)	(1.65)
Total interest-bearing liabilities	1,882,290	(13,860)	(2.94)	1,933,305	(13,879)	(2.87)
Expense related to derivatives(5)	—	(76)	(0.02)	—	(122)	(0.02)
Impact of net non-interest-bearing funding	26,786	—	0.04	72,218	—	0.10
Total funding of interest-earning assets	$1,909,076	$(13,936)	(2.92)	$2,005,523	$(14,001)	(2.79)
Net interest income/yield		$3,503	0.73		$4,144	0.83

	Six Months Ended June 30,					
	2014			2013		
	Average Balance(1)	Interest Income (Expense)	Average Rate	Average Balance(1)	Interest Income (Expense)	Average Rate
	(dollars in millions)					
Interest-earning assets:						
Cash and cash equivalents	$16,361	$1	0.01 %	$32,451	$10	0.06 %
Federal funds sold and securities purchased under agreements to resell	40,865	10	0.05	37,460	20	0.11
Mortgage-related securities:						
Mortgage-related securities(2)	264,155	5,164	3.91	322,239	6,660	4.13
Extinguishment of PCs held by Freddie Mac	(113,574)	(2,134)	(3.76)	(122,931)	(2,506)	(4.08)
Total mortgage-related securities, net	150,581	3,030	4.03	199,308	4,154	4.17

Non-mortgage-related securities[2]	9,094	4	0.08	20,650	22	0.21
Mortgage loans held by consolidated trusts[3]	1,532,692	28,733	3.75	1,501,390	28,601	3.81
Unsecuritized mortgage loans[3]	174,625	3,322	3.80	214,788	4,026	3.75
Total interest-earning assets	$1,924,218	$35,100	3.65	$2,006,047	$36,833	3.67
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	$1,548,866	$(26,482)	(3.42)	$1,524,918	$(26,245)	(3.44)
Extinguishment of PCs held by Freddie Mac	(113,574)	2,134	3.76	(122,931)	2,506	4.08
Total debt securities of consolidated trusts held by third parties	1,435,292	(24,348)	(3.39)	1,401,987	(23,739)	(3.39)
Other debt:						
Short-term debt	118,380	(75)	(0.13)	124,805	(89)	(0.14)
Long-term debt[4]	340,596	(3,509)	(2.06)	405,829	(4,343)	(2.14)
Total other debt	458,976	(3,584)	(1.56)	530,634	(4,432)	(1.67)
Total interest-bearing liabilities	1,894,268	(27,932)	(2.95)	1,932,621	(28,171)	(2.91)
Expense related to derivatives[5]	—	(155)	(0.02)	—	(253)	(0.03)
Impact of net non-interest-bearing funding	29,950	—	0.05	73,426	—	0.11
Total funding of interest-earning assets	$1,924,218	$(28,087)	(2.92)	$2,006,047	$(28,424)	(2.83)
Net interest income/yield		$7,013	0.73		$8,409	0.84

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

(2) 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.

(3) Mortgage loans on non-accrual status, where interest income is generally recognized when collected, are included in average balances.

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

(5) 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.

Table of Contents

Net interest income decreased by $641 million and $1.4 billion for the three and six months ended June 30, 2014, respectively, compared to the three and six months ended June 30, 2013. The decreases in net interest income were primarily due to the negative impact of the reduction in the balance of mortgage-related assets due to continued liquidations. Excluding the impact of the legislated 10 basis point increase in guarantee fees, which was implemented in April 2012, net interest income decreased by $703 million and $1.5 billion for the three and six months ended June 30, 2014, respectively, compared to the three and six months ended June 30, 2013. Net interest income includes $183 million and $355 million for the three and six months ended June 30, 2014, respectively, compared to $121 million and $212 million for the three and six months ended June 30, 2013, respectively, related to this increase in guarantee fees.

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 loan had been current in accordance with its terms). We recognize interest income on non-accrual mortgage loans only when cash payments are received. Foregone interest income and reversals of previously recognized interest income, net of cash received, related to non-accrual mortgage loans was $0.3 billion and $0.7 billion during the three and six months ended June 30, 2014, respectively, compared to $0.5 billion and $1.1 billion during the three and six months ended June 30, 2013, respectively. These amounts have declined primarily because of the reduction in the number of loans on non-accrual status.

The objectives set for us under our charter and conservatorship, restrictions in the Purchase Agreement and restrictions imposed by FHFA have negatively impacted, and will continue to negatively impact, our net interest income. For example, our mortgage-related investments portfolio is subject to a cap that decreases by 15% each year until the cap reaches $250 billion. This decline in asset balances will cause a reduction in our interest income from this portfolio over time. For more information on the various restrictions and limitations on our investment activity and our mortgage-related investments portfolio, see "BUSINESS — Conservatorship and Related Matters — Limits on Investment Activity and Our Mortgage-Related Investments Portfolio" in our 2013 Annual Report.

During the three months ended June 30, 2014, we had sufficient access to the debt markets. For more information, see "LIQUIDITY AND CAPITAL RESOURCES — Liquidity."

Benefit 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 a benefit for credit losses and 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. Assuming that all other factors remain the same, home price growth may reduce the likelihood that loans will default and may also reduce the amount of credit losses on the loans that do default.

Our benefit for credit losses was $0.6 billion in both the second quarter of 2014 and 2013, and was $0.5 billion in the first half of 2014 compared to $1.1 billion in the first half of 2013. Our benefit for credit losses for the six months ended June 30, 2014 includes benefits from: (a) settlement agreements with certain sellers; (b) an increase in expected recoveries from one of our mortgage insurers; (c) the reduction of loan loss reserves associated with certain seriously delinquent single-family mortgage loans reclassified from held-for-investment to held-for-sale; and (d) moderate home price growth. We do not expect future settlement agreements, if any, with seller/servicers to have a significant effect on our financial results. See "RISK MANAGEMENT — Credit Risk — Institutional Credit Risk" for further information on recent developments concerning our mortgage insurance counterparties. The benefit for credit losses in the first half of 2013 reflects a more significant increase in home prices that was partially offset by incurred losses associated with newly delinquent loans.

Our provision for credit losses and amount of charge-offs in the future will be affected by a number of factors, including: (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; and (g) third-party mortgage insurance

coverage and recoveries.

During the three and six months ended June 30, 2014, our charge-offs, net of recoveries for single-family loans, were significantly lower than those recorded in the three and six months ended June 30, 2013 primarily due to: (a) lower volumes of foreclosures and foreclosure alternatives; 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 both the first half of 2014 and the first half of 2013 included approximately $0.4 billion, related to repurchase requests from our seller/servicers (including $0.3 billion in the first half of 2014 with respect to settlement agreements related to repurchase requests from certain sellers). We continue to experience a high volume of foreclosures and foreclosure alternatives as compared to periods prior to 2008. As a result, we expect our credit losses will continue to remain elevated during the second half of 2014 even if the volume of new seriously delinquent loans continues to decline.

Table of Contents

The total number of single-family seriously delinquent loans declined approximately 14% and 15% during the first six months of 2014 and 2013, respectively. As of June 30, 2014 and June 30, 2013, the UPB of our single-family loans classified as TDRs was $99.6 billion and $91.7 billion, respectively. However, these amounts include $81.4 billion and $71.0 billion, respectively, of single-family TDRs that were no longer seriously delinquent. Loans that have been classified as TDRs remain categorized as such 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, seriously delinquent loans, charge-offs, REO assets, our loan loss reserves balance, TDRs, and non-accrual loans.

Non-Interest Income (Loss)

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

During the three months ended June 30, 2014 and 2013, we extinguished debt securities of consolidated trusts with a UPB of $14.9 billion and $17.7 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 $(188) million and $28 million during the three months ended June 30, 2014 and 2013, respectively.

During the six months ended June 30, 2014 and 2013, we extinguished debt securities of consolidated trusts with a UPB of $22.8 billion and $23.6 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 $(176) million and $62 million during the six months ended June 30, 2014 and 2013, respectively.

We recognized losses in the 2014 periods because interest rates declined between the time of issuance and repurchase of these debt securities. We recognized gains in the 2013 periods because interest rates increased between the time of issuance and repurchase of these debt securities.

See "Table 18 — 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 on retirement of other debt were $1 million and $25 million during the three months ended June 30, 2014 and 2013, respectively. We recognized gains on the retirement of other debt during the three months ended June 30, 2013 primarily due to the repurchase of other debt at a discount.

Gains (losses) on retirement of other debt were $8 million and $(7) million during the six months ended June 30, 2014 and 2013, respectively. We recognized gains on the retirement of other debt during the six months ended June 30, 2014 primarily as a result of exercising our call option on other debt. We recognized losses on the retirement of other debt during the six months ended June 30, 2013 primarily due to losses on the repurchase of other debt at a premium in the first quarter of 2013.

For more information, see "LIQUIDITY AND CAPITAL RESOURCES — Liquidity — Other Debt Securities."

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 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 June 30, 2014 and December 31, 2013, 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 from fluctuations in interest rates, yield curves, and implied volatility affect net income, fair value changes in several of the types of assets and liabilities being hedged do not affect net income. Therefore, there can be timing mismatches affecting current period earnings, which may not be reflective of the economics of our business.

Table of Contents

Table 6 — Derivative Gains (Losses)

	Derivative Gains (Losses)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Interest-rate swaps	$(1,551)	$3,722	$(3,321)	$5,296
Option-based derivatives[1]	197	(1,222)	266	(1,659)
Other derivatives[2]	97	(205)	125	(61)
Accrual of periodic settlements	(669)	(933)	(1,347)	(1,839)
Total	$(1,926)	$1,362	$(4,277)	$1,737

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

(2) Primarily includes futures, foreign-currency swaps, commitments, credit derivatives and swap guarantee derivatives. Our last foreign-currency swaps matured in January 2014.

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

During the three and six months ended June 30, 2014, we recognized net losses on derivatives of $1.9 billion and $4.3 billion, respectively, primarily as a result of a decrease in longer-term interest rates. We recognized: (a) net losses on our pay-fixed swaps of $3.2 billion and $6.4 billion, respectively; and (b) net losses of $0.7 billion and $1.3 billion, respectively, 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. These losses were partially offset by net gains of $1.7 billion and $3.1 billion, respectively, on our receive-fixed swaps.

During the three and six months ended June 30, 2013, we recognized gains on derivatives of $1.4 billion and $1.7 billion, respectively, primarily as a result of an increase in longer-term interest rates. During the same periods, we recognized fair value gains on our pay-fixed swaps of $9.7 billion and $13.6 billion, respectively, which were largely offset by: (a) fair value losses on our receive-fixed swaps of $6.0 billion and $8.3 billion, respectively; (b) net losses of $0.9 billion and $1.8 billion, respectively, 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 $1.2 billion and $1.7 billion, respectively, on our option-based derivatives resulting from losses on our purchased call swaptions.

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 $157 million and $521 million during the three and six months ended June 30, 2014, respectively, compared to $44 million and $87 million during the three and six months ended June 30, 2013, respectively. During the three and six months ended June 30, 2014, these impairments were primarily driven by an increase in the population of available-for-sale securities in an unrealized loss position that we intend to sell. 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" and "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Non-Agency Mortgage-Related Security Issuers" for additional information.

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 June 30, 2014.

We recognized gains (losses) on trading securities of $40 million and $33 million during the three and six months ended June 30, 2014, respectively, compared to $(751) million and $(1.1) billion during the three and six months ended June 30, 2013, respectively. The gains during the three and six months ended June 30, 2014 were primarily due

to the impact of a decline in longer-term interest rates during the periods, which more than offset the impact of the movement of these securities with unrealized gains towards maturity. The losses during the three and six months ended June 30, 2013 were primarily due to the movement of securities with unrealized gains towards maturity.

We recognized gains on sales of available-for-sale securities of $332 million and $1.1 billion during the three and six months ended June 30, 2014, respectively, compared to gains on sales of available-for-sale securities of $254 million and $355 million during the three and six months ended June 30, 2013, respectively. The increase in gains during the three and six months ended June 30, 2014 primarily resulted from increased sales related to our structuring activity.

Table of Contents

Other Income (Loss)

The table below summarizes the significant components of other income (loss).

Table 7 — Other Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Other income (loss):				
Non-agency mortgage-related securities settlements	$364	$105	$4,897	$111
Gains (losses) on mortgage loans	(39)	(563)	215	(554)
Recoveries on loans impaired upon purchase[1]	59	75	109	149
Guarantee-related income, net[2]	111	69	144	159
All other	(3)	118	168	283
Total other income (loss)	$492	$(196)	$5,533	$148

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

(2) Principally relates to securitized multifamily mortgage loans where we have not consolidated the securitization trusts on our consolidated balance sheets.

Non-Agency Mortgage-Related Securities Settlements

Non-agency mortgage-related securities settlements were $0.4 billion and $0.1 billion in the three months ended June 30, 2014 and 2013, respectively, and $4.9 billion and $0.1 billion in the six months ended June 30, 2014 and 2013, respectively. We had eight settlements in the first half of 2014, while we had two settlements in the first half of 2013. For information on the settlements in the first half of 2014, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Non-Agency Mortgage-Related Security Issuers."

Gains (Losses) on Mortgage Loans

We recognized gains (losses) on mortgage loans of $(39) million and $(563) million in the three months ended June 30, 2014 and 2013, respectively, and $215 million and $(554) million in the six months ended June 30, 2014 and 2013, respectively. The improvements in the 2014 periods were mainly due to gains on multifamily mortgage loans, primarily due to a decline in longer-term interest rates in the 2014 periods compared to an increase in longer-term interest rates in the 2013 periods. The majority of these multifamily loans were designated for securitization and elected to be carried at fair value. Partially offsetting these gains were losses on seriously delinquent single-family loans that were reclassified from held-for-investment to held-for-sale during the second quarter of 2014 as these loans were adjusted to the lower of cost or fair value. These loans were reclassified in connection with a pilot transaction to sell certain seriously delinquent unsecuritized single-family loans (for which we received FHFA approval in April 2014). We executed a sale of substantially all of these loans in July 2014, which is expected to close in August 2014. During the first half of 2014 and 2013, we sold $8.4 billion and $14.4 billion, respectively, in UPB of multifamily loans primarily through K Certificate transactions. For more information on our sales of mortgage loans, see "NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES."

All Other

All other income (loss) includes income recognized from transactional fees, fees assessed to our servicers for technology use and late fees or other penalties, changes in fair value of STACR debt notes, and other miscellaneous income. All other income (loss) was $(3) million and $168 million in the three and six months ended June 30, 2014, respectively, compared to $118 million and $283 million in the three and six months ended June 30, 2013, respectively. The decrease in the 2014 periods was primarily due to fair value losses on STACR debt notes due to an increase in market prices for these notes. We began issuing these notes during the third quarter of 2013 and have elected to carry these notes at fair value. Partially offsetting these losses was increased income from the accrual of compensatory fees in the 2014 periods related to servicers that failed to meet our loan foreclosure timelines.

Table of Contents

Non-Interest Expense

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

Table 8 — Non-Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Administrative expenses:				
Salaries and employee benefits	$223	$211	$456	$419
Professional services	126	134	264	243
Occupancy expense	14	14	27	27
Other administrative expense	90	85	174	187
Total administrative expenses	453	444	921	876
REO operations (income) expense	(50)	(110)	9	(104)
Temporary Payroll Tax Cut Continuation Act of 2011 expense	187	123	365	216
Other expenses[1]	90	41	156	134
Total non-interest expense	$680	$498	$1,451	$1,122

(1) Includes HAMP servicer incentive fees, costs related to terminations and transfers of mortgage servicing, and other miscellaneous expenses.

Administrative Expenses

Our administrative expenses increased during the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to increases in salaries and employee benefits expense and professional services expense. The increase in salaries and employee benefits expense was mainly due to expenses associated with our retirement plans. Professional services expense increased primarily due to expenses associated with FHFA-led lawsuits regarding our investments in certain residential non-agency mortgage-related securities.

REO Operations (Income) Expense

The table below presents the components of our REO operations (income) expense.

Table 9 — REO Operations (Income) Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(dollars in millions)			
REO operations (income) expense:				
Single-family:				
REO property expenses[1]	$228	$238	$477	$483
Disposition (gains) losses, net[2]	(152)	(236)	(281)	(395)
Change in holding period allowance, dispositions	(13)	(13)	(31)	(24)
Change in holding period allowance, inventory[3]	(26)	(6)	(1)	17
Recoveries[4]	(85)	(92)	(153)	(182)
Total single-family REO operations (income) expense	(48)	(109)	11	(101)
Multifamily REO operations (income) expense	(2)	(1)	(2)	(3)
Total REO operations (income) expense	$(50)	$(110)	$9	$(104)

(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.

REO operations (income) expense was $(50) million in the second quarter of 2014, compared to $(110) million in the second quarter of 2013 and was $9 million in the first half of 2014 compared to $(104) million in the first half of 2013. These changes were primarily due to lower gains on the disposition of REO properties. For more information on our REO activity, see "Segment Earnings — Segment Earnings — Results — Single-Family Guarantee," "CONSOLIDATED BALANCE SHEETS ANALYSIS — REO, Net," and "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — RE Assets."

Table of Contents

Temporary Payroll Tax Cut Continuation Act of 2011 Expense

Pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011, we increased the guarantee fee on single-family residential mortgages sold to us by 10 basis points in April 2012. We pay these fees to Treasury on a quarterly basis and refer to this fee increase as the legislated 10 basis point increase in guarantee fees.

Expenses related to the legislated 10 basis point increase in guarantee fees were $187 million and $123 million during the three months ended June 30, 2014 and 2013, respectively, and $365 million and $216 million during the six months ended June 30, 2014 and 2013, respectively. As of June 30, 2014, loans with an aggregate UPB of $767.6 billion were subject to these fees, and the cumulative total of the amounts paid and due to Treasury for these fees was $1.0 billion. We expect these fees will continue to increase in the future as we add new business and thus the UPB of loans subject to these fees will continue to increase.

Income Tax (Expense) Benefit

We reported an income tax (expense) benefit of $(673) million and $41 million for the three months ended June 30, 2014 and 2013, respectively, and $(2.4) billion and $76 million in the six months ended June 30, 2014 and 2013, respectively. The change to income tax expense in the 2014 periods from income tax benefit in the 2013 periods results from the release of the valuation allowance in the second half of 2013. For 2014, we expect that our effective tax rate will be marginally below the corporate statutory rate, which is currently 35%. See “NOTE 12: INCOME TAXES” for additional information.

Comprehensive Income

Our comprehensive income was $1.9 billion and $6.4 billion for the three and six months ended June 30, 2014, respectively, consisting of: (a) $1.4 billion and $5.4 billion of net income, respectively; and (b) $528 million and $1.0 billion of other comprehensive income, respectively. The other comprehensive income in these periods primarily related to fair value gains on our available-for-sale securities resulting from a decline in longer-term interest rates coupled with the impact of spread tightening on our non-agency mortgage-related securities and the movement of these securities with unrealized losses towards maturity.

Our comprehensive income was $4.4 billion and $11.3 billion for the three and six months ended June 30, 2013, respectively, consisting of: (a) $5.0 billion and $9.6 billion of net income, respectively; and (b) $(631) million and $1.8 billion of other comprehensive income (loss), respectively. The other comprehensive loss during the three months ended June 30, 2013 was primarily due to the impact of an increase in interest rates on our available-for-sale securities, while the other comprehensive income during the six months ended June 30, 2013 was primarily due to gains on our non-agency mortgage-related securities due to spread tightening.

Other comprehensive income (loss) in all periods also reflects the reversals of: (a) unrealized losses due to the recognition of other-than-temporary impairments in earnings; and (b) unrealized gains and losses related to available-for-sale securities sold during the respective period. See “CONSOLIDATED BALANCE SHEETS ANALYSIS — Total Equity” for additional information regarding total other comprehensive income.

Segment Earnings

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

The financial performance of our Single-family Guarantee segment is measured based on its contribution to GAAP net income (loss). Our Investments segment and Multifamily segment are measured based on each segment's contribution to GAAP comprehensive income (loss), which consists of the sum of its contribution to: (a) GAAP net income (loss); and (b) GAAP total other comprehensive income (loss), net of taxes.

The Single-family Guarantee segment reflects results from our single-family credit guarantee activities. The Investments segment reflects results from three primary activities: (a) managing the company’s mortgage-related investments portfolio, excluding Multifamily segment investments; (b) managing the treasury function, including funding and liquidity, for the overall company; and (c) managing interest-rate risk for the overall company. 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 this Form 10-Q and our 2013 Annual Report.

In presenting Segment Earnings, we make significant reclassifications among certain financial statement line items in order to reflect a measure of management and guarantee income on guarantees and a measure of net interest income on investments that is in line with how we manage our business. These include reclassifying certain credit guarantee-related activities and investment-related activities between various line items on our GAAP consolidated statements of comprehensive income. We also allocate 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

Table of Contents

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.

In the first quarter of 2014, we revised our inter-segment allocations between the Multifamily and the Investments segments for the Multifamily segment's investment securities and held-for-sale loans. With this change, the Multifamily segment reflects the entire change in fair value of these assets in its financial results and the Investments segment transfers the change in fair value of the derivatives associated with the Multifamily segment's investments securities and held-for-sale loans to the Multifamily segment. The purpose of this change is to better reflect the operations of the Multifamily segment on a stand-alone basis. Prior period results have been revised to conform with the current period presentation.

See “BUSINESS — Our Business Segments” in our 2013 Annual Report for further information regarding our segments, including the descriptions and activities of our segments, and “NOTE 13: SEGMENT REPORTING” in this Form 10-Q and our 2013 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 June 30, 2014 and December 31, 2013. For a discussion of each segment’s portfolios, see “Segment Earnings — Results.”

Table of Contents

Table 10 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios[1]

	June 30, 2014	December 31, 2013
	(in millions)	
Segment mortgage portfolios:		
Single-family Guarantee — Managed loan portfolio[2]:		
Single-family unsecuritized seriously delinquent mortgage loans	$32,443	$37,726
Single-family Freddie Mac mortgage-related securities held by us	153,133	165,247
Single-family Freddie Mac mortgage-related securities held by third parties	1,376,929	1,361,972
Single-family other guarantee commitments[3]	19,682	19,872
Total Single-family Guarantee — Managed loan portfolio	1,582,187	1,584,817
Investments — Mortgage investments portfolio:		
Single-family unsecuritized mortgage loans[4]	84,081	84,411
Freddie Mac mortgage-related securities	153,133	165,247
Non-agency mortgage-related securities	54,622	64,524
Non-Freddie Mac agency mortgage-related securities	15,562	16,889
Total Investments — Mortgage investments portfolio	307,398	331,071
Multifamily — Guarantee portfolio:		
Multifamily Freddie Mac mortgage-related securities held by us	2,029	2,787
Multifamily Freddie Mac mortgage-related securities held by third parties	69,697	62,505
Multifamily other guarantee commitments[3]	9,131	9,288
Total Multifamily — Guarantee portfolio	80,857	74,580
Multifamily — Mortgage investments portfolio:		
Multifamily investment securities portfolio	27,478	33,056
Multifamily unsecuritized loan portfolio	52,561	59,171
Total Multifamily — Mortgage investments portfolio	80,039	92,227
Total Multifamily portfolio	160,896	166,807
Less: Freddie Mac single-family and certain multifamily securities[5]	(155,162)	(168,034)
Total mortgage portfolio	$1,895,319	$1,914,661
Credit risk portfolios:[6]		
Single-family credit guarantee portfolio:[2]		
Single-family mortgage loans, on-balance sheet	$1,627,898	$1,630,859
Non-consolidated Freddie Mac mortgage-related securities	6,601	6,961
Other guarantee commitments[3]	19,682	19,872
Less: HFA initiative-related guarantees[7]	(3,612)	(4,051)
Less: Freddie Mac mortgage-related securities backed by Ginnie Mae certificates[7]	(485)	(541)
Total single-family credit guarantee portfolio	$1,650,084	$1,653,100
Multifamily mortgage portfolio:		
Multifamily mortgage loans, on-balance sheet[8]	$53,003	$59,615
Non-consolidated Freddie Mac mortgage-related securities	71,285	64,848
Other guarantee commitments[3]	9,131	9,288
Less: HFA initiative-related guarantees[7]	(830)	(905)
Total multifamily mortgage portfolio	$132,589	$132,846

(1) Amounts represent UPB.
(2)

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 is typically 45 or 75 days after the mortgage payment cycle of fixed-rate and ARM PCs, respectively.

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

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

(5) 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.

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

Table of Contents

(7) 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.

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

Segment Earnings — Results

Single-Family Guarantee

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

Table 11 — Segment Earnings and Key Metrics — Single-Family Guarantee[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(dollars in millions)			
Segment Earnings:				
Net interest income (expense)[2]	$(79)	$3	$(46)	$97
Benefit for credit losses	398	345	76	589
Non-interest income:				
Management and guarantee income	1,252	1,298	2,423	2,541
Other non-interest income (loss)	(172)	208	28	449
Total non-interest income	1,080	1,506	2,451	2,990
Non-interest expense:				
Administrative expenses	(275)	(252)	(553)	(493)
REO operations income (expense)	48	109	(11)	101
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(187)	(123)	(365)	(216)
Other non-interest expense	(80)	(33)	(119)	(94)
Total non-interest expense	(494)	(299)	(1,048)	(702)
Segment adjustments[3]	(76)	(214)	(158)	(442)
Segment Earnings before income tax expense	829	1,341	1,275	2,532
Income tax expense	(261)	—	(394)	(5)
Segment Earnings, net of taxes	568	1,341	881	2,527
Total other comprehensive income, net of taxes	—	1	—	12
Total comprehensive income	$568	$1,342	$881	$2,539
Key metrics:				
Balances and Volume (in billions, except rate):				
Average balance of single-family credit guarantee portfolio and HFA guarantees	$1,651	$1,642	$1,652	$1,639
Issuance — Single-family credit guarantees[4]	$58	$133	$111	$269
Fixed-rate products — Percentage of purchases[5]	93%	96%	94%	97%
Liquidation rate — Single-family credit guarantees (annualized)[6]	14%	32%	14%	34%
Average Management and Guarantee Rate (in bps, annualized)[7]				
Segment Earnings management and guarantee income[8]	30.4	31.6	29.3	31.0
Guarantee fee charged on new acquisitions[9]	57.7	50.7	57.0	49.9
Credit:				
Serious delinquency rate, at end of period	2.07%	2.79%	2.07%	2.79%
REO inventory, at end of period (number of properties)	36,134	44,623	36,134	44,623
Single-family credit losses, in bps (annualized)[10]	20.4	42.4	21.7	46.1
Market:				
Single-family mortgage debt outstanding (total U.S. market, in billions)[11]	$9,851	$9,906	$9,851	$9,906
30-year fixed mortgage rate[12]	4.1%	4.5%	4.1%	4.5%

(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) The first half of 2014 includes interest expense associated with our STACR debt notes that we began issuing in July 2013.

(3) For a description of our segment adjustments, see “NOTE 13: SEGMENT REPORTING — Segment Earnings” in our 2013 Annual Report.

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

(5) Excludes Other Guarantee Transactions.

(6) 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.

(7) Includes the effect of pricing adjustments that are based on the price performance of our PCs relative to comparable Fannie Mae securities.

(8) 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.

Table of Contents

(9) Represents the estimated average 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.

(10) 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.

(11) Source: Federal Reserve Financial Accounts of the United States of America dated June 5, 2014. The outstanding amount for June 30, 2014 reflects the balance as of March 31, 2014.

(12) 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 for our Single-family Guarantee segment declined to $0.6 billion and $0.9 billion in the three and six months ended June 30, 2014, respectively, from $1.3 billion and $2.5 billion in the three and six months ended June 30, 2013, respectively. The declines in the 2014 periods were primarily due to: (a) lower non-interest income; (b) increased income tax expense; and (c) lower REO operations income. In addition, we recognized lower benefits for credit losses in the first half of 2014 compared to the first half of 2013.

Segment Earnings for the Single-family Guarantee segment is largely driven by management and guarantee fee income and the (provision) benefit for credit losses. The table below provides summary information about the composition of Segment Earnings for this segment, by guarantee and loan origination years, for the six months ended June 30, 2014 and 2013.

Table of Contents

Table 12 — Segment Earnings Composition — Single-Family Guarantee Segment

	Six Months Ended June 30, 2014				
	Segment Earnings Management and Guarantee Income[1]		Credit-Related (Expense) Benefit [2][3]		
	Amount	Average Rate[4]	Amount	Average Rate[4]	Net Amount[5]
	(dollars in millions, rates in bps)				
Year of origination:[5]					
2014	$94	44.4	$(2)	(1.8)	$92
2013	622	40.6	(15)	(1.1)	607
2012	363	30.2	(6)	(0.4)	357
2011	139	24.4	(3)	(0.4)	136
2010	125	24.5	(5)	(0.8)	120
2009	112	19.9	3	0.5	115
Subtotal - New single-family book	1,455	31.7	(28)	(0.6)	1,427
HARP and other relief refinance loans[6]	576	33.7	(146)	(8.3)	430
2005-2008 Legacy single-family book	273	20.5	149	11.9	422
Pre-2005 Legacy single-family book	119	18.9	90	12.5	209
Total	$2,423	29.3	$65	0.8	$2,488
Administrative expenses					(553)
Net interest income					(46)
Other non-interest income (expenses), net					(1,008)
Segment Earnings, net of taxes					$881

	Six Months Ended June 30, 2013				
	Segment Earnings Management and Guarantee Income[1]		Credit-Related (Expense) Benefit [2][3]		
	Amount	Average Rate[4]	Amount	Average Rate[4]	Net Amount[5]
	(dollars in millions, rates in bps)				
Year of origination:[5]					
2013	$146	30.5	$(3)	(0.6)	$143
2012	461	34.3	(5)	(0.3)	456
2011	285	40.1	(1)	(0.2)	284
2010	258	38.8	11	1.6	269
2009	258	33.6	21	2.9	279
Subtotal - New single-family book	1,408	35.5	23	0.6	1,431
HARP and other relief refinance loans[6]	501	32.6	(224)	13.7	277
2005-2008 Legacy single-family book	436	23.9	692	42.3	1,128
Pre-2005 Legacy single-family book	196	22.6	199	21.3	395
Total	$2,541	31.0	$690	8.3	$3,231
Administrative expenses					(493)
Net interest income					97
					(308)

Other non-interest income (expenses), net	
Segment Earnings, net of taxes	$2,527

(1) For the entire single-family credit guarantee portfolio, consists of: (a) the contractual management and guarantee fee; and (b) amortization of delivery and other upfront fees (using the original contractual maturity date of the related loans) of $0.9 billion and $1.3 billion for the six months ended June 30, 2014 and 2013, respectively. Prior period information has been revised to conform with the current period presentation. See endnote (6) for further information.

(2) Consists of the aggregate of the Segment Earnings (provision) benefit for credit losses and Segment Earnings REO operations (expense) income. Historical rates of average credit-related (expense) benefit may not be representative of future results. Prior period information has been revised to conform with the current period presentation. See endnote (6) for further information.

(3) Includes our settlement agreements with certain sellers for release of certain repurchase obligations primarily associated with loans in our Legacy single-family books in exchange for one-time cash payments.

(4) Calculated as the annualized amount of Segment Earnings management and guarantee income or credit-related (expense) benefit, 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. Prior period information has been revised to conform with the current period presentation. See endnote (6) for further information.

Table of Contents

(5) Calculated as Segment Earnings management and guarantee income less credit-related (expense) benefit. Prior period information has been revised to conform with the current period presentation. See endnote (6) for further information.

(6) Segment Earnings management and guarantee income is presented by year of guarantee origination (except for HARP and other relief refinance loans), whereas credit-related (expense) benefit is presented based on year of loan origination. HARP and other relief refinance loans are presented separately rather than in the year that the refinancing occurred (from 2009 to 2014). All other refinance loans are presented in the year that the refinancing occurred. Prior period information has been revised to conform with the current period presentation.

We continue to maintain a consistent market presence by providing lenders with a constant source of liquidity for conforming mortgage products. Issuances of our guarantees were $58 billion and $111 billion in the three and six months ended June 30, 2014, respectively, compared to $133 billion and $269 billion in the three and six months ended June 30, 2013, respectively. During the first half of 2014, refinancings comprised approximately 48% of our single-family purchase and issuance volume, compared with 81% in the first half of 2013. Origination volumes in the U.S. residential mortgage market declined significantly during the first half of 2014, as compared to the first half of 2013, driven by a significant decline in the volume of refinance mortgages. We attribute this decline to higher average mortgage interest rates in the first half of 2014 compared to the first half of 2013. In addition, many borrowers have already refinanced their loans in recent periods at relatively low interest rates, and thus may be less likely to do so in the future.

The UPB of the single-family credit guarantee portfolio was $1.7 trillion at both June 30, 2014 and December 31, 2013. We expect the UPB of our single-family credit guarantee portfolio will be relatively unchanged at the end of 2014 compared to the end of 2013. Our purchase activity in the first half of 2014 declined to $107.6 billion in UPB compared to $261.7 billion in UPB during the first half of 2013. The annualized liquidation rate on our single-family credit guarantees also declined to approximately 14% in the first half of 2014 compared to 34% in the first half of 2013. We expect the reduced purchase volume to continue in the second half of 2014. However, the expected decline in purchase volume is expected to be offset by a decline in prepayments resulting from higher mortgage interest rates.

We refer to single-family loans we acquired beginning in 2009, excluding HARP and other relief refinance mortgages, as our New single-family book. We do not include HARP and other relief refinance mortgages in our New single-family book, since underwriting procedures for these mortgages are limited, and, in many cases, 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 (many of which were originated between 2005 and 2008).

Our New single-family book continues to represent an increasing share of our overall single-family credit guarantee portfolio and comprised 56% of this portfolio as of June 30, 2014. The New single-family book has low delinquency rates and credit losses compared to our 2005-2008 Legacy single-family book. The serious delinquency rate for the New single-family book was 0.23% as of June 30, 2014 and its credit losses were $51 million in the first half of 2014, representing 3% of our total credit losses. As of June 30, 2014, 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. We expect these loans to continue to be profitable for us over the long term, in aggregate. For more information on the composition of our single-family credit guarantee portfolio, see "Table 28 — Single-Family Credit Guarantee Portfolio Data by Year of Origination."

HARP and other relief refinance loans represent a significant portion of our single-family credit guarantee portfolio. Relief refinance mortgages (including HARP loans) generally present higher risk to us than other refinance loans we have purchased since 2009. 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. 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 was $1.3 billion and $2.4 billion in the three and six months ended June 30, 2014, respectively, compared to $1.3 billion and $2.5 billion in the three and six months ended June

30, 2013, respectively. The slight decline in the first half of 2014 compared to the first half of 2013 was primarily due to decreased amortization of delivery fees resulting from a higher interest rate environment and lower refinancing activity in 2014.

The average management and guarantee fee we charged for new acquisitions in the first half of 2014 was 57.0 basis points, compared to 49.9 basis points in the first half of 2013. The higher average contractual guarantee fees charged on new acquisitions in the first half of 2014 was primarily due to a change in the characteristics of the mortgages we purchased in the first half of 2014, including loans with higher LTV ratios and borrowers with lower average credit scores, than in the first half of 2013. 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 is higher than the average Segment Earnings management and guarantee income rate because it represents our expected guarantee fee rate based on the estimated life of the related loans using certain assumptions for prepayments and other liquidations, whereas the Segment Earnings rate is based on the contractual life of the guarantee. We seek to issue guarantees with fee terms that we believe are commensurate with the risks assumed and that will, over the long-term: (a) provide management and guarantee fee income that, in aggregate, exceeds our anticipated credit-related and administrative expenses on the single-family credit guarantee portfolio; and (b) provide a return on the capital that would be needed to support the related credit risk.

Table of Contents

Our Segment Earnings management and guarantee fee income is 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. The profitability of our multifamily business could be adversely affected by a significant decrease in demand for K Certificates” in our 2013 Annual Report for additional information.

The 2014 Conservatorship Scorecard includes a goal for us to complete credit risk transfer transactions for $90 billion in UPB using at least one transaction type in addition to STACR debt note transactions. We executed four transactions during the first half of 2014 that shift a portion of the mezzanine credit loss position on certain groups of loans in our New single-family book from us to private investors. The transactions completed in the first half of 2014 consisted of: (a) two STACR debt note transactions; and (b) two ACIS transactions using third-party insurance. We will continue to seek to expand and refine our offerings of credit risk transfer transactions in the future. For more information, see "BUSINESS — Our Business Segments — Single-Family Guarantee Segment — Credit Enhancements" in our 2013 Annual Report and "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk — Cred Enhancements."

Segment Earnings other non-interest income (loss) was $(172) million and $28 million in the three and six months ended June 30, 2014, respectively, compared to $208 million and $449 million in the three and six months ended June 30, 2013, respectively. The decline in the 2014 periods was primarily due to: (a) losses on single-family loans that were reclassified from held-for-investment to held-for-sale during the second quarter of 2014 (in connection with the pilot transaction discussed below) as these loans are adjusted to the lower-of-cost-or-fair-value at the time of transfer; and (b) fair value losses on STACR debt notes due to an increase in market prices for these notes, which we have elected to carry at fair value. Partially offsetting these losses was increased income from the accrual of compensatory fees in the first half of 2014 related to servicers that failed to meet our loan foreclosure timelines.

Segment Earnings benefit for credit losses for the Single-family Guarantee segment was $398 million and $76 million in the three and six months ended June 30, 2014, respectively, compared to $345 million and $589 million in the three and six months ended June 30, 2013, respectively. Our benefit for credit losses in the six months ended June 30, 2014 includes benefits from: (a) settlement agreements with certain sellers; (b) an increase in expected recoveries from one of our mortgage insurers; (c) the reduction of loan loss reserves associated with certain seriously delinquent single-family mortgage loans reclassified from held-for-investment to held-for-sale; and (d) moderate home price growth. The benefit for credit losses in the first half of 2013 reflects a more significant increase in home prices that was partially offset by incurred losses associated with newly delinquent loans. Assuming that all other factors remain the same, an increase in home prices may reduce the likelihood that loans will default and may also reduce the amount of credit losses on the loans that do default. We do not expect future settlement agreements, if any, with seller/servicers to have a significant effect on our financial results. See “RISK MANAGEMENT — Credit Risk — Institutional Credit Risk” for further information on recent developments concerning our mortgage insurance counterparties. Although we recognized a benefit for credit losses in the segment in the first six months of 2014, we recognized a provision for credit losses associated with HARP and other relief refinance loans since these loans have begun to experience incurred losses in the normal course of time and did not benefit as much as our Legacy single-family books did from the increase in home prices during the period.

The serious delinquency rate on our single-family credit guarantee portfolio was 2.07% and 2.39% at June 30, 2014 and December 31, 2013, respectively. In the first half of 2014, our serious delinquency rate continued the decline that began in 2010, primarily due to lower volumes of single-family loans becoming seriously delinquent and continued loss mitigation and foreclosure activities for loans in the Legacy single-family books. In April 2014, we received FHFA's approval for a pilot transaction to sell certain seriously delinquent unsecuritized single-family loans held on our consolidated balance sheet. As discussed above, we transferred certain of these loans to held-for-sale classification in the second quarter of 2014. We expect to complete the sale of substantially all of these loans in the third quarter of 2014, which would further reduce our serious delinquency rate.

Charge-offs, net of recoveries, associated with single-family loans were $1.8 billion and $3.9 billion in the first half of 2014 and 2013, respectively. Our recoveries in both the first half of 2014 and 2013 included approximately $0.4 billion related to repurchase requests from our seller/servicers (including amounts related to settlement agreements with certain sellers to release specified loans from certain repurchase obligations in exchange for one-time cash payments). Single-family credit losses as a percentage of the average balance of the single-family credit guarantee portfolio and HFA initiative-related guarantees were 21.7 basis points and 46.1 basis points for the first half of 2014 and 2013, respectively. 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, REO assets and non-accrual loans.

REO operations income (expense) for the Single-family Guarantee segment was $48 million and $109 million in the second quarter of 2014 and 2013, respectively, and $(11) million and $101 million in the first half of 2014 and 2013, respectively. These changes were primarily due to lower gains on the disposition of REO properties.

Table of Contents

Our single-family REO inventory (measured in number of properties) declined 24% from December 31, 2013 to June 30, 2014, primarily due to property dispositions exceeding acquisitions. Our REO acquisition activity has declined in recent periods as a result of our loss mitigation efforts and a declining amount of seriously delinquent loans. Although there was an improvement in REO disposition severity during the first half of 2014, 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 — REO Assets" for additional information about our REO activity.

Expenses related to the legislated 10 basis point increase in guarantee fees were $365 million and $216 million during the first six months of 2014 and 2013, respectively, and we recognized a similar amount of associated management and guarantee income in each period. As of June 30, 2014, loans with an aggregate UPB of $767.6 billion were subject to these fees, and the cumulative total of the amounts paid and due to Treasury was $1.0 billion.

Segment Earnings income tax expense for the Single-family Guarantee segment was $394 million and $5 million for the six months ended June 30, 2014 and 2013, respectively. The increased income tax expense in 2014 results from the release of the valuation allowance in the second half of 2013.

Investments

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

Table 13 — Segment Earnings and Key Metrics — Investments[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(dollars in millions)			
Segment Earnings:				
Net interest income	$726	$839	$1,562	$1,869
Non-interest income (loss):				
Net impairment of available-for-sale securities recognized in earnings	83	49	(132)	57
Derivative gains (losses)	(1,124)	1,052	(2,612)	1,611
Gains (losses) on trading securities	14	(651)	(41)	(1,029)
Other non-interest income	773	954	6,410	1,711
Total non-interest income (loss)	(254)	1,404	3,625	2,350
Non-interest expense:				
Administrative expenses	(111)	(132)	(235)	(244)
Other non-interest expense	(2)	(1)	(6)	(1)
Total non-interest expense	(113)	(133)	(241)	(245)
Segment adjustments[2]	149	296	300	585
Segment Earnings before income tax (expense) benefit	508	2,406	5,246	4,559
Income tax (expense) benefit	(190)	323	(1,626)	590
Segment Earnings, net of taxes	318	2,729	3,620	5,149
Total other comprehensive income, net of taxes	595	158	1,074	2,532
Comprehensive income	$913	$2,887	$4,694	$7,681
Key metrics:				
Portfolio balances:				
Average balances of interest-earning assets:[3]				
Mortgage-related securities[4]	$234,894	$276,553	$241,561	$281,274
Non-mortgage-related investments[5]	56,006	94,781	64,018	90,560
Single-family unsecuritized loans[6]	83,086	90,057	83,428	90,723
Total average balances of interest-earning assets	$373,986	$461,391	$389,007	$462,557
Return:				
Net interest yield — Segment Earnings basis (annualized)	0.78%	0.73%	0.80%	0.81%

(1) In the first quarter of 2014, we revised our inter-segment allocations between the Multifamily and the Investments segments for the Multifamily segment's investment securities and held-for-sale loans. Prior period results have been revised to conform with the current period presentation. For additional information about this change and the 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 — Segment Earnings" and "— Table 13.2 — Segment Earnings and Reconciliation to GAAP Results," respectively.
(2) For a description of our segment adjustments, see "NOTE 13: SEGMENT REPORTING — Segment Earnings" in our 2013 Annual Report.
(3) We calculate average balances based on amortized cost.
(4) Includes our investments in single-family PCs and certain Other Guarantee Transactions, which are consolidated under GAAP on our consolidated balance sheets.
(5) 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.
(6) Excludes unsecuritized seriously delinquent single-family mortgage loans.

Segment Earnings for our Investments segment decreased by $2.4 billion and $1.5 billion to $318 million and $3.6 billion in the three and six months ended June 30, 2014, respectively, compared to $2.7 billion and $5.1 billion in the three and six months ended June 30, 2013, respectively. These decreases were primarily due to derivative losses recorded during the three and six months ended June 30, 2014 compared to derivative gains recorded during the three and six months ended June 30, 2013, and were partially offset by increases in other non-interest income from settlements associated with our investments in certain non-agency mortgage-related securities and improvements in gains (losses) on trading securities during the three and six months ended June 30, 2014.

Comprehensive income for our Investments segment decreased by $2.0 billion and $3.0 billion to $913 million and $4.7 billion in the three and six months ended June 30, 2014, respectively, compared to $2.9 billion and $7.7 billion in the three and six months ended June 30, 2013, respectively, primarily due to lower Segment Earnings and, during the six months ended June 30, 2014, lower other comprehensive income.

Our Investments segment's other comprehensive income was $595 million and $1.1 billion during the three and six months ended June 30, 2014, respectively, compared to $158 million and $2.5 billion during the three and six months ended June 30, 2013, respectively. The increase in other comprehensive income during the three months ended June 30, 2014 was primarily due to fair value gains on our available-for-sale mortgage-related securities as interest rates declined. The decrease in other comprehensive income during the six months ended June 30, 2014 was primarily due to lower fair value gains on our non-agency mortgage-related securities as spreads tightened less during the six months ended June 30, 2014 compared to the six months ended June 30, 2013. Other comprehensive income in all periods also reflects the reversals of: (a) unrealized losses due to the recognition of other-than-temporary impairments in earnings; and (b) unrealized gains and losses related to available-for-sale securities sold during the respective period.

During the three and six months ended June 30, 2014, the UPB of the Investments segment mortgage investments portfolio decreased at an annualized rate of 7% and 14%, respectively. We held $168.7 billion and $182.1 billion of agency securities, $54.6 billion and $64.5 billion of non-agency mortgage-related securities, and $84.1 billion and $84.4 billion of single-family unsecuritized mortgage loans at June 30, 2014 and December 31, 2013, respectively. The decline in UPB of agency securities is due mainly to liquidations, net sales of PCs, and net sales related to our structuring activity, where we generally sell a portion of the newly structured asset. The decline in UPB of non-agency mortgage-related securities is due mainly to the receipt 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. The decline in the UPB of single-family unsecuritized mortgage loans is primarily related to prepayments of mortgage loans held and the securitization of mortgage loans that we had purchased for cash, and includes the securitization of reperforming loans and modified loans, partially offset by the addition of newly performing loans from the Single-family Guarantee segment. 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 $113 million and $307 million during the three and six months ended June 30, 2014, respectively, compared to the three and six months ended June 30, 2013. The primary driver of these decreases was the negative impact of the reduction in the balance of mortgage-related assets due to continued liquidations.

Segment Earnings non-interest income (loss) was $(254) million and $3.6 billion in the three and six months ended June 30, 2014, respectively, compared to $1.4 billion and $2.4 billion in the three and six months ended June 30, 2013, respectively. The decline during the three months ended June 30, 2014 was primarily due to derivative losses recorded during the three months ended June 30, 2014 compared to derivative gains recorded during the three months ended June 30, 2013. The improvement during the six months ended June 30, 2014 was primarily due to settlements associated with our investments in certain non-agency mortgage-related securities, partially offset by derivative losses recorded during the six months ended June 30, 2014 compared to derivative gains recorded during the six months ended June 30, 2013.

We recorded derivative gains (losses) for this segment of $(1.1) billion and $(2.6) billion during the three and six months ended June 30, 2014, respectively, compared to $1.1 billion and $1.6 billion during the three and six months

ended June 30, 2013, respectively. The losses were primarily due to a decrease in longer-term interest rates during the three and six months ended June 30, 2014 compared to an increase in longer-term interest rates during the three and six months ended June 30, 2013. See “Non-Interest Income (Loss) — Derivative Gains (Losses)” for additional information on our derivatives.

Net impairment of available-for-sale securities recognized in earnings in our Investments segment was a benefit of $83 million compared to $49 million during the three months ended June 30, 2014 and 2013, respectively, as accretion on previously impaired securities increased. Net impairment of available-for-sale securities recognized in earnings was an expense of $132 million compared to a benefit of $57 million during the six months ended June 30, 2014 and 2013, respectively. During the six months ended June 30, 2014, these impairments were primarily driven by an increase in the population of available-for-sale securities in an unrealized loss position where we had the intent to sell. 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” and "NOTE 15:

Table of Contents

CONCENTRATION OF CREDIT AND OTHER RISKS — Non-Agency Mortgage-Related Security Issuers" for additional information.

We recorded gains (losses) on trading securities of $14 million and $(41) million during the three and six months ended June 30, 2014, respectively, compared to $(651) million and $(1.0) billion during the three and six months ended June 30, 2013, respectively. The gains on trading securities during the three months ended June 30, 2014 were primarily due to a decline in longer-term interest rates during the period, which more than offset the impact of the movement of these securities with unrealized gains towards maturity. The losses on trading securities during the six months ended June 30, 2014 and the three and six months ended June 30, 2013 were primarily due to the movement of securities with unrealized gains towards maturity, partially offset during the six months ended June 30, 2014 by the effect of the decline in longer-term interest rates.

We recorded other non-interest income for this segment of $773 million and $6.4 billion during the three and six months ended June 30, 2014, respectively, compared to $954 million and $1.7 billion during the three and six months ended June 30, 2013, respectively. The decrease in other non-interest income during the three months ended June 30, 2014 was primarily due to a decrease in the amortization income on debt securities of consolidated trusts driven by a lower volume of prepayments. The increase in other non-interest income during the six months ended June 30, 2014 primarily resulted from settlements associated with our investments in certain non-agency mortgage-related securities and increased gains on sales of available-for-sale securities resulting from sales primarily related to our structuring activity, partially offset by a decrease in amortization income on debt securities of consolidated trusts driven by a lower volume of prepayments. For information on the settlement agreements, see “NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Non-Agency Mortgage-Related Security Issuers.”

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 2013 Annual Report.

Table of Contents

Multifamily

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(dollars in millions)			
Segment Earnings:				
Net interest income	$250	$320	$465	$623
Benefit for credit losses	23	105	42	139
Non-interest income:				
Management and guarantee income	63	49	121	95
Net impairment of available-for-sale securities recognized in earnings	—	—	—	(11)
Gains (losses) on mortgage loans	156	(563)	410	(554)
Derivative gains	112	1,335	197	2,165
Other non-interest income	167	20	206	120
Total non-interest income	498	841	934	1,815
Non-interest expense:				
Administrative expenses	(67)	(60)	(133)	(139)
REO operations income	2	1	2	3
Other non-interest expense	(8)	(7)	(13)	(12)
Total non-interest expense	(73)	(66)	(144)	(148)
Segment Earnings before income tax expense	698	1,200	1,297	2,429
Income tax expense	(222)	(282)	(403)	(508)
Segment Earnings, net of taxes	476	918	894	1,921
Total other comprehensive loss, net of taxes	(67)	(790)	(67)	(785)
Total comprehensive income	$409	$128	$827	$1,136
Key metrics:				
Balances and Volume:				
Average balance of Multifamily unsecuritized loan portfolio	$54,416	$73,131	$56,266	$74,634
Average balance of Multifamily guarantee portfolio	$79,828	$60,560	$78,176	$57,573
Average balance of Multifamily investment securities portfolio	$28,892	$48,424	$30,938	$49,532
Multifamily new business activity	$4,109	$7,490	$7,115	$13,534
Multifamily units financed from new business activity	63,041	98,330	114,406	185,000
Multifamily K Certificate transactions — guaranteed portion	$3,907	$7,391	$7,178	$12,161
Multifamily K Certificate transactions — unguaranteed portion[2]	$613	$1,404	$1,223	$2,192
Yield and Rate:				
Net interest yield — Segment Earnings basis (annualized)	1.19%	1.04%	1.05%	1.00%
Average Management and guarantee fee rate, in bps (annualized):[3]				
K Certificate guarantees	20.9	19.7	20.5	19.5
All other guarantees	76.8	74.6	76.2	74.3
Total	30.7	32.3	30.6	32.8
Credit:				

Delinquency rate:				
Credit-enhanced loans, at period end	0.02 %	0.15 %	0.02 %	0.15 %
Non-credit-enhanced loans, at period end	0.02 %	0.04 %	0.02 %	0.04 %
Total delinquency rate, at period end	0.02 %	0.09 %	0.02 %	0.09 %
Allowance for loan losses and reserve for guarantee losses, at period end	$107	$236	$107	$236
Credit losses, in bps (annualized)(4)	—	1.2	—	2.8
REO inventory, at net carrying value	$16	$54	$16	$54
REO inventory, at period end (number of properties)	1	5	1	5

(1) In the first quarter of 2014, we revised our inter-segment allocations between the Multifamily and the Investments segments for the Multifamily segment's investment securities and held-for-sale loans. Prior period results have been revised to conform with the current period presentation. For additional information about this change and the 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 — Segment Earnings" and "Table 13.2 — Segment Earnings and Reconciliation to GAAP Results,” respectively.

(2) Represents subordinated securities (i.e., CMBS), which are not issued or guaranteed by us.

Table of Contents

(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 initiative-related guarantees, excluding certain bonds under the NIBP.

(4) 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 were $476 million and $894 million in the three and six months ended June 30, 2014, respectively, compared to $918 million and $1.9 billion in the three and six months ended June 30, 2013, respectively. The decline in the first half of 2014 compared to the first half of 2013 was primarily due to: (a) lower gains on derivatives, which are used to economically hedge investment securities; and (b) lower net interest income; partially offset by (c) gains on mortgage loans.

Comprehensive income for our Multifamily segment was $409 million and $827 million for the three and six months ended June 30, 2014, respectively, consisting of: (a) Segment Earnings of $476 million and $894 million, respectively; and (b) $67 million of total other comprehensive loss for both periods. Total other comprehensive loss recognized in the 2014 periods for our Multifamily segment was primarily related to the realization of fair value gains that were previously deferred in AOCI associated with certain available-for-sale securities that were sold during the first half of 2014.

The 2014 Conservatorship Scorecard provides for us to maintain the dollar volume of new multifamily business activity for 2014 at or below the 2013 cap of $25.9 billion, excluding affordable housing loans, loans for smaller multifamily properties, and loans for manufactured housing rental communities. Additionally, the 2014 Conservatorship Scorecard set a goal for us to assess the economics and feasibility of adopting additional types of risk transfer structures and of increasing the amount of risk transferred in current risk transfer structures (i.e., K Certificate transactions). For this purpose, risk is broadly defined to include, but is not limited to, credit, counterparty or aggregation risk.

In the first half of 2014, we continued to provide liquidity to the multifamily market and support affordable rental housing by acquiring and securitizing multifamily mortgages. Our multifamily new business activity declined to $7.1 billion in the first half of 2014 compared to $13.5 billion for the first half of 2013 primarily as a result of increased competition from other market participants, particularly banking institutions. We expect that our new multifamily business activity for the full-year of 2014 will be below the cap specified by the 2014 Conservatorship Scorecard of $25.9 billion in UPB.

We sold $4.5 billion and $8.4 billion in UPB of multifamily loans in the three and six months ended June 30, 2014, respectively, primarily through K Certificate transactions, compared to $8.8 billion and $14.4 billion in the three and six months ended June 30, 2013, respectively. Our K Certificate activity declined in the first half of 2014 largely because our loan purchases have been adversely affected by increased competition, particularly from banking institutions. The UPB of the total multifamily portfolio declined to $160.9 billion as of June 30, 2014 from $166.8 billion as of December 31, 2013 primarily due to declines in our multifamily mortgage investments portfolio. This decline was partially offset by an increase in our multifamily guarantee portfolio resulting from our issuance of K Certificates.

Segment Earnings net interest income was $250 million and $320 million in the three months ended June 30, 2014 and 2013, respectively, and was $465 million and $623 million in the six months ended June 30, 2014 and 2013, respectively. The declines in the 2014 periods were primarily due to lower average balances of the multifamily loan and investment securities portfolios compared to the 2013 periods.

Segment Earnings non-interest income was $498 million and $841 million in the three months ended June 30, 2014 and 2013, respectively, and was $934 million and $1.8 billion in the six months ended June 30, 2014 and 2013, respectively. These declines were primarily due to lower gains on derivatives used to hedge investment securities resulting from a decline in longer-term interest rates in the 2014 periods compared to an increase in longer-term interest rates in the 2013 periods. Derivative gains (losses) for the Multifamily segment are offset by fair value changes of the corresponding assets that the derivatives economically hedge. The fair value changes of these hedged

assets are included in gains on mortgage loans, other non-interest income and total other comprehensive income. As a result, there is no net impact on total comprehensive income for the Multifamily segment from interest rate-related derivatives. Segment Earnings non-interest income also declined in the 2014 periods due to lower gains on sale of available-for-sale CMBS securities compared to the same periods in 2013.

Segment Earnings management and guarantee income was $63 million and $49 million in the three months ended June 30, 2014 and 2013, respectively, and was $121 million and $95 million in the six months ended June 30, 2014 and 2013, respectively. The increase in the 2014 periods was primarily due to the higher average balance of the multifamily guarantee portfolio, which was primarily due to ongoing issuances of K Certificates. However, the average total management and guarantee fee rate on our multifamily guarantee portfolio declined to 30.6 basis points in the first half of 2014, compared to 32.8 basis points in the first half of 2013. The decline in the first half of 2014 primarily reflects the increasing balance of guaranteed K Certificates during recent periods. Our guarantees of K Certificates have lower fees than our other multifamily guarantee activities as a result of our limited credit risk exposure due to the use of subordination.

Segment Earnings benefit for credit losses was $23 million and $105 million in the three months ended June 30, 2014 and 2013, respectively, and $42 million and $139 million in the six months ended June 30, 2014 and 2013, respectively. The

Table of Contents

recognition of a benefit for credit losses in these periods was primarily due to continued improvement in the expected performance of the underlying loans.

As a result of our prudent underwriting standards and practices, and the continued positive multifamily market fundamentals, the credit quality of the multifamily mortgage portfolio remains strong. Multifamily credit losses as a percentage of the combined average balance of our multifamily loan and guarantee portfolios were 0.0 basis points and 2.8 basis points in the first half of 2014 and 2013, respectively, and our delinquency rate of 0.02% as of June 30, 2014 continues to be among the industry's lowest. See “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Multifamily Mortgage Credit Risk” for further information about the credit performance, including delinquency rates, of our multifamily mortgage portfolio.

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” in our 2013 Annual Report 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 June 30, 2014. These short-term assets related to our consolidated VIEs increased by $1.7 billion from December 31, 2013 to June 30, 2014.

Excluding amounts related to our consolidated VIEs, we held $4.7 billion and $11.3 billion of cash and cash equivalents (including non-interest bearing deposits of $4.4 billion and $7.2 billion at the Federal Reserve Bank of New York), no federal funds sold, and $29.8 billion and $59.2 billion of securities purchased under agreements to resell at June 30, 2014 and December 31, 2013, respectively. The decrease in these liquid assets at June 30, 2014 compared to December 31, 2013 was due in part to the raising of the U.S. statutory debt limit, thus abating concerns that the U.S. would exhaust its borrowing authority.

Excluding amounts related to our consolidated VIEs, we held on average $10.7 billion and $13.7 billion of cash and cash equivalents and $21.2 billion and $30.1 billion of federal funds sold and securities purchased under agreements to resell during the three and six months ended June 30, 2014, respectively.

For information regarding our liquidity management practices and policies, see “MD&A — LIQUIDITY AND CAPITAL RESOURCES” in our 2013 Annual Report.

Investments in Securities

The table below provides the fair value of our investments in securities as of June 30, 2014 and December 31, 2013. 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 10 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios.”

Table 15 — Investments in Securities[1]

	June 30, 2014	December 31, 2013
	(in millions)	
Investments in securities:		
Available-for-sale securities		

Mortgage-related securities		
Agency securities	$47,397	$51,623
Non-agency securities	66,201	77,296
Total available-for-sale securities	113,598	128,919
Trading securities		
Mortgage-related securities		
Agency securities	21,502	16,627
Non-agency securities	82	141
Total mortgage-related securities	21,584	16,768
Non-mortgage-related securities	12,711	6,636
Total trading securities	34,295	23,404
Total investments in securities	$147,893	$152,323

Table of Contents

(1) For information on the types of instruments that are included as investments in securities, see "NOTE 7: INVESTMENTS IN SECURITIES — Table 7.1 — Available-For-Sale Securities" and "— Table 7.8 — Trading Securities."

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 $12.7 billion and $6.6 billion as of June 30, 2014 and December 31, 2013, respectively. While our investments in non-mortgage-related securities increased at June 30, 2014 compared to December 31, 2013, our other liquid assets decreased. For more information on liquid assets, see "Cash and Cash Equivalents, Federal Funds Sold and Securities Purchased Under Agreements to Resell."

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. When we purchase certain 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 2013 Annual Report for further information.

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 information on our holdings of such securities, see “Table 10 — Composition of Segment Mortgage Portfolios and Credit Risk Portfolios.”

Table of Contents

Table 16 — Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets

	June 30, 2014			December 31, 2013		
	Fixed Rate	Variable Rate[(1)]	Total	Fixed Rate	Variable Rate[(1)]	Total
	(in millions)					
Freddie Mac mortgage-related securities:						
Single-family	$39,411	$5,488	$44,899	$38,472	$4,401	$42,873
Multifamily	553	1,476	2,029	1,318	1,469	2,787
Total Freddie Mac mortgage-related securities	39,964	6,964	46,928	39,790	5,870	45,660
Non-Freddie Mac mortgage-related securities:						
Agency securities:[(2)]						
Fannie Mae:						
Single-family	6,705	8,652	15,357	7,240	9,421	16,661
Multifamily	3	—	3	3	—	3
Ginnie Mae:						
Single-family	133	72	205	150	78	228
Multifamily	15	—	15	15	—	15
Total Non-Freddie Mac agency securities	6,856	8,724	15,580	7,408	9,499	16,907
Non-agency mortgage-related securities:						
Single-family:[(3)]						
Subprime	11	34,076	34,087	116	39,583	39,699
Option ARM	—	9,716	9,716	—	10,426	10,426
Alt-A and other	1,224	6,694	7,918	1,417	9,594	11,011
CMBS[(3)]	11,701	13,021	24,722	13,069	16,254	29,323
Obligations of states and political subdivisions[(4)]	2,856	13	2,869	3,524	14	3,538
Manufactured housing	549	192	741	577	201	778
Total non-agency mortgage-related securities	16,341	63,712	80,053	18,703	76,072	94,775
Total UPB of mortgage-related securities	$63,161	$79,400	142,561	$65,901	$91,441	157,342
Premiums, discounts, deferred fees, impairments of UPB and other basis adjustments			(11,288)			(14,036)
Net unrealized gains (losses) on mortgage-related securities, pre-tax			3,909			2,381
Total carrying value of mortgage-related securities			$135,182			$145,687

(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) 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.

(3) For information about how these securities are rated, see ‘‘Table 22 — Ratings of Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans, and CMBS.’’

(4) Consists of housing revenue bonds. Approximately 31% and 28% of these securities held at June 30, 2014 and December 31, 2013, 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.

Table 17 — Additional Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets

June 30, 2014	December 31, 2013

	UPB (in millions)	Fair Value	UPB	Fair Value
Agency pass-through securities(1)	$11,870	$12,757	$12,951	$13,867
Other agency securities:				
Interest-only securities(2)	—	1,892	—	1,966
Principal-only securities(3)	2,640	2,225	2,724	2,252
Inverse floating-rate securities(4)	1,388	2,031	1,594	2,280
Other Structured Securities(5)	46,610	49,994	45,298	47,885
Total agency securities	62,508	68,899	62,567	68,250
Non-agency securities(6)	80,053	66,283	94,775	77,437
Total mortgage-related securities	$142,561	$135,182	$157,342	$145,687

(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.

Table of Contents

(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 of interest-only securities at both June 30, 2014 and December 31, 2013.

The total UPB of our investments in mortgage-related securities on our consolidated balance sheets decreased from $157.3 billion at December 31, 2013 to $142.6 billion at June 30, 2014, while the fair value of these investments decreased from $145.7 billion at December 31, 2013 to $135.2 billion at June 30, 2014. The reduction in non-agency mortgage-related securities is due to the receipt 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 six months ended June 30, 2014 and 2013.

Table 18 — Mortgage-Related Securities Purchase Activity[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Non-Freddie Mac mortgage-related securities purchased for resecuritization:[2]				
Ginnie Mae Certificates	$—	$3	$—	$3
Non-Freddie Mac mortgage-related securities purchased as investments in securities:				
Agency securities:				
Fannie Mae:				
Fixed-rate	$1,348	$716	$1,589	$716
Variable-rate	68	—	68	50
Total Fannie Mae	1,416	716	1,657	766
Ginnie Mae:				
Variable-rate	73	—	73	—
Total agency securities	1,489	716	1,730	766
Non-agency mortgage-related securities:				
CMBS:[3]				
Fixed-rate	—	10	—	10
Variable-rate	—	30	—	30
Total non-agency mortgage-related securities	—	40	—	40
Total non-Freddie Mac mortgage-related securities purchased as investments in securities	1,489	756	1,730	806
Total non-Freddie Mac mortgage-related securities purchased	$1,489	$759	$1,730	$809
Freddie Mac mortgage-related securities purchased:				
Single-family:				
Fixed-rate	$26,882	$29,226	$47,875	$47,652
Variable-rate	4,762	589	5,017	764
Total Freddie Mac mortgage-related securities purchased	$31,644	$29,815	$52,892	$48,416
	$3,908	$7,391	$7,178	$12,161

Mortgage-related securities purchased for Other Guarantee Transactions[4]

(1) Based on UPB.
(2) Excludes tax-exempt multifamily housing revenue bonds purchased for securitization in guarantee swap transactions.
(3) Consists of our purchases of subordinated tranches issued in K Certificate transactions.
(4) 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 six months ended June 30, 2014, as reflected in the table above, primarily consisted of purchases of single-family PCs related to our investment activities. 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.

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

At June 30, 2014, our gross unrealized losses, pre-tax, on available-for-sale mortgage-related securities were $2.2 billion compared to $3.9 billion at December 31, 2013. 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

Table of Contents

movement of these securities with unrealized losses towards maturity. We believe the unrealized losses related to these securities at June 30, 2014 were mainly attributable to poor underlying collateral performance, limited liquidity and 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" 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

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 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.

Table 19 — Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, and Alt-A Loans and Certain Related Credit Statistics[1]

	As of 6/30/2014	3/31/2014	12/31/2013	9/30/2013	6/30/2013
	(dollars in millions)				
UPB:					
Subprime	$34,083	$37,958	$39,694	$40,779	$41,909
Option ARM	9,716	10,197	10,426	10,755	11,190
Alt-A[2]	6,339	7,904	9,147	9,866	11,118
Gross unrealized losses, pre-tax:[3]					
Subprime	$1,577	$2,037	$2,780	$4,667	$5,282
Option ARM	346	381	381	619	635
Alt-A[2]	59	83	135	304	579
Present value of expected future credit losses:[4][5]					
Subprime	$4,954	$6,024	$6,400	$3,676	$4,151
Option ARM	1,470	1,651	1,802	1,683	2,094
Alt-A[2]	785	1,084	1,165	1,149	1,338
Collateral delinquency rate:[6]					
Subprime	33 %	34 %	35 %	35 %	36 %
Option ARM	29	31	32	33	34
Alt-A[2]	21	22	22	22	22
Average credit enhancement:[7]					
Subprime	6 %	7 %	9 %	10 %	11 %
Option ARM	(2)	(1)	—	—	1
Alt-A[2]	(1)	(1)	—	1	3

Cumulative collateral loss:(8)					
Subprime	32 %	31 %	30 %	30 %	29 %
Option ARM	25	24	24	24	23
Alt-A(2)	15	15	13	13	12

(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 not affected by the settlement amounts we received in 2013 and 2014 related to our investments in certain non-agency mortgage-related securities. For more information, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Non-Agency Mortgage-Related Security Issuers."

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

Table of Contents

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

(4) 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.

(5) We regularly evaluate the underlying estimates and models we use when determining the present value of expected future credit losses and update our assumptions to reflect our historical experience and current view of economic factors. As a result, data in different periods may not be comparable.

(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. Negative values are shown when unallocated collateral losses will be allocated to the securities that we own in excess of current remaining credit enhancement, if any. The unallocated collateral losses have been considered in our assessment of other-than-temporary impairment.

(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 $7.3 billion at June 30, 2014 from $8.9 billion at March 31, 2014. 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 on our available-for-sale securities was primarily driven by: (a) sales of non-agency mortgage-related securities; (b) the impact of a decline in longer-term interest rates in the second quarter of 2014 resulting in a benefit from expected structural credit enhancements; and (c) improvements in home prices over the expected life of our securities.

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 months ended June 30, 2014, 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, such that as of June 30, 2014, on an average basis, the structural credit enhancements on our securities backed by option ARM and certain Alt-A loans have been more than fully depleted. We have also 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. For more information, see "NOTE 7: INVESTMENTS IN SECURITIES — Table 7.3 — Significant Modeled Attributes for Certain Available-For-Sale Non-Agency Mortgage-Related Securities." For more information on bond insurance coverage, see "RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Bond Insurers."

Since the beginning of 2007, we have incurred actual principal cash shortfalls of $4.0 billion on impaired available-for-sale non-agency mortgage-related securities, including $129 million and $255 million related to the three

and six months ended June 30, 2014, 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 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. Principal cash shortfalls are presented net of amounts received related to insurance recoveries.

Table of Contents

Table 20 — Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans[1]

	Three Months Ended				
	6/30/2014	3/31/2014	12/31/2013	9/30/2013	6/30/2013
	(in millions)				
Principal repayments and cash shortfalls:[2]					
Subprime:					
Principal repayments	$877	$889	$1,021	$1,048	$1,087
Principal cash shortfalls	3	(4)	8	35	15
Option ARM:					
Principal repayments	$157	$142	$192	$226	$239
Principal cash shortfalls	93	88	100	161	188
Alt-A and other:					
Principal repayments	$285	$247	$324	$418	$418
Principal cash shortfalls	31	41	43	51	74

(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 not affected by the settlement amounts we received in 2013 and 2014 related to our investments in certain non-agency mortgage-related securities. For more information, see “NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Non-Agency Mortgage-Related Security Issuers.”

(2) In addition to the contractual interest payments, we receive 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. For more information regarding settlements related to these efforts, see “RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Agency and Non-Agency Mortgage-Related Security Issuers.”

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.

Table 21 — 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				
	6/30/2014	3/31/2014	12/31/2013	9/30/2013	6/30/2013
	(in millions)				
Subprime:					
2006 & 2007	$133	$300	$1,141	$4	$12
Other years	2	22	26	41	1
Total subprime	135	322	1,167	45	13
Option ARM:					
2006 & 2007	9	1	26	1	4
Other years	8	15	15	11	1
Total option ARM	17	16	41	12	5
Alt-A:					
2006 & 2007	—	21	4	1	1
Other years	5	3	54	64	24
Total Alt-A	5	24	58	65	25
Other loans	—	2	30	1	—
	157	364	1,296	123	43

Total subprime, option ARM, Alt-A and other loans					
CMBS	—	—	1	3	—
Manufactured housing	—	—	—	—	1
Total available-for-sale mortgage-related securities	$157	$364	$1,297	$126	$44

We recorded net impairment of available-for-sale securities recognized in earnings of $157 million and $521 million during the three and six months ended June 30, 2014, respectively, compared to $44 million and $87 million during the three and six months ended June 30, 2013, respectively.
We review our investments in available-for-sale securities that 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 June 30, 2014, we recorded the unrealized loss

Table of Contents

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 our current operational plans, models and strategies and, in the case of single-family non-agency mortgage-related securities, whether such securities are subject to FHFA-led lawsuits or other loss mitigation measures. The population of securities that we intend to sell may change from period to period. During the three and six months ended June 30, 2014, net impairment of available-for-sale securities recognized in earnings included $138 million and $466 million, respectively, due to an increase in the population of available-for-sale securities in an unrealized loss position that we intend to sell. 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. 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 "CONSOLIDATED RESULTS OF OPERATIONS — Non-Interest Income (Loss) — Investment Securities-Related Activities," as well as “NOTE 7: INVESTMENTS IN SECURITIES — Other-Than-Temporary Impairments on Available-for-Sale Securities” in our 2013 Annual Report.
While it is reasonably possible that collateral losses on our available-for-sale 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 June 30, 2014. As a result, we have concluded that the reduction in fair value of these securities was temporary at June 30, 2014 and have recorded these unrealized losses in AOCI.
The credit performance of loans underlying our holdings of non-agency mortgage-related securities has declined since 2007 and, although it has stabilized in recent periods, it remains weak. This decline has been particularly severe for subprime, option ARM, and Alt-A and other loans. Our investments in non-agency mortgage-related securities have at times been negatively affected by high unemployment, a large inventory of seriously delinquent mortgage loans and unsold homes, tight credit conditions, and weak consumer confidence. In addition, the loans which serve as collateral for 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.
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 principal 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 2013 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 2013 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 June 30, 2014 based on their ratings as of June 30, 2014, as well as those held at December 31, 2013 based on their ratings as of December 31, 2013. 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.

Table of Contents

Table 22 — Ratings of Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans, and CMBS

Credit Ratings as of June 30, 2014	UPB	Percentage of UPB(1)	Amortized Cost	Gross Unrealized Losses	Bond Insurance Coverage(2)
	(dollars in millions)				
Subprime, option ARM, Alt-A and other loans:					
AAA-rated	$34	— %	$33	$—	$8
Other investment grade	1,724	3	1,645	(18)	430
Below investment grade(3)	49,963	97	35,729	(1,967)	2,666
Total	$51,721	100 %	$37,407	$(1,985)	$3,104
CMBS:					
AAA-rated	$11,693	47 %	$11,702	$—	$40
Other investment grade	10,868	44	10,824	(30)	1,647
Below investment grade(3)	2,161	9	2,150	(97)	1,551
Total	$24,722	100 %	$24,676	$(127)	$3,238
Total subprime, option ARM, Alt-A and other loans, and CMBS:					
AAA-rated	$11,727	15 %	$11,735	$—	$48
Other investment grade	12,592	17	12,469	(48)	2,077
Below investment grade(3)	52,124	68	37,879	(2,064)	4,217
Total	$76,443	100 %	$62,083	$(2,112)	$6,342
Total investments in mortgage-related securities	$142,561				
Percentage of subprime, option ARM, Alt-A and other loans, and CMBS of total investments in mortgage-related securities	54 %				
Credit Ratings as of December 31, 2013					
Subprime, option ARM, Alt-A and other loans:					
AAA-rated	$114	— %	$110	$(1)	$7
Other investment grade	2,417	4	2,308	(39)	582
Below investment grade(3)	58,605	96	42,420	(3,263)	2,936
Total	$61,136	100 %	$44,838	$(3,303)	$3,525
CMBS:					
AAA-rated	$14,286	49 %	$14,299	$—	$41
Other investment grade	12,786	43	12,740	(131)	1,653
Below investment grade(3)	2,251	8	2,239	(206)	1,557
Total	$29,323	100 %	$29,278	$(337)	$3,251
Total subprime, option ARM, Alt-A and other loans, and CMBS:					
AAA-rated	$14,400	16 %	$14,409	$(1)	$48
Other investment grade	15,203	17	15,048	(170)	2,235
Below investment grade(3)	60,856	67	44,659	(3,469)	4,493
Total	$90,459	100 %	$74,116	$(3,640)	$6,776
Total investments in mortgage-related securities	$157,342				

Percentage of subprime, option ARM, Alt-A and other loans, and CMBS of total investments in mortgage-related securities	57	%

(1) Within this column, "—" represents less than 0.5%.
(2) 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.
(3) 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 June 30, 2014 and December 31, 2013. 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.

Based on the amount of the recorded investment of single-family loans classified as held-for-investment on our consolidated balance sheets, approximately $34.7 billion, or 2.1%, of these loans were seriously delinquent or in foreclosure as of June 30, 2014, compared to $41.5 billion, or 2.5%, as of December 31, 2013. The majority of these 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: IMPAIRED LOANS” for more information on our removal of single-family loans from PC trusts.

The UPB of unsecuritized single-family mortgage loans declined by $5.6 billion to $116.5 billion at June 30, 2014 from $122.1 billion at December 31, 2013, primarily due to: (a) loan prepayments, foreclosure transfers, and foreclosure alternative

Table of Contents

activities; (b) securitization of loans through our PC cash auction process, net of related purchases; and (c) securitization of reperforming and modified loans. This decline was partially offset by our removal of seriously delinquent single-family loans from PC trusts. As of June 30, 2014 and December 31, 2013, the balance of unsecuritized single-family mortgage loans included $81.4 billion and $78.0 billion, respectively, in UPB of mortgage loans classified as TDRs that were no longer seriously delinquent.

The UPB of unsecuritized multifamily mortgage loans was $52.6 billion at June 30, 2014 and $59.2 billion at December 31, 2013. This decline was primarily due to principal repayments as well as our securitization of loans through K Certificates, which exceeded new 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 $22.8 billion and $24.7 billion at June 30, 2014 and December 31, 2013, respectively, including $22.7 billion and $24.6 billion, respectively, related to single-family loans. At June 30, 2014 and December 31, 2013, our allowance for loan losses, as a percentage of mortgage loans, held-for-investment, on our consolidated balance sheets was 1.3% and 1.4%, respectively. See “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk” and “NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES” for information on seriously delinquent single-family loans as well as 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.

Table 23 — Mortgage Loan Purchases and Other Guarantee Commitment Issuances[1]

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
	Amount	% of Total[2]	Amount	% of Total[2]	Amount	% of Total[2]	Amount	% of Total[2]
	(dollars in millions)							
Mortgage loan purchases and other guarantee commitment issuances:								
Single-family:								
30-year or more amortizing fixed-rate	$43,894	70 %	$84,537	62 %	$80,249	70 %	$173,111	63 %
20-year amortizing fixed-rate	1,893	3	6,927	5	3,747	3	13,856	5
15-year amortizing fixed-rate	8,437	13	33,463	24	16,893	15	65,589	24
Adjustable-rate[3]	4,176	7	4,855	4	6,647	6	9,034	3
FHA/VA and other governmental	59	—	76	—	95	—	152	—
Total single-family[4]	58,459	93	129,858	95	107,631	94	261,742	95
Multifamily:								
10-year[5]	1,118	2	5,576	4	1,870	2	9,396	3
7-year[5]	2,150	4	1,530	1	3,737	3	3,401	2
Other[6]	841	1	384	—	1,508	1	737	—
Total multifamily	4,109	7	7,490	5	7,115	6	13,534	5

Total mortgage loan purchases and other guarantee commitment issuances	$62,568	100 %	$137,348	100 %	$114,746	100 %	$275,276	100 %
Percentage of mortgage loan purchases and other guarantee commitment issuances with credit enhancements(7)	25 %		15 %		23 %		14 %	

(1) Amount is the principal amount of the loans. Excludes the removal of seriously delinquent loans and balloon/reset mortgages from PC trusts.

(2) Within these columns, "—" represents less than 0.5%.

(3) 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.

(4) Includes $8.0 billion and $18.2 billion of conforming jumbo loan purchases and $0.1 billion and $0.5 billion of conforming jumbo loans underlying other guarantee commitment issuances for the six months ended June 30, 2014 and 2013, respectively. Includes issuances of other guarantee commitments on single-family loans of $1.2 billion and $5.1 billion during the six months ended June 30, 2014 and 2013, respectively.

(5) Represents original maturity of the loan. Includes interest-only and amortizing loans that may either be fixed or adjustable-rate.

(6) Includes other guarantee commitments on multifamily loans and multifamily mortgage loans with original maturities other than 10 years and 7 years.

Table of Contents

(7) Excludes credit enhancement coverage occurring subsequent to our purchase or guarantee, such as through STACR debt notes or other risk transfer transactions (e.g., K Certificate transactions). 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.

Our single-family purchase activity declined in the 2014 periods compared to the 2013 periods. We expect the volume of single-family purchases in the second half of 2014 to remain lower than in 2013 due to reduced refinancing volume. During the first half of 2014, refinancings comprised approximately 48% of our single-family purchase and issuance volume, compared with 81% in the first half of 2013. We attribute this decline in refinancings to higher average mortgage interest rates in the 2014 periods compared to the 2013 periods. In addition, many borrowers have already refinanced their loans in recent periods at relatively low interest rates, and thus may be less likely to do so in the future.

See “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.

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 June 30, 2014. 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.

Table of Contents

Table 24 — Derivative Fair Values and Maturities

	June 30, 2014					
	Notional or Contractual Amount[2]	Total Fair Value	Fair Value[1] 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	$215,124	$4,309	$85	$1,212	$934	$2,078
Weighted average fixed rate[3]			1.48%	1.15%	1.76%	3.05%
Forward-starting swaps[4]	18,816	481	—	35	—	446
Weighted average fixed rate[3]			—%	1.68%	—%	3.37%
Total receive-fixed	233,940	4,790	85	1,247	934	2,524
Basis (floating to floating)	300	3	—	3	—	—
Pay-fixed:						
Swaps	211,107	(9,448)	(166)	(1,159)	(2,278)	(5,845)
Weighted average fixed rate[3]			2.73%	1.87%	3.56%	3.19%
Forward-starting swaps[4]	14,333	(693)	—	—	(2)	(691)
Weighted average fixed rate[3]			—%	—%	2.92%	3.47%
Total pay-fixed	225,440	(10,141)	(166)	(1,159)	(2,280)	(6,536)
Total interest-rate swaps	459,680	(5,348)	(81)	91	(1,346)	(4,012)
Option-based:						
Call swaptions						
Purchased	41,389	2,386	1,083	98	830	375
Written	3,139	(4)	(3)	(1)	—	—
Put swaptions						
Purchased	28,315	312	65	150	63	34
Written	1,178	(2)	(1)	(1)	—	—
Other option-based derivatives[5]	16,102	801	—	—	—	801
Total option-based	90,123	3,493	1,144	246	893	1,210
Futures	50,000	—	—	—	—	—
Commitments	23,773	5	5	—	—	—
Swap guarantee derivatives	3,347	(28)	—	(1)	(2)	(25)
Subtotal	626,923	(1,878)	$1,068	$336	$(455)	$(2,827)
Credit derivatives	5,244	(31)				
Subtotal	632,167	(1,909)				
Derivative interest receivable (payable), net		(716)				
Derivative cash collateral (held) posted, net		1,838				
Total	$632,167	$(787)				

(1) Fair value is categorized by maturity based on the period from June 30, 2014 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 eleven years as of June 30, 2014.
(5) Primarily includes purchased interest-rate caps and floors.

At June 30, 2014, the net fair value of our total derivative portfolio was $(787) million compared to $883 million at December 31, 2013. See "NOTE 9: DERIVATIVES" for information regarding our derivatives, and the notional or contractual amounts and related fair values of our total derivative portfolio by product type at June 30, 2014 and December 31, 2013, as well as "NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES — Collateral Pledged" for information about derivative collateral held and posted.

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

Table of Contents

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, declined to $3.7 billion at June 30, 2014 from $4.6 billion at December 31, 2013 as dispositions exceeded acquisitions. The volume of our single-family REO acquisitions 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) the volume of our foreclosure alternatives, which result in fewer loans proceeding to foreclosures, 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 dispositions to remain at elevated levels in the near term, as we have a large REO inventory. See "RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — REO Assets" for additional information about our REO activity.

Deferred Tax Assets and Liabilities

We had a net deferred tax asset of $19.8 billion and $22.7 billion as of June 30, 2014 and December 31, 2013, respectively.

We determined that a valuation allowance against our net deferred tax asset was not necessary at June 30, 2014. See "NOTE 12: INCOME TAXES" in our 2013 Annual Report for additional information.

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 increased to $8.6 billion as of June 30, 2014 from $8.5 billion as of December 31, 2013. For more information on other assets, see "NOTE 19: SELECTED FINANCIAL STATEMENT LINE ITEMS."

Total Debt, Net

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.

Table of Contents

Table 25 — Freddie Mac Mortgage-Related Securities[1]

	June 30, 2014			December 31, 2013		
	Issued by Consolidated Trusts	Issued by Non-Consolidated Trusts	Total	Issued by Consolidated Trusts	Issued by Non-Consolidated Trusts	Total
	(in millions)					
PCs and Other Structured Securities:						
Single-family:						
30-year or more amortizing fixed-rate	$1,055,053	$ —	$1,055,053	$1,040,602	$ —	$1,040,602
20-year amortizing fixed-rate	79,817	—	79,817	81,214	—	81,214
15-year amortizing fixed-rate	283,965	—	283,965	291,347	—	291,347
Adjustable-rate[2]	67,483	—	67,483	66,250	—	66,250
Interest-only[3]	26,161	—	26,161	29,083	—	29,083
FHA/VA and other governmental	3,282	—	3,282	3,366	—	3,366
Total single-family	1,515,761	—	1,515,761	1,511,862	—	1,511,862
Multifamily	—	4,704	4,704	—	4,778	4,778
Total single-family and multifamily	1,515,761	4,704	1,520,465	1,511,862	4,778	1,516,640
Other Guarantee Transactions:						
Non-HFA bonds:						
Single-family[4]	7,700	2,923	10,623	8,396	3,079	11,475
Multifamily	441	65,845	66,286	444	59,326	59,770
Total Non-HFA bonds	8,141	68,768	76,909	8,840	62,405	71,245
HFA Initiative Bonds:[5]						
Single-family	—	3,193	3,193	—	3,341	3,341
Multifamily	—	736	736	—	744	744
Total HFA Initiative Bonds	—	3,929	3,929	—	4,085	4,085
Total Other Guarantee Transactions	8,141	72,697	80,838	8,840	66,490	75,330
REMICs and Other Structured Securities backed by Ginnie Mae certificates[6]	—	485	485	—	541	541
Total Freddie Mac Mortgage-Related Securities	$1,523,902	$ 77,886	$1,601,788	$1,520,702	$ 71,809	$1,592,511
Less: Repurchased Freddie Mac Mortgage-Related Securities[7]	(106,997)			(121,246)		
Total UPB of debt securities of consolidated trusts held by third parties	$1,416,905			$1,399,456		

(1) Amounts represent the UPB of the securities.
(2)

Includes $0.9 billion in UPB of option ARM mortgage loans as of both June 30, 2014 and December 31, 2013. 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 $5.2 billion and $5.5 billion in UPB of securities backed by option ARM mortgage loans at June 30, 2014 and December 31, 2013, 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 16 — 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 94% at both June 30, 2014 and December 31, 2013. The UPB of multifamily Other Guarantee Transactions, excluding HFA initiative-related bonds, increased to $66.3 billion as of June 30, 2014 from $59.8 billion as of December 31, 2013, due to K Certificate issuances.

The table below shows issuances and extinguishments of the debt securities of our consolidated trusts during the three and six months ended June 30, 2014 and 2013, as well as the UPB of consolidated trusts held by third parties.

Table of Contents

Table 26 — Issuances and Extinguishments of Debt Securities of Consolidated Trusts[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Beginning balance of debt securities of consolidated trusts held by third parties	$1,411,089	$1,391,508	$1,399,456	$1,387,259
Issuances to third parties of debt securities of consolidated trusts:				
Issuances based on underlying mortgage product type:				
30-year or more amortizing fixed-rate	43,115	86,029	81,688	175,798
20-year amortizing fixed-rate	1,791	6,677	3,702	13,898
15-year amortizing fixed-rate	8,410	32,780	17,250	65,104
Adjustable-rate	4,117	4,998	6,790	9,159
FHA/VA	23	—	79	—
Debt securities of consolidated trusts retained by us at issuance[2]	(7,158)	(10,738)	(11,218)	(23,337)
Net issuances of debt securities of consolidated trusts	50,298	119,746	98,291	240,622
Reissuances of debt securities of consolidated trusts previously held by us[3]	20,749	8,967	39,479	21,481
Total issuances to third parties of debt securities of consolidated trusts	71,047	128,713	137,770	262,103
Extinguishments, net[4]	(65,231)	(131,036)	(120,321)	(260,177)
Ending balance of debt securities of consolidated trusts held by third parties	$1,416,905	$1,389,185	$1,416,905	$1,389,185

(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 June 30, 2014 and 2013.

Total issuances to third parties of debt securities of consolidated trusts and extinguishments, net decreased during the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013 primarily due to a decrease in refinance activity resulting from higher average mortgage interest rates in the 2014 periods compared to the 2013 periods.

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 increased to $5.9 billion as of June 30, 2014 from $5.5 billion as of December 31, 2013 primarily due to the purchase of non-mortgage-related securities classified as trading that had not settled by the balance sheet date. See "NOTE 19: SELECTED FINANCIAL STATEMENT LINE ITEMS" for additional information.

Total Equity

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

Table of Contents

Table 27 — Changes in Total Equity

	Three Months Ended					Six Months Ended
	6/30/2014	3/31/2014	12/31/2013	9/30/2013	6/30/2013	6/30/2014
	(in millions)					
Beginning balance	$6,899	$12,835	$33,436	$7,357	$9,971	$12,835
Net income	1,362	4,020	8,613	30,486	4,988	5,382
Other comprehensive income (loss), net of taxes:						
Changes in unrealized gains (losses) related to available-for-sale securities	479	427	970	(127)	(717)	906
Changes in unrealized gains (losses) related to cash flow hedge relationships[1]	49	52	66	76	84	101
Changes in defined benefit plans	—	—	186	2	2	—
Comprehensive income	1,890	4,499	9,835	30,437	4,357	6,389
Capital draw funded by Treasury	—	—	—	—	—	—
Senior preferred stock dividends declared	(4,499)	(10,435)	(30,436)	(4,357)	(6,971)	(14,934)
Other	—	—	—	(1)	—	—
Total equity/Net worth	$4,290	$6,899	$12,835	$33,436	$7,357	$4,290
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)	$86,279	$81,780	$71,345	$40,909	$36,552	$86,279

(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 does not reduce the outstanding liquidation preference.

At June 30, 2014, our assets exceeded our liabilities under GAAP; therefore no draw is being requested from Treasury under the Purchase Agreement for the second quarter of 2014. We paid cash dividends to Treasury of $14.9 billion during the six months ended June 30, 2014. Based on our Net Worth Amount at June 30, 2014 and the 2014 Capital Reserve Amount of $2.4 billion, our dividend obligation to Treasury in September 2014 will be $1.9 billion.

Our available-for-sale securities net unrealized gains (losses) recorded in AOCI was $1.9 billion and $1.0 billion at June 30, 2014 and December 31, 2013, respectively. This $0.9 billion improvement in AOCI was primarily due to fair value gains resulting from a decrease in longer-term interest rates coupled with the impact of spread tightening on our non-agency mortgage-related securities and the movement of these 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 and other market risks; and (c) operational risk. See "RISK FACTORS" in our 2013 Annual Report for additional information regarding these and other risks. See "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK" in this Form 10-Q and in our 2013 Annual Report for information about our interest rate and other market risks.

Credit Risk

We are subject primarily to two types of credit risk: (a) mortgage credit risk; and (b) 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.

Table of Contents

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. For more information on the underwriting process, see "BUSINESS — Our Business Segments — Single-Family Guarantee Segment — Underwriting Requirements and Quality Control Standards" in our 2013 Annual Report.

The table below presents certain credit information about loans in our single-family credit guarantee portfolio by year of origination as of June 30, 2014 and for the six months ended June 30, 2014.

Table 28 — Single-Family Credit Guarantee Portfolio Data by Year of Origination[1]

	June 30, 2014							Six Months Ended June 30, 2014
	Percent of Portfolio	Average Credit Score[2]	Original LTV Ratio	Current LTV Ratio[3]	Current LTV Ratio >100%[3][4][5]	Serious Delinquency Rate[6]	Foreclosure and Short Sale Rate[7]	Percent of Credit Losses[5]
Year of Origination								
2014	4 %	747	76 %	76 %	— %	— %	— %	— %
2013	17	754	71	66	—	0.03	—	—
2012	15	761	69	58	—	0.06	0.01	—
2011	7	756	69	56	—	0.21	0.04	—
2010	6	754	69	58	—	0.41	0.13	1
2009	7	751	69	60	1	0.86	0.38	2
Subtotal - New single-family book	56	756	70	62	—	0.23	0.14	3
HARP and other relief refinance loans[8]	21	734	89	78	18	0.66	0.64	7
2005-2008 Legacy single-family book	15	703	75	85	26	7.93	8.35	81
Pre-2005 Legacy single-family book	8	710	73	49	2	3.11	1.38	9
Total	100 %	740	75	68	8	2.07		100 %

(1) Except for the foreclosure and short sale rate, the data presented is based on the loans remaining in the portfolio at June 30, 2014, which totaled $1.7 trillion, rather than all loans originally guaranteed by us and originated in the respective year.

(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 0.5% 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) Within these columns, "—" represents less than 0.5%.

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

(7) 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 June 30, 2014, divided by the number of loans originated in that year that were acquired in our single-family credit guarantee portfolio. The foreclosure and short sale rate presented for the Pre-2005 Legacy single-family book represents the rate associated with loans originated in 2000 through 2004.

(8) HARP and other relief refinance loans are presented separately rather than in the year that the refinancing occurred (from 2009 to 2014). All other refinance loans are presented in the year that the refinancing occurred.

Improvement in home prices in many areas of the U.S. during the first half of 2014 generally led to improved current LTV ratios of the loans in our portfolio as of June 30, 2014. Loans with current LTV ratios greater than 100% comprised 8% and 10%, of our single-family credit guarantee portfolio, based on UPB at June 30, 2014 and December 31, 2013, respectively, and comprised approximately 57% and 75% of our credit losses recognized in the first half of 2014 and 2013, 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 721 and 722 at June 30, 2014 and December 31, 2013, respectively.

Loans originated from 2005 through 2008 have experienced higher serious delinquency rates and 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 (2006 through 2010). As of June 30, 2014, 8.4% 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 7.9% of loans originated in those years that remained in our single-family credit guarantee portfolio as of June 30, 2014 were seriously delinquent. Many of the loans from those years have been modified, as shown in "Table 36 —

Table of Contents

Credit Concentrations in the Single-Family Credit Guarantee Portfolio." The gradual reduction of our 2005-2008 Legacy single-family book has positively impacted the payment performance of our single-family credit guarantee portfolio. However, the rate at which the reduction of our 2005-2008 Legacy single-family book is occurring has been slowed by a decline in mortgage refinancings 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 $155,000 at both June 30, 2014 and December 31, 2013. We purchased or issued other guarantee commitments for approximately 282,000 and 646,000 single-family loans totaling $58.5 billion and $129.9 billion of UPB during the second quarter of 2014 and 2013, respectively. Our single-family credit guarantee portfolio consists of first-lien mortgage loans predominately secured by the borrower's primary residence. Approximately 94% of the single-family mortgages we purchased or guaranteed in the first half of 2014 were fixed-rate amortizing mortgages, based on UPB, and the remainder were ARM mortgage loans. Approximately 48% of the single-family mortgages we purchased or guaranteed in the first half of 2014 were refinance mortgages, including approximately 15% that were relief refinance mortgages, based on UPB.

The credit quality of the single-family loans in our New single-family book is significantly better than that of our 2005-2008 Legacy single-family book, as measured by original LTV ratios, FICO scores, the proportion of loans underwritten with full documentation, delinquency rates, and credit losses. In the first half of 2014, our New single-family book increased, and the proportion of loans originated prior to 2009 declined. However, in recent periods, as refinancing volumes have declined, the composition of our loan purchase activity has been shifting to a higher proportion of home purchase loans and these loans generally have higher original LTV ratios and lower credit scores, in aggregate, than loans sold to us during 2010 through 2012.

The percentage of home purchase loans in our loan acquisition volume increased, and refinance loan activity declined during the first half of 2014 compared to the first half of 2013. During the first half of 2014 and 2013, we purchased or guaranteed more than 274,000 and 1,047,000, respectively, of single-family loans that were refinance mortgages, totaling $52.0 billion and $211.0 billion in UPB, respectively. Our purchases of refinance mortgages have declined for the last five consecutive quarters, which we believe was primarily a result of higher mortgage interest rates in recent periods. In addition, many borrowers have already refinanced their loans in recent periods at relatively low interest rates, and thus may be less likely to do so in the future. At June 30, 2014 and December 31, 2013, there were approximately 10.6 million and 10.7 million loans, respectively, in our single-family credit guarantee portfolio, including 2.1 million and 2.0 million relief refinance mortgages, respectively.

The tables below provide additional characteristics of single-family mortgage loans purchased during the six months ended June 30, 2014 and 2013, and of our single-family credit guarantee portfolio at June 30, 2014 and December 31, 2013.

Table of Contents

Table 29 — Characteristics of Purchases for the Single-Family Credit Guarantee Portfolio[1]

	Percent of Purchases During the Six Months Ended June 30,					
	2014			2013		
	Relief Refi	All Other	Total	Relief Refi	All Other	Total
Original LTV Ratio Range						
60% and below	3 %	13 %	16 %	4 %	20 %	24 %
Above 60% to 70%	1	11	12	2	13	15
Above 70% to 80%	2	39	41	3	31	34
Above 80% to 100%	5	22	27	7	11	18
Above 100% to 125%	3	—	3	5	—	5
Above 125%	1	—	1	4	—	4
Total	15 %	85 %	100 %	25 %	75 %	100 %
Weighted average original LTV ratio	84 %	76 %	77 %	92 %	69 %	75 %
Credit Score[2]						
740 and above	6 %	53 %	59 %	13 %	56 %	69 %
700 to 739	3	19	22	5	13	18
660 to 699	3	10	13	4	5	9
620 to 659	1	3	4	2	1	3
Less than 620	2	—	2	1	—	1
Total	15 %	85 %	100 %	25 %	75 %	100 %
Weighted average credit score:						
Total mortgages	712	747	742	730	758	751

	Percent of Purchases During the Six Months Ended June 30,	
	2014	2013
Loan Purpose		
Purchase	52 %	19 %
Cash-out refinance	16	17
Other refinance[3]	32	64
Total	100 %	100 %
Property Type		
Detached/townhome[4]	92 %	93 %
Condo/Co-op	8	7
Total	100 %	100 %
Occupancy Type		
Primary residence	88 %	89 %
Second/vacation home	4	4
Investment	8	7
Total	100 %	100 %

(1) Percentages are based on the UPB of the single-family credit guarantee portfolio. Within this table, "—" represents less than 0.5%.

(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 do not reflect any changes in the borrowers' credit history after that date.

(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.

Table 30 — Characteristics of the Single-Family Credit Guarantee Portfolio[1]

	Portfolio Balance at[2]			
	June 30, 2014		December 31, 2013	
Original LTV Ratio Range				
60% and below	22	%	22	%
Above 60% to 70%	14		15	
Above 70% to 80%	38		38	
Above 80% to 100%	20		19	
Above 100%	6		6	
Total	100	%	100	%
Weighted average original LTV ratio	75	%	75	%
Estimated Current LTV Ratio Range[3]				
60% and below	37	%	33	%
Above 60% to 70%	18		18	
Above 70% to 80%	19		20	
Above 80% to 90%	12		12	
Above 90% to 100%	6		7	
Above 100% to 120%	5		6	
Above 120%	3		4	
Total	100	%	100	%
Weighted average estimated current LTV ratio:				
Relief refinance mortgages[4]	78	%	81	%
All other mortgages	65		66	
Total mortgages	68		69	
Credit Score[5]				
740 and above	59	%	58	%
700 to 739	20		20	
660 to 699	12		13	
620 to 659	6		6	
Less than 620	3		3	
Total	100	%	100	%
Weighted average credit score:				
Relief refinance mortgages[4]	734		735	
All other mortgages	741		740	
Total mortgages	740		739	
Loan Purpose				
Purchase	28	%	26	%
Cash-out refinance	21		22	
Other refinance[6]	51		52	
Total	100	%	100	%
Property Type				
Detached/townhome[7]	93	%	93	%
Condo/Co-op	7		7	
Total	100	%	100	%
Occupancy Type				
Primary residence	90	%	90	%
Second/vacation home	4		4	
Investment	6		6	
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 June 30, 2014 and December 31, 2013 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 21% of our single-family credit guarantee portfolio by UPB as of both June 30, 2014 and December 31, 2013.

(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. Credit score data was not available for less than 0.5% of loans in the single-family credit guarantee portfolio.

(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.

High LTV Ratios

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 (outside of HARP) 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 and in severity of losses 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 4% and 9% of our single-family mortgage purchases in the first half of 2014 and 2013, respectively. The percentage of mortgages in our single-family credit guarantee portfolio with estimated current LTV ratios greater than 100% was 8% and 10% at June 30, 2014 and December 31, 2013, respectively, and the serious delinquency rate for these loans was 9.08% and 9.94%, respectively. The portion of our single-family credit guarantee portfolio with current LTV ratios greater than 100% declined in the first half of 2014 primarily due to foreclosures, short sales, and improving home prices in certain geographical areas during the period.

Mortgages with Second Liens

The presence of a second lien can increase the risk that a borrower will default. A second lien reduces the borrower's equity in the home, and has a negative effect on the borrower's ability to refinance or sell the property for an amount at or above the combined balances of the first mortgage and second lien. Based on data collected by us at loan delivery, approximately 14% of the loans in our single-family credit guarantee portfolio, as of both June 30, 2014 and December 31, 2013, had second-lien financing by third parties at origination of the first mortgage. As of June 30, 2014 and December 31, 2013, we estimate that these loans comprised 18% and 17% of our seriously delinquent loans based on UPB, respectively. Borrowers are free to obtain second-lien financing after origination, and we are not entitled to receive notification when a borrower does so. Therefore, it is likely that additional borrowers have post-origination second-lien mortgages.

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 of UPB at both June 30, 2014 and December 31, 2013, 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 37 — 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. 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, the rate is 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% of the UPB of our single-family credit guarantee portfolio at both June 30, 2014 and December 31, 2013. 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).

Table of Contents

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 June 30, 2014 and December 31, 2013, option ARM loans represented less than 1% of the UPB of our single-family credit guarantee portfolio. Included in this exposure was $5.2 billion and $5.5 billion in UPB of option ARM securities underlying certain of our Other Guarantee Transactions at June 30, 2014 and December 31, 2013, 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 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 June 30, 2014 and December 31, 2013, approximately 11.6% and 11.0%, 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 $8.2 billion and $18.7 billion in UPB of conforming jumbo loans during the six months ended June 30, 2014 and 2013, respectively. The UPB of conforming jumbo loans in our single-family credit guarantee portfolio as of June 30, 2014 and December 31, 2013 was $73.1 billion and $69.0 billion, respectively, and comprised 4% of the portfolio at both June 30, 2014 and December 31, 2013. The average size of these loans was approximately $512,000 and $518,000 at June 30, 2014 and December 31, 2013, respectively. See "BUSINESS — Our Business" in our 2013 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 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 37 — Single-Family Credit Guarantee Portfolio by Attribute Combinations" for further information). In addition, we estimate that approximately $1.7 billion and $1.8 billion in UPB of security collateral underlying our Other Guarantee Transactions at June 30, 2014 and December 31, 2013, 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 June 30, 2014 and December 31, 2013, we held $34.1 billion and $39.7 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 June 30, 2014 and December 31, 2013, respectively.

The credit performance of loans underlying these securities deteriorated significantly since 2008. For information on our exposure to subprime loans through our holdings of 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 $52.3 billion as of June 30, 2014 from $56.9 billion as of December 31, 2013 primarily due to borrowers 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 June 30, 2014 and December 31, 2013, approximately 18.1% and 16.3%, respectively, of the Alt-A loans within our single-family credit

guarantee portfolio had completed a modification. As of June 30, 2014, for Alt-A loans in our single-family credit guarantee portfolio, the average FICO score at origination was 710. Although Alt-A mortgage loans comprised approximately 3% of our single-family credit guarantee portfolio as of June 30, 2014, these loans represented approximately 11% of our credit losses during the first half of 2014.

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; 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 June 30, 2014, we have purchased approximately $30.3 billion of relief refinance mortgages that were previously categorized as Alt-A loans in our portfolio, including $1.4 billion in the first half of 2014.

We also hold investments in non-agency mortgage-related securities backed by single-family Alt-A loans. At June 30, 2014 and December 31, 2013, we held investments of $7.9 billion and $11.0 billion in UPB, respectively, of non-agency mortgage-related securities backed by Alt-A and other mortgage loans. Approximately 3% and 5% of these securities were categorized as investment grade at June 30, 2014 and December 31, 2013, 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.

Table of Contents

Table 31 — Certain Higher-Risk Categories in the Single-Family Credit Guarantee Portfolio[1]

	As of June 30, 2014			
	UPB	Estimated Current LTV[2]	Percentage Modified[3]	Serious Delinquency Rate[4]
	(dollars in billions)			
Loans with one or more specified characteristics	$363.5	91 %	8.4 %	4.54 %
Categories (individual characteristics):				
Alt-A	52.3	84	18.1	9.20
Interest-only[5]	30.9	89	0.1	10.81
Option ARM[6]	6.1	82	11.6	10.95
Original LTV ratio greater than 90%, non-HARP mortgages	110.4	89	10.0	4.55
Original LTV ratio greater than 90%, HARP mortgages	154.0	99	0.6	1.03
Lower FICO scores at origination (less than 620)[7]	46.5	81	18.3	8.87

	As of December 31, 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	94 %	8.1 %	5.31 %
Categories (individual characteristics):				
Alt-A	56.9	87	16.3	10.06
Interest-only[5]	34.7	93	0.2	12.51
Option ARM[6]	6.4	86	11.0	12.30
Original LTV ratio greater than 90%, non-HARP mortgages	103.4	91	10.1	5.66
Original LTV ratio greater than 90%, HARP mortgages	154.3	103	0.5	0.97
Lower FICO scores at origination (less than 620)[7]	47.8	83	17.4	9.99

(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. Excludes loans underlying certain Other Guarantee Transactions for which data was not available.

(2) See endnote (3) to "Table 30 — 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.

(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 29 — Characteristics of Purchases for the Single-Family Credit Guarantee Portfolio" for information on our presentation of FICO scores.

A significant portion of the loans in the higher-risk categories presented in the table above are included in our 2005-2008 Legacy single-family book. 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 was nearly unchanged during the first half of 2014. We continue to purchase non-HARP mortgage loans with original LTV ratios greater than 90% 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 portion of our single-family mortgage purchases in the first half of 2014 and 2013 that had credit enhancements was 24% and 15%, respectively. This increase is primarily due to a higher composition of home purchase loans and a lower volume of refinancings, particularly relief refinance loans, in the first half of 2014 compared to the first half of 2013. Purchases of loans with LTV ratios above 80% increased in the first half of 2014 compared to the first half of 2013. Refinance loans (other

Table of Contents

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, if any, that was already in place.

At June 30, 2014 and December 31, 2013, our credit-enhanced mortgages (including those covered by primary mortgage insurance and credit risk transfer transactions) represented 21% and 17%, respectively, of our single-family credit guarantee portfolio based on UPB, excluding those backing Ginnie Mae Certificates and HFA bonds guaranteed by us under the HFA initiative. 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.

We recognized recoveries from credit enhancements (excluding recoveries that represent reimbursements for our expenses, such as REO operations expenses) of $0.5 billion and $0.7 billion that reduced our charge-offs of single-family loans during the six months ended June 30, 2014 and 2013, respectively. Recoveries of charge-offs declined primarily due to lower foreclosures and foreclosure alternative volume in the first half of 2014. Substantially all of these amounts represent recoveries associated with our primary mortgage insurance policies. We recognized recoveries from credit enhancements of $117 million and $86 million during the six months ended June 30, 2014 and 2013, respectively, as part of REO operations income (expenses).

We executed four credit risk transfer transactions during the first half of 2014 that shift a portion of the mezzanine credit loss position on certain groups of loans in our New single-family book from us to private investors. We believe approximately $63.8 billion of UPB related to these transactions qualified toward our 2014 Conservatorship Scorecard goal to complete credit risk transfer transactions involving single-family mortgages with at least $90 billion in aggregate UPB. These four transactions consisted of the following:

- Two STACR debt note issuances: In February 2014, we executed a STACR debt note transaction for $1.0 billion in UPB, which relates to $32.4 billion in UPB of loans in the single-family credit guarantee portfolio. In April 2014, we executed a second STACR debt note transaction for $966 million in UPB, which relates to $28.1 billion in UPB of loans in the single-family credit guarantee portfolio. In the February and April STACR transactions, we are exposed to the first $97 million and $84 million, respectively, of calculated losses associated with the reference pool of mortgage loans in these transactions and a portion of credit events thereafter. The UPB of the STACR debt notes held by third parties represents the maximum amount of credit protection that is available to us from such third parties through the transactions.
- Two ACIS transactions: In April 2014 and June 2014, we further reduced our exposure to credit losses related to the reference pool of mortgage loans associated with our November 2013 and February 2014 STACR debt note transactions, respectively, by obtaining third-party insurance to cover up to $269.5 million and $284.5 million, respectively, of our mezzanine exposure to credit losses.

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 our mortgage loan insurers. See “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.

Our seller/servicers have an active role in our loss mitigation efforts. A decline in their performance could affect the overall quality of our credit performance (including by missing opportunities for mortgage modifications), which could have significant effects on our ability to mitigate credit losses. The risk of such a decline in performance

remains high. In recent periods, we have facilitated the transfer of servicing for certain groups of loans that were delinquent or at risk of default to servicers that we believe have capabilities and resources necessary to improve the loss mitigation associated with the loans. Depending on our experience with the results of these transfers and specific servicer experience and capacity, we may seek additional transfers in the future. For more information, see "RISK FACTORS — Competitive and Market Risks — Our financial condition or results of operations may be adversely affected if mortgage seller/servicers fail to perform their repurchase and other obligations to us" in our 2013 Annual Report.

During the six months ended June 30, 2014, we helped approximately 64,000 borrowers either stay in their homes or sell their properties and avoid foreclosures through our various workout programs, and we completed approximately 28,000

Table of Contents

foreclosures. We bear the full costs associated with our loan workouts and foreclosure alternatives on mortgages that we own or guarantee, and do not receive any reimbursement from Treasury. These costs include borrower and servicer incentive fees as well as the cost of any monthly payment reductions.

Home Affordable Modification Program and Non-HAMP Modifications

Our primary loan modification initiatives are HAMP and our non-HAMP standard loan modification initiatives. These initiatives require that each borrower complete at least a three month trial period during which the borrower will make monthly payments based on the estimated amount of the modification payments. HAMP is scheduled to end in December 2015. In June 2014, Treasury announced that it would be extended for at least another year. In 2013, as part of the servicing alignment initiative, we implemented a streamlined modification initiative, which provides an additional modification opportunity to certain borrowers. The modification that borrowers receive under this initiative has the same mortgage terms as our non-HAMP standard modification.

During the first half of 2014, approximately 35,000 borrowers (including 17,000 borrowers in the second quarter of 2014) having loans with aggregate UPB of $7.0 billion completed modifications under all of our programs, and as of June 30, 2014, approximately 23,000 borrowers were in the modification trial period. For information about the percentage of completed loan modifications that remained current, see “Table 33 — Quarterly Percentages of Modified Single-Family Loans — Current or Paid Off.”

During the first six months of 2014 and 2013, approximately 28,000 and 25,000 borrowers, respectively, completed a non-HAMP loan modification. As of June 30, 2014, the percentage of our non-HAMP modifications that were completed in 2012 and 2013 that subsequently became seriously delinquent, proceeded to foreclosure transfer, completed a short sale, or were remodified was approximately 19% and 11%, respectively.

Based on information provided by the MHA Program administrator, our servicers had completed approximately 247,000 loan modifications under HAMP from the introduction of the initiative in 2009 through June 30, 2014, compared to more than 239,000 cumulative HAMP completions as of December 31, 2013. According to the administrator, the number of our loans in the HAMP trial period declined to 3,593 as of June 30, 2014 from 4,970 as of December 31, 2013. As of June 30, 2014, the percentage of our HAMP modifications that were completed in 2012 and 2013 that subsequently became seriously delinquent, proceeded to foreclosure transfer, completed a short sale, or were remodified was approximately 14% and 8%, respectively.

In recent periods, our non-HAMP modifications have represented the majority of our modification volume. The portion of our modification volume that is HAMP-related continued to decline in the first half of 2014 due to both: (a) the availability of our non-HAMP modifications; and (b) the decline in the population of borrowers eligible for HAMP.

We incurred $29 million and $57 million of servicer incentive expenses on modified loans (both HAMP and non-HAMP) during the three and six months ended June 30, 2014, respectively, as compared to $33 million and $72 million of such incentives during the three and six months ended June 30, 2013, respectively. We also incur certain incentives for borrowers who continue to perform under their HAMP modification, which are included within our benefit for credit losses on our consolidated statements of comprehensive income.

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 up to one percent per year until the interest rate has been adjusted to the market rate that was in effect at the time of the modification. Certain of our 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. There were $43.3 billion in UPB of step-rate modified loans in our single-family credit guarantee portfolio at June 30, 2014. Approximately 9% of these loans will experience interest rate resets in the second half of 2014, and approximately 48% will experience rate resets in 2015. As of June 30, 2014, 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%.

Loan Workout Volumes and Modification Performance

The table below presents volumes of single-family loan workouts, seriously delinquent loans, and foreclosures for the three and six months ended June 30, 2014 and 2013.

Table of Contents

Table 32 — Single-Family Loan Workout, Serious Delinquency, and Foreclosure Volumes[1]

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
	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]	139	$ 17	50	$ 5	214	$ 29	84	$ 9
with term extension	2,737	418	1,173	106	4,909	765	2,149	147
with change in interest rate and, in certain cases, term extension	9,276	1,757	10,969	1,550	19,769	3,806	22,288	3,089
with change in interest rate, term extension and principal forbearance	4,475	1,014	7,085	2,379	10,363	2,356	15,369	5,261
Total loan modifications[3]	16,627	3,206	19,277	4,040	35,255	6,956	39,890	8,506
Repayment plans[4]	6,443	919	7,268	1,043	14,303	2,010	14,912	2,090
Forbearance agreements[5]	2,350	442	3,198	620	4,603	854	6,302	1,242
Total home retention actions	25,420	4,567	29,743	5,703	54,161	9,820	61,104	11,838
Foreclosure alternatives:								
Short sale	4,173	887	11,210	2,436	8,354	1,792	24,981	5,494
Deed in lieu of foreclosure transactions	849	137	517	80	1,771	284	903	145
Total foreclosure alternatives	5,022	1,024	11,727	2,516	10,125	2,076	25,884	5,639
Total single-family loan workouts	30,442	$ 5,591	41,470	$ 8,219	64,286	$ 11,896	86,988	$ 17,477
Seriously delinquent loan additions	45,695		57,024		96,052		122,305	
Single-family foreclosures[6]	12,289		19,924		27,621		42,514	
Seriously delinquent loans, at period end	219,329		300,185		219,329		300,185	

(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 12,988 and 14,981 borrowers as of June 30, 2014 and 2013, 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 completed 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.

Both our loan modification volume and the number of seriously delinquent loans remaining in the portfolio declined during the three and six months ended June 30, 2014, compared to the 2013 periods, primarily due to lower volumes of single-family loans becoming seriously delinquent in the 2014 periods. We expect our loan modification volume in the full year of 2014 will be lower than in 2013. The volume of foreclosures has moderated in recent periods and reflects a 35% decline in the first half of 2014 compared to the first half of 2013.

The UPB of loans in our single-family credit guarantee portfolio for which we have completed a loan modification increased to $83.9 billion as of June 30, 2014 from $81.7 billion as of December 31, 2013. The number of modified loans in our single-family credit guarantee portfolio continued to increase, and such loans comprised approximately 4.0% and 3.8% of our single-family credit guarantee portfolio as of June 30, 2014 and December 31, 2013, respectively. For the six months ended June 30, 2014, approximately 45% of our loan modifications were 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 97% at June 30, 2014. The serious delinquency rate on these loans was 12% as of June 30, 2014.

The volume of short sale transactions declined significantly in the three and six months ended June 30, 2014 compared to the same periods in 2013. Our short sale activity has declined for the last five consecutive quarters.

Table of Contents

The table below presents: (a) the percentage of modified single-family loans completed between the third quarter of 2011 and the second quarter of 2013 that were current or paid off one year after modification; and (b) the percentage of modified single-family loans completed between the third quarter of 2011 and the second quarter of 2012 that were current or paid off two years after modification.

Table 33 — Quarterly Percentages of Modified Single-Family Loans — Current or Paid Off[1]

	Quarter of Loan Modification Completion[2]							
	2Q 2013	1Q 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011
One Year Post-Modification								
HAMP modifications	80 %	82 %	80 %	80 %	81 %	81 %	79 %	78 %
Non-HAMP modifications	74	76	72	72	74	62	58	59
Total	76	78	75	76	78	76	73	71
Two Years Post-Modification								
HAMP modifications	N/A	N/A	N/A	N/A	78 %	77 %	75 %	74 %
Non-HAMP modifications	N/A	N/A	N/A	N/A	69	57	55	54
Total	N/A	N/A	N/A	N/A	75	73	68	67

(1) Represents the percentage of loans that were current and performing (no payment is 30 days or more past due) or had been paid in full. Excludes loans in modification trial periods. For loans modified in a quarterly period, the reperformance rates for one year and two years represent the percentage of loans that were current or paid off after 12 to 14 months and 24 to 26 months, respectively.

(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.

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. HARP is scheduled to end at the end of 2015.

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.

During the six months ended June 30, 2014, refinancings comprised approximately 48% of our single-family purchase and issuance volume, compared with 81% in the six months ended June 30, 2013. We attribute this decline to higher average mortgage interest rates in the 2014 period as compared to the 2013 period. In addition, many borrowers have already refinanced their loans in recent periods at relatively low interest rates, and thus may be less likely to do so in the future.

Table of Contents

The following table provides information about the volume of our relief refinance purchases as well as information about the serious delinquency rates of these loans.

Table 34 — Single-Family Relief Refinance Loans[1]

	Six Months Ended June 30, 2014			Six months ended June 30, 2013		
	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	$977	5,879	$166,000	$8,327	44,016	$189,000
Above 100% to 125% LTV ratio	2,785	15,478	180,000	14,197	73,552	193,000
Above 80% to 100% LTV ratio	5,117	30,096	170,000	19,244	105,812	182,000
Other (80% and below LTV ratio)	7,132	52,896	135,000	23,316	172,917	135,000
Total relief refinance mortgages	$16,011	104,349	153,000	$65,084	396,297	164,000

	As of June 30, 2014			As of December 31, 2013		
	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	$30,769	162,411	1.12 %	$30,579	158,531	0.90 %
Above 100% to 125% LTV ratio	68,321	350,951	1.04	68,416	344,832	1.01
Above 80% to 100% LTV ratio	113,980	619,476	0.85	114,688	610,128	0.85
Other (80% and below LTV ratio)	127,898	956,922	0.33	127,991	936,038	0.32
Total relief refinance mortgages	$340,968	2,089,760	0.66	$341,674	2,049,529	0.64

(1) Purchase data 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 relief refinance loans, including HARP, in our single-family credit guarantee portfolio, see "Table 28 — Single-Family Credit Guarantee Portfolio Data by Year of Origination," and "Table 29 — Characteristics of Purchases for the Single-Family Credit Guarantee Portfolio."

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 affect 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.

The serious delinquency rate of our single-family credit guarantee portfolio declined to 2.07% as of June 30, 2014 (which is the lowest level in several years) from 2.39% as of December 31, 2013, continuing the trend of improvement that began in 2010. The improvement in our serious delinquency rate is primarily due to lower volumes of single-family loans becoming seriously delinquent and continued loss mitigation and foreclosure activities for loans in the Legacy single-family books. As of June 30, 2014, our serious delinquency rate for the aggregate of those states that require a judicial foreclosure and all other states was 2.89% and 1.39%, respectively, compared to 3.31% and 1.63%, respectively, as of December 31, 2013.

Table of Contents

In April 2014, we received FHFA's approval for a pilot transaction to sell certain seriously delinquent unsecuritized single-family loans. We expect to complete the sale of substantially all of these loans in the third quarter of 2014, which would further reduce our serious delinquency rate.

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). These situations generally extend the time it takes for the loans to be modified, foreclosed upon, or otherwise resolved, and thus transition out of serious delinquency. As of June 30, 2014 and December 31, 2013, the percentage of seriously delinquent loans that have been delinquent for more than six months was 73% and 71%, respectively, 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 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 35 — Single-Family Serious Delinquency Statistics

	As of June 30, 2014			As of December 31, 2013		
	Percentage of Portfolio		Serious Delinquency Rate	Percentage of Portfolio		Serious Delinquency Rate
Credit Protection:						
Non-credit-enhanced	79 %		1.78 %	83 %		2.04 %
Credit-enhanced[1]	21		4.01	17		4.83
Total[2]	100 %		2.07	100 %		2.39
	# of Seriously Delinquent Loans	Percent	Serious Delinquency Rate	# of Seriously Delinquent Loans	Percent	Serious Delinquency Rate
State:[3][4]						
Florida	32,936	15 %	5.01 %	42,948	17 %	6.44 %
New York	20,266	9	4.22	21,459	8	4.41
New Jersey	18,078	8	5.86	19,306	8	6.20
Illinois	13,063	6	2.37	15,521	6	2.79
California	12,654	6	1.04	15,620	6	1.30
All others	120,066	56	1.62	137,907	55	1.85
Total	217,063	100 %		252,761	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	50,704	23 %		59,129	23 %	
More than 1 year and less than or equal to 2 years	25,801	12		30,604	12	
More than 2 years	57,225	26		65,154	26	
Non-judicial states:[5]						

Less than or equal to 1 year	50,925	24	60,175	24
More than 1 year and less than or equal to 2 years	15,070	7	17,968	7
More than 2 years	17,338	8	19,731	8
Combined:[5]				
Less than or equal to 1 year	101,629	47	119,304	47
More than 1 year and less than or equal to 2 years	40,871	19	48,572	19
More than 2 years	74,563	34	84,885	34
Total	217,063	100 %	252,761	100 %
Payment Status:				
One month past due	1.53 %		1.73 %	
Two months past due	0.48 %		0.57 %	

(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 June 30, 2014 and December 31, 2013, approximately 57% and 61%, 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 June 30, 2014.
(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, OR, PA, PR, SC, SD, VI, VT, and WI. All other states are classified as having a non-judicial foreclosure process.

Our servicing guidelines require that our servicers refrain from starting the foreclosure process on a primary residence until a loan is at least 121 days delinquent, regardless of where the property is located. However, we evaluate the timeliness of foreclosure completion by our servicers based on the state where the property is located. Our servicing guide states that for loans beginning the foreclosure process since July 2013, the expected timeline to complete foreclosure ranges from 283 days in Alabama to 845 days in New York (and 1,015 days within New York City). Our guide provides for instances of allowable foreclosure delays in excess of the expected timelines for specific situations involving delinquent loans, such as when the borrower files for bankruptcy or appeals a denial of a loan modification. During the six months ended June 30, 2014 and 2013, 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 875 days and 728 days, respectively, which included: (a) an average of 1,033 days and 900 days, respectively, for foreclosures completed in states that require a judicial foreclosure process; and (b) an average of 644 days and 529 days, respectively, for foreclosures completed in all other states. During the six months ended June 30, 2014, 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 six months ended June 30, 2013.

We continue to experience significant variability in the average time for foreclosure by state. For example, during the six months ended June 30, 2014, the average time for completion of foreclosures associated with loans in our single-family credit guarantee portfolio, excluding Other Guarantee Transactions, ranged from 403 days in Missouri to 1,337 days in New Jersey (as measured from the date of the last scheduled payment made by the borrower), as compared to an expected timeline of 282 days in Missouri (as revised effective July 2013) and 796 days in New Jersey, per our servicing guidelines (including allowable foreclosure delays).

The tables below present serious delinquency rates categorized by borrower and loan characteristics, including geographic region and origination year, and 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 originated in 2005 through 2008 with higher-risk characteristics and, as of June 30, 2014, we continued to experience high serious delinquency rates on those loans.

Table of Contents

Table 36 — Credit Concentrations in the Single-Family Credit Guarantee Portfolio

	As of June 30, 2014					
	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]	$21	$404	$425	65 %	6.1 %	2.34 %
Illinois, Michigan, and Ohio[4]	3	170	173	73	4.0	1.83
New York and New Jersey[5]	7	137	144	66	4.7	4.86
All other states	21	887	908	68	3.1	1.63
Year of origination[6]:						
2014	—	70	70	76	—	—
2013	—	279	279	66	—	0.03
2012	—	254	254	58	—	0.06
2011	—	112	112	56	0.1	0.21
2010	—	105	105	58	0.2	0.41
2009	—	110	110	60	0.7	0.86
HARP and other relief refinance loans[6]	—	341	341	78	0.4	0.66
2005-2008 Legacy single-family book	44	197	241	85	18.6	7.93
Pre-2005 Legacy single-family book	8	130	138	49	5.2	3.11

	As of December 31, 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]	$23	$399	$422	68 %	5.9 %	3.01 %
Illinois, Michigan, and Ohio[4]	4	172	176	76	3.9	2.11
New York and New Jersey[5]	7	138	145	67	4.3	5.11
All other states	23	887	910	69	3.0	1.85
Year of origination[6]:						
2013	—	270	270	69	—	0.01
2012	—	265	265	61	—	0.04
2011	—	120	120	58	—	0.18
2010	—	113	113	60	0.1	0.39
2009	—	120	120	62	0.5	0.88
HARP and other relief refinance loans[6]	—	342	342	81	0.3	0.64
2005-2008 Legacy single-family book	48	220	268	87	16.5	8.77
Pre-2005 Legacy single-family book	9	146	155	50	4.6	3.24

	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013		
	Alt-A	Non Alt-A	Total	Alt-A	Non Alt-A	Total
	(in millions)					
Credit Losses						
Geographical distribution:						
Arizona, California, Florida, and Nevada[3]	$63	$619	$682	$579	$1,372	$1,951
Illinois, Michigan, and Ohio[4]	33	267	300	98	564	662
New York and New Jersey[5]	39	144	183	32	86	118
All other states	66	587	653	159	936	1,095
Year of origination[6]:						
2014	—	—	—	N/A	N/A	N/A
2013	—	—	—	—	—	—
2012	—	2	2	—	—	—
2011	—	3	3	—	4	4
2010	—	11	11	—	13	13
2009	—	35	35	—	53	53
Subtotal - New single-family book	—	51	51	—	70	70
HARP and other relief refinance loans[6]	—	130	130	—	170	170
2005-2008 Legacy single-family book	191	1,287	1,478	836	2,381	3,217
Pre-2005 Legacy single-family book	10	149	159	32	337	369

(1) See endnote (3) to “Table 30 — Characteristics of the Single-Family Credit Guarantee Portfolio” for information on our calculation of estimated current LTV ratios.

Table of Contents

(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.

(4) Represents selected states in the North Central region that have experienced adverse economic conditions since 2006.

(5) Represents two states with a judicial foreclosure process in which there are a significant number of seriously delinquent loans within our single-family credit guarantee portfolio.

(6) HARP and other relief refinance loans are presented separately rather than in the year that the refinancing occurred (from 2009 to 2014). All other refinance loans are presented in the year that the refinancing occurred. Prior period information has been revised to conform with the current period presentation.

Table of Contents

Table 37 — Single-Family Credit Guarantee Portfolio by Attribute Combinations

	As of June 30, 2014								
	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	1.2 %	7.21 %	0.6 %	10.65 %	0.6 %	15.81 %	2.4 %	22.5 %	9.67 %
15- year amortizing fixed-rate	0.2	3.46	—	2.56	—	3.12	0.2	1.1	3.41
ARMs/adjustable rate[4]	0.1	9.23	—	15.27	—	28.37	0.1	13.9	11.84
Interest-only[5]	—	11.76	0.1	19.84	—	28.43	0.1	0.3	20.34
Other[6]	—	3.71	—	10.02	—	17.65	—	5.9	5.55
Total FICO scores < 620	1.5	6.41	0.7	10.67	0.6	16.21	2.8	18.3	8.87
FICO scores of 620 to 659:									
20 and 30- year or more amortizing fixed-rate	2.5	4.83	1.2	8.10	1.0	13.49	4.7	17.2	7.00
15- year amortizing fixed-rate	0.5	2.04	0.1	1.64	—	1.60	0.6	0.5	2.01
ARMs/adjustable rate[4]	0.1	4.41	—	11.11	0.1	26.03	0.2	4.0	7.67
Interest-only[5]	0.1	8.92	—	14.99	0.1	25.20	0.2	0.3	16.88
Other[6]	—	3.15	—	4.71	—	7.14	—	2.7	4.53
Total FICO scores of 620 to 659	3.2	4.15	1.3	8.02	1.2	14.02	5.7	13.3	6.29
FICO scores of ≥ 660:									
20 and 30- year or more amortizing fixed-rate	49.2	0.97	14.1	2.40	5.2	6.70	68.5	3.9	1.67
15- year amortizing fixed-rate	15.7	0.33	0.9	0.41	0.3	0.74	16.9	0.1	0.33
ARMs/adjustable rate[4]	3.5	0.92	0.5	4.48	0.1	16.39	4.1	0.8	1.90
Interest-only[5]	0.6	4.06	0.5	9.43	0.5	17.06	1.6	0.1	9.77
Other[6]	—	1.62	0.1	1.48	—	3.04	0.1	1.1	1.85
Total FICO scores ≥ 660	69.0	0.78	16.1	2.50	6.1	7.31	91.2	2.7	1.42
Total FICO scores not available	0.2	5.33	0.1	11.48	—	22.33	0.3	9.7	6.59
All FICO scores:									

20 and 30- year or more amortizing fixed-rate	53.0	1.43	15.9	3.27	6.8	8.53	75.7	5.6	2.39
15- year amortizing fixed-rate	16.3	0.46	1.0	0.53	0.3	0.90	17.6	0.1	0.47
ARMs/adjustable rate[4]	3.8	1.42	0.5	5.59	0.2	18.78	4.5	1.4	2.62
Interest-only[5]	0.7	4.67	0.6	10.33	0.6	18.41	1.9	0.1	10.81
Other[6]	0.1	8.22	0.2	5.69	—	11.22	0.3	9.8	7.81
Total single-family credit guarantee portfolio[7]	73.9 %	1.17 %	18.2 %	3.37 %	7.9 %	9.08 %	100.0 %	4.0 %	2.07 %
By Region[8]									
FICO scores < 620:									
North Central	0.3 %	4.86 %	0.1 %	7.80 %	0.1 %	11.96 %	0.5 %	17.2 %	7.02 %
Northeast	0.4	9.82	0.2	16.51	0.2	23.19	0.8	20.9	13.35
Southeast	0.3	6.70	0.1	10.22	0.2	17.17	0.6	19.3	9.49
Southwest	0.2	5.02	0.1	9.20	—	14.73	0.3	12.5	6.13
West	0.3	4.38	0.2	8.07	0.1	11.59	0.6	20.6	6.34
Total FICO scores < 620	1.5	6.41	0.7	10.67	0.6	16.21	2.8	18.3	8.87
FICO scores of 620 to 659:									
North Central	0.4	3.27	0.3	5.90	0.3	9.79	1.0	12.6	4.98
Northeast	0.8	6.30	0.4	12.76	0.3	21.01	1.5	14.4	9.56
Southeast	0.6	4.58	0.3	7.93	0.3	15.17	1.2	14.1	7.13
Southwest	0.6	3.03	0.1	5.91	—	11.00	0.7	8.3	3.77
West	0.8	3.02	0.2	6.74	0.3	10.76	1.3	16.5	4.90
Total FICO scores of 620 to 659	3.2	4.15	1.3	8.02	1.2	14.02	5.7	13.3	6.29
FICO scores ≥ 660:									
North Central	11.2	0.60	3.4	1.76	1.2	4.98	15.8	2.2	1.09
Northeast	17.9	1.14	4.4	3.87	1.3	11.50	23.6	2.6	2.05
Southeast	9.8	1.02	3.2	2.54	1.6	8.41	14.6	3.1	1.97
Southwest	8.9	0.56	1.7	1.19	0.2	3.84	10.8	1.2	0.69
West	21.2	0.54	3.4	2.58	1.8	5.65	26.4	3.8	1.09
Total FICO scores ≥ 660	69.0	0.78	16.1	2.50	6.1	7.31	91.2	2.7	1.42
Total FICO scores not available	0.2	5.33	0.1	11.48	—	22.33	0.3	9.7	6.59
All FICO scores:									
North Central	12.0	0.87	3.9	2.43	1.5	6.43	17.4	3.4	1.58
Northeast	19.1	1.75	5.0	5.18	1.8	14.24	25.9	4.1	2.99
Southeast	10.7	1.55	3.6	3.48	2.1	10.21	16.4	4.8	2.79
Southwest	9.7	0.95	1.9	2.07	0.2	6.42	11.8	2.3	1.19
West	22.4	0.72	3.8	3.11	2.3	6.59	28.5	4.8	1.42
Total single-family credit guarantee portfolio[7]	73.9 %	1.17 %	18.2 %	3.37 %	7.9 %	9.08 %	100.0 %	4.0 %	2.07 %

Table of Contents

	As of December 31, 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 %	7.89 %	0.8 %	11.89 %	0.7 %	17.86 %	2.6 %	21.3 %	10.95 %
15- year amortizing fixed-rate	0.2	3.76	—	3.77	—	2.97	0.2	1.1	3.74
ARMs/adjustable rate[4]	0.1	9.90	—	15.98	—	28.73	0.1	13.3	12.86
Interest-only[5]	—	12.30	—	20.93	—	31.29	—	0.6	22.77
Other[6]	—	3.86	—	9.80	—	17.49	—	5.5	5.66
Total FICO scores < 620	1.4	6.96	0.8	11.89	0.7	18.25	2.9	17.4	9.99
FICO scores of 620 to 659:									
20 and 30- year or more amortizing fixed-rate	2.4	5.26	1.1	9.07	1.2	15.19	4.7	16.3	7.98
15- year amortizing fixed-rate	0.5	2.22	0.1	2.47	—	2.07	0.6	0.5	2.23
ARMs/adjustable rate[4]	0.1	4.85	0.1	10.97	—	25.27	0.2	3.5	8.49
Interest-only[5]	0.1	9.76	0.1	15.89	0.1	28.30	0.3	0.4	19.49
Other[6]	—	3.57	—	5.50	—	6.30	—	2.4	4.91
Total FICO scores of 620 to 659	3.1	4.49	1.4	8.97	1.3	15.78	5.8	12.6	7.18
FICO scores of ≥ 660:									
20 and 30- year or more amortizing fixed-rate	46.7	1.06	14.6	2.69	6.3	7.25	67.6	3.8	1.94
15- year amortizing fixed-rate	15.8	0.36	1.1	0.42	0.4	0.73	17.3	0.1	0.36
ARMs/adjustable rate[4]	3.4	1.00	0.5	5.11	0.2	16.31	4.1	0.8	2.32
Interest-only[5]	0.6	4.30	0.6	10.06	0.6	18.86	1.8	0.2	11.33
Other[6]	—	1.96	0.1	1.75	—	2.99	0.1	0.9	2.06
	66.5	0.84	16.9	2.77	7.5	7.99	90.9	2.6	1.65

Total FICO scores ≥ 660									
Total FICO scores not available	0.3	5.62	0.1	12.04	—	22.55	0.4	7.9	8.49
All FICO scores:									
20 and 30- year or more amortizing fixed-rate	50.4	1.57	16.6	3.67	8.1	9.30	75.1	5.4	2.78
15- year amortizing fixed-rate	16.5	0.50	1.2	0.59	0.3	0.90	18.0	0.1	0.51
ARMs/adjustable rate(4)	3.6	1.55	0.6	6.20	0.2	18.43	4.4	1.4	3.10
Interest-only(5)	0.7	4.97	0.7	10.99	0.8	20.39	2.2	0.2	12.51
Other(6)	0.1	9.19	0.1	6.20	0.1	12.06	0.3	9.2	8.63
Total single-family credit guarantee portfolio(7)	71.3 %	1.28 %	19.2 %	3.75 %	9.5 %	9.94 %	100.0 %	3.8 %	2.39 %
By Region(8)									
FICO scores < 620:									
North Central	0.1 %	5.39 %	0.3 %	8.57 %	0.1 %	13.38 %	0.5 %	16.5 %	8.01 %
Northeast	0.4	10.31	0.2	18.11	0.2	25.64	0.8	19.6	14.40
Southeast	0.3	7.50	0.1	11.74	0.2	20.76	0.6	18.2	11.23
Southwest	0.3	5.31	0.1	10.29	—	15.79	0.4	11.8	6.72
West	0.3	4.78	0.1	9.20	0.2	13.06	0.6	19.9	7.37
Total FICO scores < 620	1.4	6.96	0.8	11.89	0.7	18.25	2.9	17.4	9.99
FICO scores of 620 to 659:									
North Central	0.5	3.55	0.3	6.68	0.3	11.08	1.1	11.9	5.76
Northeast	0.8	6.60	0.3	13.97	0.4	23.02	1.5	13.4	10.32
Southeast	0.6	5.04	0.3	9.17	0.3	18.17	1.2	13.2	8.50
Southwest	0.5	3.24	0.2	6.82	—	11.67	0.7	7.8	4.21
West	0.7	3.37	0.3	7.47	0.3	12.36	1.3	16.1	5.83
Total FICO scores of 620 to 659	3.1	4.49	1.4	8.97	1.3	15.78	5.8	12.6	7.18
FICO scores of ≥ 660:									
North Central	10.7	0.62	3.8	1.88	1.5	5.27	16.0	2.1	1.23
Northeast	17.6	1.20	4.6	4.30	1.4	11.96	23.6	2.4	2.21
Southeast	9.4	1.16	3.2	2.93	2.0	10.01	14.6	3.0	2.44
Southwest	8.6	0.61	1.8	1.44	0.2	3.88	10.6	1.2	0.78
West	20.2	0.59	3.5	2.94	2.4	6.39	26.1	3.7	1.34
Total FICO scores ≥ 660	66.5	0.84	16.9	2.77	7.5	7.99	90.9	2.6	1.65
Total FICO scores not available	0.3	5.62	0.1	12.04	—	22.55	0.4	7.9	8.49
All FICO scores:									
North Central	11.5	0.93	4.2	2.61	1.9	6.91	17.6	3.3	1.81

Northeast	19.0		1.83		5.1		5.76		1.9		15.07		26.0		3.8		3.23	
Southeast	10.3		1.75		3.7		4.00		2.5		12.10		16.5		4.6		3.42	
Southwest	9.4		1.04		2.1		2.47		0.3		6.62		11.8		2.2		1.36	
West	21.1		0.79		4.1		3.50		2.9		7.43		28.1		4.7		1.73	
Total single-family credit guarantee portfolio[7]	71.3	%	1.28	%	19.2	%	3.75	%	9.5	%	9.94	%	100.0	%	3.8	%	2.39	%

(1) The current LTV ratios are our estimates. See endnote (3) to "Table 30 — Characteristics of the Single-Family Credit Guarantee Portfolio" for further information.
(2) Based on UPB of the single-family credit guarantee portfolio. Within these columns, "—" represents less than 0.05%.

Table of Contents

(3) See endnote (2) to "Table 36 — 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.

(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 30 — 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).

Multifamily Mortgage Credit Risk

To manage our multifamily mortgage portfolio credit risk, we focus on several key areas: (a) using prudent standards and processes with a prior approval underwriting approach on the loans we purchase or guarantee; (b) selling the expected credit risk to private investors that hold the subordinated tranches in our multifamily K Certificate transactions; (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: IMPAIRED 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 June 30, 2014 and December 31, 2013.

Table of Contents

Table 38 — Multifamily Mortgage Portfolio — by Attribute

	UPB at		Delinquency Rate[1] at	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(dollars in billions)			
Original LTV ratio				
Below 75%	$93.3	$93.1	0.01 %	0.06 %
75% to 80%	33.7	34.1	0.04	0.15
Above 80%	5.6	5.6	0.04	0.19
Total	$132.6	$132.8	0.02 %	0.09 %
Weighted average LTV ratio at origination	69 %	70 %		
Maturity Dates				
2014	$0.6	$2.1	— %	0.12 %
2015	5.5	6.9	—	0.05
2016	10.1	11.2	—	—
2017	9.5	10.0	—	0.43
2018	16.6	17.0	—	—
2019	17.8	17.5	0.07	0.07
Beyond 2019	72.5	68.1	0.02	0.09
Total	$132.6	$132.8	0.02 %	0.09 %
Year of Acquisition or Guarantee[2]				
2007 and prior	$31.3	$34.2	0.05 %	0.24 %
2008	12.1	13.2	0.03	0.18
2009	10.7	11.2	—	—
2010	10.4	10.9	0.07	0.13
2011	15.5	15.9	—	—
2012	23.3	23.7	—	—
2013	22.6	23.7	—	—
2014	6.7	N/A	—	N/A
Total	$132.6	$132.8	0.02 %	0.09 %
Current Loan Size				
Above $25 million	$50.0	$50.6	— %	0.05 %
Above $5 million to $25 million	73.5	73.2	0.02	0.11
$5 million and below	9.1	9.0	0.11	0.14
Total	$132.6	$132.8	0.02 %	0.09 %
Legal Structure				
Unsecuritized loans	$52.6	$59.2	0.02 %	0.08 %
K Certificates	66.3	59.8	0.01	0.07
Other Freddie Mac mortgage-related securities	4.7	4.8	0.12	0.59
Other guarantee commitments	9.0	9.0	—	—
Total	$132.6	$132.8	0.02 %	0.09 %
Credit Enhancement				
Credit-enhanced	$76.5	$70.2	0.02 %	0.11 %
Non-credit-enhanced	56.1	62.6	0.02	0.07
Total	$132.6	$132.8	0.02 %	0.09 %
Payment Type				
Interest-only	$19.4	$20.1	— %	0.14 %

Partial interest-only[3]	29.4	32.6	—	—
Amortizing	83.8	80.1	0.03	0.12
Total	$132.6	$132.8	0.02 %	0.09 %

(1) Our delinquency rates for multifamily loans are positively affected to the extent we have been successful in working with troubled borrowers to modify their loans prior to becoming delinquent or by providing temporary relief through short-term loan extensions or forbearance agreements. See "Multifamily Delinquencies" below for more information about our multifamily delinquency rates. Within these columns, "—" represents less than 0.005%.

(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.

Table of Contents

Multifamily Product Types

Most multifamily loans require a significant lump sum (i.e., balloon) payment of unpaid principal at maturity. Therefore, the borrower's potential inability to refinance or pay off the loan at maturity is a key loan attribute we monitor. Borrowers may be less able to refinance their obligations during periods of rising interest rates or adverse market conditions, which could lead to default if the borrower is unable to find affordable refinancing before the loan matures. Of the $52.6 billion in UPB of our unsecuritized multifamily mortgage loans on our consolidated balance sheets as of June 30, 2014, approximately 11% will mature during the remainder of 2014 and 2015, and the remaining 89% will mature in 2016 and beyond.

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 June 30, 2014 and December 31, 2013, approximately 63% and 60%, respectively, 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 June 30, 2014 and December 31, 2013, approximately 22% and 25%, 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.

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. With this model, we have securitized $79.4 billion in UPB of multifamily loans between 2009 and June 30, 2014 and have attracted private capital to the multifamily market from investors who purchase subordinated securities that we do not issue or guarantee. These securities are backed by loans that are sourced by our seller/servicers and directly underwritten by us. Our K Certificate transactions are structured such that private investors (that hold unguaranteed subordinated securities) are the first to absorb losses on the underlying loans and the amount of subordination to the guaranteed certificates is set at a level that we believe is sufficient to cover the expected credit losses on the loans. As a result, we believe private investors will absorb the expected credit risk in these transactions and thereby reduce the loss exposure to us and U.S. taxpayers. At June 30, 2014 and December 31, 2013, the UPB of K Certificates with subordination coverage was $65.8 billion and $59.3 billion, respectively, and the average subordination coverage on these securities was 18% at both June 30, 2014 and December 31, 2013. 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.

Our delinquency rates continue to be among the lowest in the industry. There were 6 and 16 delinquent loans in our multifamily mortgage portfolio at June 30, 2014 and December 31, 2013, respectively. Our multifamily mortgage portfolio delinquency rate of 0.02% and 0.09% at June 30, 2014 and December 31, 2013, respectively, reflects continued strong portfolio performance and positive market fundamentals. Our delinquency rate for credit-enhanced loans was 0.02% and 0.11% at June 30, 2014 and December 31, 2013, respectively, and for non-credit-enhanced loans was 0.02% and 0.07% at June 30, 2014 and December 31, 2013, respectively. The delinquency rate on loans underlying our K Certificates transactions was 0.01% and 0.07% at June 30, 2014 and December 31, 2013, respectively. Since we began issuing K Certificates, we have experienced no credit losses associated with our guarantees on these securities. As of June 30, 2014, approximately one-half of the loans in our multifamily mortgage portfolio 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.

TDRs and Non-Accrual Mortgage Loans

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

We place loans, including TDRs, 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. See "NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in our 2013 Annual Report and "NOTE 5: IMPAIRED LOANS" for further information about our TDRs and non-accrual loans.

Table of Contents

The table below provides information about TDRs and non-accrual mortgage loans on our consolidated balance sheets.

Table 39 — TDRs and Non-Accrual Mortgage Loans[1]

	June 30, 2014	December 31, 2013	June 30, 2013
TDRs on accrual status:	(dollars in millions)		
Single-family	$81,400	$78,033	$71,047
Multifamily	576	675	766
Subtotal —TDRs on accrual status	81,976	78,708	71,813
Non-accrual loans:			
Single-family[2]	36,458	42,829	51,453
Multifamily[3]	511	628	1,113
Subtotal — non-accrual loans	36,969	43,457	52,566
Total TDRs and non-accrual mortgage loans	$118,945	$122,165	$124,379
Loan loss reserves associated with:			
TDRs on accrual status	$14,270	$14,254	$13,487
Non-accrual loans	7,341	8,924	11,102
Total loan loss reserves associated with TDRs and non-accrual loans[4]	$21,611	$23,178	$24,589

(1) Based on UPB.

(2) Includes $18.2 billion, $19.6 billion, and $20.7 billion in UPB of seriously delinquent loans classified as TDRs at June 30, 2014, December 31, 2013, and June 30, 2013, respectively.

(3) Includes $0.5 billion, $0.6 billion, and $1.0 billion in UPB of loans that were current as of June 30, 2014, December 31, 2013, and June 30, 2013, respectively.

(4) The total loan loss reserve for all loans was $22.8 billion, $24.7 billion, and $26.4 billion as of June 30, 2014, December 31, 2013, and June 30, 2013, respectively. The portion of our single-family loan loss reserve associated with foregone interest on loans where we have reduced the contractual interest rate (i.e., provided an interest rate concession to the borrower) for single-family TDR loans was approximately 63% of the loan loss reserve associated with single-family TDR loans at June 30, 2014.

The UPB of our non-accrual mortgage loans declined to $37.0 billion as of June 30, 2014 from $43.5 billion as of December 31, 2013, and the UPB of mortgage loans classified as TDR continued to increase. We expect the amount of mortgage loans classified as TDRs to remain at elevated levels for the foreseeable future. See “Credit Loss Performance — Loan Loss Reserves” for information about the decline in our loan loss reserves in the first half of 2014.

REO Assets

The table below provides detail by region for REO activity. Our REO activity consists almost entirely of single-family residential properties. See “Table 37 — Single-Family Credit Guarantee Portfolio by Attribute Combinations” for information about regional serious delinquency rates of loans in our single-family credit guarantee portfolio.

Table of Contents

Table 40 — REO Activity by Region[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(number of properties)			
REO Inventory				
Single-family:				
Inventory, beginning of period	43,565	47,968	47,307	49,071
Acquisitions, by region:				
Northeast	1,921	2,133	4,254	3,900
Southeast	4,019	5,618	9,352	11,095
North Central	2,546	5,029	5,929	11,054
Southwest	900	1,780	2,186	3,778
West	1,206	1,858	3,255	4,472
Total single-family acquisitions	10,592	16,418	24,976	34,299
Dispositions, by region:				
Northeast	(2,525)	(1,765)	(4,755)	(3,428)
Southeast	(6,273)	(5,543)	(12,196)	(10,656)
North Central	(5,182)	(7,171)	(11,156)	(14,132)
Southwest	(1,726)	(2,282)	(3,540)	(4,672)
West	(2,317)	(3,002)	(4,502)	(5,859)
Total single-family dispositions	(18,023)	(19,763)	(36,149)	(38,747)
Inventory at June 30,	36,134	44,623	36,134	44,623
Multifamily:				
Inventory, beginning of period	2	6	1	6
Acquisitions	—	2	1	3
Dispositions	(1)	(3)	(1)	(4)
Inventory at June 30,	1	5	1	5
Total inventory at June 30,	36,135	44,628	36,135	44,628

(1) See endnote (8) to “Table 37 — Single-Family Credit Guarantee Portfolio by Attribute Combinations” for a description of these regions.

Our REO inventory (measured in number of properties) declined 24% from December 31, 2013 to June 30, 2014 primarily due to REO dispositions exceeding our acquisitions in the first half of 2014 and a declining amount of seriously delinquent loans. We continued to experience a relatively high volume of REO dispositions in the first half of 2014, which we believe was driven by significant demand for single-family homes from both investors and owner-occupant buyers. We expect our REO acquisitions to continue to decline, due primarily to the continued decline in the number of seriously delinquent loans in our single-family credit guarantee portfolio. However, we expect our REO dispositions to remain at elevated levels in the near term, as we have a large REO inventory.

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.

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, fewer of our loans are proceeding through foreclosure to REO acquisition. However, our REO acquisition activity in the Northeast and Southeast was high in the first half of 2014,

in part because a significant number of loans that had experienced significant delays in certain judicial states within these regions completed the foreclosure process.

Our single-family REO acquisitions in the first half of 2014 were most significant in the states of Florida, Illinois, Maryland, and Ohio, which collectively represented 41% 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 June 30, 2014.

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 3%, respectively, at June 30, 2014. The percentage of our REO acquisitions in the first half of 2014 that had been financed by either of these loan types

represented approximately 23% of our total REO acquisitions, based on loan amount prior to acquisition. In addition, loans from our 2005-2008 Legacy single-family book comprised approximately 78% of our REO acquisition activity during the first half of 2014.

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 June 30, 2014 and December 31, 2013, the percentage of our single-family REO property inventory that had been held for sale longer than one year was 7.5% 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 218 days and 202 days for our REO dispositions during the six months ended June 30, 2014 and 2013, respectively.

The Southeast region comprised 31% and 30% of our single-family REO property inventory, based on the number of properties, as of June 30, 2014 and December 31, 2013, respectively, and the North Central region comprised 29% and 33%, respectively. The North Central 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. In the Southeast region, Florida comprised 20% of our total single-family REO inventory at June 30, 2014 and has been one of the states with high REO severity rates in the last several years. See "NOTE 6: REAL ESTATE OWNED" for more information on our REO properties.

The table below provides information about our REO properties at June 30, 2014 and December 31, 2013.

Table 41 — Single-Family REO Property Status

	As of June 30, 2014		As of December 31, 2013	
	(Percent of properties)			
Available for sale	31	%	30	%
Pending settlement of sale(1)	18		14	
Pre-listing(2)	12		10	
Unable to market:				
Redemption period(3)	10		11	
Occupied (waiting for eviction or vacancy)	15		18	
Under repair and other(4)	14		17	
Subtotal — unable to market	39		46	
Total	100	%	100	%

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

(2) Consists of properties that are not being actively marketed because we are evaluating the property condition or determining our sale strategy.

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

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

As shown in the table above, a significant portion of the properties in our REO inventory are unable to be marketed because they are in the process of being repaired, remain occupied, or are located in states with a redemption period (particularly in the states of Illinois, Michigan, and Minnesota).

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.

Table of Contents

Table 42 — Credit Loss Performance

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(dollars in millions)			
REO				
REO balances, net:				
Single-family	$3,661	$3,997	$3,661	$3,997
Multifamily	16	54	16	54
Total	$3,677	$4,051	$3,677	$4,051
REO operations (income) expense:				
Single-family	$(48)	$(109)	$11	$(101)
Multifamily	(2)	(1)	(2)	(3)
Total	$(50)	$(110)	$9	$(104)
Charge-offs				
Single-family:				
Charge-offs, gross[1] (including $1.2 billion, $2.3 billion, $2.7 billion and $5.0 billion, relating to loan loss reserves, respectively)	$1,242	$2,400	$2,717	$5,113
Recoveries[2]	(343)	(528)	(910)	(1,186)
Single-family, net	$899	$1,872	$1,807	$3,927
Multifamily:				
Charge-offs, gross[1] (including $2 million, $(1) million, $2 million and $1 million relating to loan loss reserves, respectively)	$2	$5	$2	$23
Recoveries[2]	—	—	—	(1)
Multifamily, net	$2	$5	$2	$22
Total Charge-offs:				
Charge-offs, gross[1] (including $1.2 billion, $2.3 billion, $2.7 billion and $5.0 billion relating to loan loss reserves, respectively)	$1,244	$2,405	$2,719	$5,136
Recoveries[2]	(343)	(528)	(910)	(1,187)
Total Charge-offs, net	$901	$1,877	$1,809	$3,949
Credit Losses[3]				
Single-family	$851	$1,763	$1,818	$3,826
Multifamily	—	4	—	19
Total	$851	$1,767	$1,818	$3,845
Total (in bps)[4]	18.8	39.3	20.1	42.9

(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. 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. Multifamily charge-offs also include cumulative fair value losses recognized through the date of foreclosure for loans which we elected to carry at fair value at the time of our purchase. Prior period amounts have been revised to conform with the current period presentation.

(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 certain 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 $0.4 billion in both the six months ended June 30, 2014 and 2013 related to repurchase requests from our seller/servicers (including

$0.3 billion in the six months ended June 30, 2014 related to settlement agreements with certain sellers to release specified loans from certain repurchase obligations in exchange for one-time cash payments).

(3) Excludes foregone interest on TDRs and non-accrual loans, which reduces our net interest income but is not reflected in our total credit losses. In addition, excludes certain other market-based credit losses, including those: (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 are generally measured 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 six months ended June 30, 2014 were $1.2 billion and $2.7 billion, respectively, compared to $2.4 billion and $5.1 billion for the three and six months ended June 30, 2013, respectively. These charge-offs were associated with approximately $2.7 billion and $5.9 billion in UPB of loans for the three and six months ended June 30, 2014, respectively, and $5.4 billion and $11.8 billion for the three and six months ended

Table of Contents

June 30, 2013, respectively. Our single-family charge-offs, gross, were significantly lower in the first half of 2014 compared to the first half of 2013 primarily due to: (a) lower volumes of foreclosures and foreclosure alternatives; and (b) improvements in home prices in many of the areas in which we have had significant foreclosure and short sale activity. Single-family charge-offs, net, in the first half of 2014 include recoveries of $0.3 billion related to settlement agreements with certain sellers to release specified loans from certain repurchase obligations in exchange for one-time cash payments. We expect our charge-offs and credit losses to continue to be lower than the level we experienced in 2013, but to remain elevated in the remainder of 2014 due to the substantial number of delinquent and underwater single-family loans that will likely be resolved.

Our single-family credit losses during the first half of 2014 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 four states comprised approximately 43% and 38% of our total credit losses in the three and six months ended June 30, 2014, respectively. We estimate that these states had the largest cumulative declines in home prices during the housing crisis that began in 2006, as measured by our home price index. Our 2005-2008 Legacy single-family book comprised approximately 15% of our single-family credit guarantee portfolio, based on UPB at June 30, 2014; however, these loans accounted for approximately 81% of our credit losses during the first half of 2014. At June 30, 2014, loans in states with a judicial foreclosure process comprised 39% of our single-family credit guarantee portfolio, based on UPB, while loans in these states contributed to approximately 71% of our credit losses recognized in the first half of 2014. 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.

The table below provides loss severity information for loans in our single-family credit guarantee portfolio.

Table 43 — Severity Ratios for Single-Family Loans

	For the Three Months Ended				
	6/30/2014	3/31/2014	12/31/2013	9/30/2013	6/30/2013
REO disposition severity ratio:(1)					
Florida	37.0 %	40.5 %	40.4 %	40.5 %	42.9 %
Illinois	39.0	40.9	43.4	43.7	47.2
New Jersey	41.6	42.6	45.8	51.4	39.7
Maryland	35.0	35.7	37.4	38.0	39.0
Ohio	43.0	43.8	47.1	46.9	46.0
Total U.S.	33.4	35.6	35.8	34.9	35.8
Short sale severity ratio(2)	30.5	31.6	32.5	34.5	36.5

(1) States presented represent the five states where our credit losses were greatest during the first half of 2014. 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.

(2) 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.

We believe our REO disposition and short sale severity ratios in the first half of 2014 were positively affected by changes made in 2012 to our process for evaluating the market value of impaired loan collateral 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.

As shown in the table above, our severity ratios associated with REO dispositions and short sales generally improved in the first and second quarters of 2014 compared to the rates experienced in the 2013 periods, but also remained high in several states. See “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 2013 Annual Report for information on our accounting policies for allowance for loan losses and reserve for guarantee losses and impaired loans. Our single-family loan loss reserves declined from $24.6 billion at December 31, 2013 to $22.7 billion at June 30, 2014, reflecting continued high levels of loan charge-offs compared to levels before 2009. This decline was also due to improvements in borrower payment performance and lower severity ratios for REO dispositions and short sale transactions largely resulting from the improvements in home prices in most areas during the period.

Table of Contents

In recent periods, 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. Our loan loss reserves attributable to individually impaired loans represented 80% of our loan loss reserves at June 30, 2014. This reflects a significant increase in TDRs in recent years and the reserves associated with these loans largely reflect the concessions we have provided to the borrowers at the point of loan modification. The majority of these modified loans were current and performing at June 30, 2014. Although the housing market continued to improve in many geographic areas, we expect that our loan loss reserves may remain elevated for an extended period because: (a) a significant portion of our reserves is associated with loans classified as individually impaired (e.g., modified loans) that are less than three months past due, and we are required to maintain a loss reserve on such loans until they are fully repaid or complete a short sale or foreclosure; and (b) the resolution of problem loans takes considerable time, often several years in the case of foreclosure.

As of June 30, 2014 and December 31, 2013, the recorded investment of individually impaired single-family mortgage loans was $99.6 billion and $98.1 billion, respectively, and the loan loss reserves associated with these loans were $18.1 billion and $18.6 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 18% and 19% of the balance as of June 30, 2014 and December 31, 2013, respectively. Our loan loss reserve associated with collectively evaluated single-family loans as a percentage of the total recorded investment of these loans was 0.3% and 0.4% of the balance as of June 30, 2014 and December 31, 2013, 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: IMPAIRED LOANS” for additional information about our impaired loans. See “CONSOLIDATED RESULTS OF OPERATIONS —Benefit for Credit Losses,” for a discussion of our benefit for credit losses.

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 44 — Single-Family Impaired Loans with Specific Reserve Recorded

	2014		2013	
	# of Loans	Amount	# of Loans	Amount
	(dollars in millions)			
TDRs (recorded investment):				
TDRs, at January 1,	514,497	$92,505	449,145	$83,484
New additions	41,859	6,278	56,942	9,162
Repayments and other[1]	(14,280)	(2,576)	(14,660)	(2,556)
Loss events[2]	(13,371)	(2,313)	(17,279)	(3,154)
TDRs, at June 30,	528,705	93,894	474,148	86,936
Other (recorded investment)[3]	12,363	1,034	15,313	1,374
Total impaired loans with specific reserve	541,068	94,928	489,461	88,310
Total allowance for loan losses of individually impaired single-family loans		(18,093)		(18,105)
Net investment, at June 30,		$76,835		$70,205

(1) Includes reduction of specific reserves related to the reclassification of certain loans from held-for-investment to held-for-sale.
(2) Foreclosure transfers or foreclosure alternatives, such as a deed in lieu of foreclosure or short sale transaction.
(3) Loans impaired upon purchase as of June 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.

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 of Contents

Table 45 — 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:				
June 30, 2014	$4,199	25.4	$3,891	23.6
March 31, 2014	$4,351	26.4	$4,035	24.4
December 31, 2013	$3,931	23.8	$3,628	21.9
September 30, 2013	$4,059	24.6	$3,734	22.6
June 30, 2013	$4,000	24.3	$3,663	22.2

(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.

Institutional Credit Risk

We continue to face challenges in reducing our risk concentrations with counterparties. The failure of any of our significant counterparties to meet their obligations to us could have a material adverse effect on our results of operations, financial condition, and our ability to conduct future business. For more information, see "RISK FACTORS — Competitive and Market Risks — We depend on our institutional counterparties to provide services that are critical to our business, and our results of operations or financial condition may be adversely affected if one or more of our counterparties do not meet their obligations to us" in our 2013 Annual Report.

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 51% of our single-family purchase volume during the first half of 2014. Wells Fargo Bank, N.A. accounted for 14% of our single-family mortgage purchase volume and was the only single-family seller/servicer that comprised 10% or more of our purchase volume during the first half of 2014.

Although our business with our mortgage sellers is concentrated, a number of our largest single-family mortgage seller counterparties have reduced or eliminated their purchases of mortgage loans from mortgage brokers and correspondent lenders. As a result, we are acquiring a greater portion of our business volume directly from smaller depository and non-depository financial institutions that may not have the same financial strength or operational capacity as our largest mortgage seller counterparties. We could also be required to absorb losses on defaulted loans that a failed mortgage seller is obligated to repurchase from us if we determine there was an underwriting or eligibility breach.

We have contractual arrangements with our seller/servicers under which they agree to sell us mortgage loans and service our mortgage loans, and represent and warrant to do so in accordance with our standards. 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. Under our representation and warranty framework, lenders are relieved of certain seller's repurchase obligations for loans that meet specific payment requirements. This includes, subject to certain exclusions, loans with 36 months (12 months for relief refinance mortgages) of consecutive, on-time payments after we purchase them. In May 2014, at the direction of FHFA, we announced certain changes to this framework for loans acquired on and after July 1, 2014, including: (a) permitting

borrowers to have up to two 30-day delinquencies during the first 36 months; and (b) providing relief from repurchase obligations for loans that have satisfactorily concluded a Freddie Mac quality control review. In addition, we will offer certain sellers an alternative to repurchasing a loan, for loans where the mortgage insurance coverage has been rescinded. In those cases we may allow the seller to indemnify us for any future claims of loss associated with the loan that would have been covered by the mortgage insurer. For more information on contractual arrangements with our seller/servicers and our representation and warranty framework, see "MD&A — RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Single-family Mortgage Seller/Servicers" in our 2013 Annual Report.

Our exposure to single-family mortgage seller/servicers with respect to repurchase obligations arising from breaches of representations and warranties made to us for loans they underwrote and sold to us, or that they service for us, has declined significantly in recent periods. The UPB of loans subject to open repurchase requests (both seller and servicer related) declined to $0.9 billion at June 30, 2014 from $2.2 billion at December 31, 2013 as we resolved many of the requests that had been outstanding for more than four months. (The balance as of both June 30, 2014 and December 31, 2013 excludes $0.3 billion in UPB related to notices of defect for servicing violations). During the first half of 2014, we recovered amounts from seller/servicers with respect to $1.4 billion in UPB of loans subject to our repurchase requests, including $0.4 billion in UPB related to settlement agreements to release specified loans from certain repurchase obligations in exchange for one-time cash

payments. See "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS - Seller/Servicers" for more information about these agreements. We believe that our repurchase request volumes with our sellers will likely continue to decline in the second half of 2014.

The amount we expect to collect on the outstanding requests is significantly less than the UPB of the related loans primarily because many 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.

Our estimate of recoveries from seller and servicer repurchase obligations is considered in our allowance for loan losses; however, our actual recoveries may be different than our estimates. 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.

We do not have our own mortgage loan servicing operation. Instead, our customers perform the primary servicing function on our loans on our behalf. A significant portion of our single-family mortgage loans are serviced by several large seller/servicers. Our top two single-family loan servicers, Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A., serviced approximately 23% and 12%, respectively, of our single-family mortgage loans as of June 30, 2014 and were the only servicers that serviced more than 10% of our loans at that date.

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 facilitated the transfer of servicing for $15.1 billion in UPB of loans from our primary servicers to specialty servicers during the first half of 2014. Some of these specialty servicers have grown rapidly in recent years and now service a large share of our loans. 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. We also seek remedies from servicers such as compensatory fees for failure to perform certain requirements with respect to the servicing of delinquent loans.

We rely on our seller/servicers to perform loan workout activities as well as foreclosures on loans that they service for us. Our credit losses could increase to the extent that our seller/servicers do not fully perform these obligations in a timely manner. 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. For more information on our exposure to our seller/servicers and repurchase requests, see “RISK FACTORS — Competitive and Market Risks — Our financial condition or results of operations may be adversely affected if mortgage seller/servicers fail to perform their repurchase and other obligations to us" in our 2013 Annual Report.

Multifamily Mortgage Seller/Servicers

We acquire a significant portion of our multifamily new business 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. Our top multifamily seller, CBRE Capital Markets, Inc., accounted for 24% of our multifamily new business volume for the six months ended June 30, 2014. Our top 10 multifamily sellers represented an aggregate of approximately 83% of our multifamily new business volume for the six months ended June 30, 2014.

A significant portion of our multifamily mortgage portfolio, excluding loans underlying K Certificates, is serviced by several large multifamily servicers. As of June 30, 2014, our top three multifamily servicers, Berkadia Commercial Mortgage LLC, Wells Fargo Bank, N.A., and CBRE Capital Markets, Inc., each serviced more than 10% of our multifamily mortgage portfolio, excluding loans underlying K Certificates, and together serviced approximately 37% 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 fails to fulfill its obligations, 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 financial capacity of individual mortgage insurers under various adverse economic conditions. Our ability to manage this risk is limited as: (a) certain of our mortgage insurers are operating below our eligibility thresholds; and (b) our ability to revoke a mortgage insurer's status as an eligible insurer requires FHFA approval under certain circumstances.

We are developing counterparty risk management standards for mortgage insurers, in conjunction with Fannie Mae, at the direction of FHFA, consisting of the following: (a) revised eligibility requirements, which includes financial requirements under a risk based framework; and (b) revised master policies that provide greater certainty of coverage and facilitate timely

Table of Contents

claims processing. The revised standards are designed to provide that mortgage insurers are able to withstand a stress economic scenario and fulfill their intended role of providing private capital to the mortgage market. In December 2013, FHFA announced that we and Fannie Mae, in collaboration with our mortgage insurers, had completed development of new master policies, for which the mortgage insurers are seeking state regulatory approval. Aligning mortgage insurer eligibility requirements is a key component of the 2014 Conservatorship Scorecard and the 2014 Strategic Plan. We announced that the revised master policies will be implemented October 1, 2014. FHFA has published the draft eligibility requirements for public input during a comment period, which will conclude on September 8, 2014. We expect to publish new eligibility requirements by the end of 2014, which will become effective 180 days after the publication date. Approved insurers that do not fully comply with the new financial requirements would be given a transition period of up to two years from the publication date.

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 mortgage insurers, 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 these mortgage insurers has improved in recent periods, there is still a significant risk that some of these counterparties may fail to fully meet their obligations. Except for those insurers in rehabilitation or under regulatory 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, many of which have credit ratings below investment grade. Our ability to reduce our exposure to individual mortgage insurers is limited. In recent years, new entrants have emerged that will likely diversify a concentrated industry over time.

The table below summarizes our exposure to mortgage insurers as of June 30, 2014. 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 June 30, 2014, we had primary mortgage insurance coverage on loans that represented approximately 13% of the UPB of our single-family credit guarantee portfolio.

Table 46 — Mortgage Insurance by Counterparty[1]

			As of June 30, 2014			
			UPB of Covered Loans		Coverage Outstanding	
Counterparty Name	Credit Rating	Credit Rating Outlook	Primary Insurance[2]	Pool Insurance[2]	Primary Insurance[3]	Pool Insurance[3]
			(dollars in millions)			
Radian Guaranty Inc. (Radian)	BB-	Positive	$46,630	$ 2,860	$11,754	$ 832
Mortgage Guaranty Insurance Corporation (MGIC)	BB-	Stable	45,802	1,420	11,636	6
United Guaranty Residential Insurance Company	BBB+	Stable	44,308	126	11,246	32
Genworth Mortgage Insurance Corporation	BB-	Positive	29,484	219	7,421	42
PMI Mortgage Insurance Co. (PMI)[4]	Not Rated	N/A	13,150	221	3,244	71
Essent Guaranty, Inc.	BBB	Stable	13,336	—	3,355	—
Republic Mortgage Insurance Company (RMIC)	Not Rated	N/A	10,542	350	2,621	46
Triad Guaranty Insurance Corporation (Triad)[5]	Not Rated	N/A	4,800	159	1,210	7
Arch Mortgage Insurance Company (Arch)[6]	BBB+	Stable	2,735	1	694	—

Total	$210,787	$ 5,356	$53,181	$ 1,036

(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 July 24, 2014. 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 "NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES — Table 4.5 — Recourse and Other Forms of Credit Protection" 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 March 2014, PMI began paying valid claims 67% in cash and 33% in deferred payment obligations and made a one-time cash payment to us for claims that were previously settled for 55% in cash.

(5) In December 2013, under a plan approved by its state regulator, Triad began paying valid claims 75% in cash and 25% in deferred payment obligations.

(6) In January 2014, Arch announced it had completed the acquisition of CMG Mortgage Insurance Company (CMG) and also the purchase of the mortgage insurance operating platform of PMI. Arch assumed the obligations of CMG in that transaction.

We received proceeds of $0.6 billion and $0.9 billion during the six months ended June 30, 2014 and 2013, respectively, from our primary and pool mortgage insurance policies for recovery of losses on our single-family loans. We had outstanding

Table of Contents

receivables from mortgage insurers (excluding deferred payment obligations associated with unpaid claim amounts), net of associated reserves, of $0.4 billion and $0.5 billion at June 30, 2014 and December 31, 2013, respectively.
PMI and Triad are both in rehabilitation, and a substantial portion of their claims are recorded by us as deferred payment obligations. These insurers no longer issue new insurance but continue to pay a portion of their respective claims in cash. The state regulators of these insurers have generally not allowed them to pay their respective deferred payment obligations in cash. If, as we currently expect, these insurers do not pay the full amount of their deferred payment obligations in cash, we would lose a portion of the coverage from these insurers shown in the table above. As of June 30, 2014, we had cumulative unpaid deferred payment obligations of $0.4 billion from these insurers. We reserved for substantially all of these unpaid amounts as collectability is uncertain.
RMIC is under regulatory supervision and is no longer issuing new insurance. In June 2014, RMIC announced that it would: (a) resume paying valid claims at 100% of the claim amount without further deferrals, effective with claims settled on or after July 1, 2014, and (b) pay, in full, all deferred payment obligations outstanding as of June 30, 2014. Previously, RMIC had been paying all valid claims 60% in cash and 40% in deferred payment obligations.
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 47 — Bond Insurance by Counterparty[1]

			As of June 30, 2014		
Counterparty Name	Credit Rating	Credit Rating Outlook	Coverage Outstanding[2]	Percent of Total Coverage Outstanding[3]	
			(dollars in millions)		
Ambac Assurance Corporation (Ambac)[4]	Not Rated	N/A	$3,497	48	%
Financial Guaranty Insurance Company (FGIC)[4]	Not Rated	N/A	1,251	17	
National Public Finance Guarantee Corp.	A-	Negative	1,057	15	
MBIA Insurance Corp.	B	Stable	844	12	
Assured Guaranty Municipal Corp.	A	Stable	533	7	
Syncora Guarantee Inc. (Syncora)[4]	Not Rated	N/A	46	1	
CIFG Assurance Corporation	Not Rated	N/A	30	—	
Total			$7,258	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 July 24, 2014. 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) Within this column, "—" represents less than 0.5%.
(4) 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 either insolvent or in rehabilitation. 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.

In January 2014, FGIC, which had not paid claims since November 2009, began making cash payments of 17% in cash and the remainder in deferred payment obligations. In June 2014, Ambac, which was previously paying claims 25% in cash, announced that it would: (a) increase the amount of cash payments to 45% of the permitted amount of each policy claim, effective July 20, 2014, and (b) make a one-time cash payment for claims that were previously settled at 25% in cash. Ambac also continued making supplemental payments, equal to all or a portion of the permitted policy claim, with respect to certain specified securities. For more information concerning Ambac and FGIC, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS — Bond Insurers" in our 2013 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 June 30, 2014 and December 31, 2013. 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. Our policies require that the issuer be rated as investment grade at the time the financial instrument is purchased. We base the permitted term and dollar limits for each of these transactions on the counterparty's financial strength in order to further mitigate our risk.

Our cash and other investment counterparties are primarily major financial institutions, Treasury, and the Federal Reserve Bank of New York. As of June 30, 2014 and December 31, 2013, including amounts related to our consolidated VIEs, there were $51.6 billion and $85.9 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 of New York. Although we monitor the financial strength of our counterparties to these transactions and have collateral maintenance requirements for our securities purchased under agreements to resell, we have exposure to loss should any of our counterparties fail. See "RISK FACTORS — Competitive and Market Risks — Our business could be adversely affected if counterparties to derivatives and short-term lending and other transactions fail to meet their obligations to us" in our 2013 Annual Report for further information. 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 first half of 2014 and 2013 related to certain of our investments in non-agency mortgage-related securities. 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.

In recent years, the portion of single-family mortgages underlying our investments in non-agency mortgage-related securities that is serviced by specialty servicers (i.e., non-bank financial institutions that specialize in servicing troubled loans) has grown. The expansion of these specialty servicers' portfolios could adversely impact these securities in the event that the transfers of loan servicing to these parties introduces operational and capacity challenges.

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, in some cases in conjunction with other investors, to mitigate or recover losses on our investments in these securities. The effectiveness of our efforts is uncertain and any potential recoveries may take significant time to realize. Our loss mitigation activities include litigation against the issuers of certain of these securities.

There is a general lack of transparency in the market for the non-agency mortgage-related securities we hold, and the information disclosed by the trustees of the trusts that issued these securities is often not sufficient to allow us to adequately analyze decisions made by servicers that may directly impact the cash flows on such securities. As a result, as part of our loss mitigation efforts and in the exercise of our rights as an investor, we seek to obtain information from servicers and trustees related to the performance and servicing of the loans underlying the securities. Certain of this information may not be publicly available. The quality of the servicing performed on the underlying loans can significantly affect the performance of these securities, including the timing and amount of losses incurred on the

underlying loans and thus the timing and amount of losses we recognize on our securities. While our ability to influence servicing performance is limited, it is possible that our loss mitigation activities may, in some cases, influence the performance of these securities. We may cease these or other loss mitigation activities at any time, including in connection with sales of these securities as we continue to reduce the size of our mortgage-related investments portfolio. However, a number of other parties (including other investors, regulators, or the mortgage servicers themselves) may also take actions that could also affect the performance of these securities.

During the first half of 2014, we and FHFA reached settlements with certain parties pursuant to which we received an aggregate of approximately $4.9 billion. Lawsuits against a number of parties are currently pending. For more information on our loss mitigation efforts related to the non-agency mortgage-related securities we hold, see "NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS - Non-Agency Mortgage-Related Security Issuers."

Table of Contents

Derivative Counterparties

We use cleared derivatives, exchange-traded derivatives, and OTC derivatives, and are exposed to institutional credit risk with respect to these derivatives. For more information about these derivatives and how we seek to manage our exposure to institutional credit risk related to our derivative counterparties, see “MD&A — RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Derivative Counterparties” in our 2013 Annual Report.

The relative concentration of our derivative exposure among our primary OTC derivative counterparties remains high as compared to levels experienced prior to 2009. This concentration could further increase. See “NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES” for additional information.

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 or clearing member where allowable. For OTC interest-rate swaps and option-based derivatives that are in an asset position, we hold collateral against those positions in accordance with agreed upon thresholds. The collateral posting thresholds assigned to these 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 and option-based derivative liabilities where we post collateral to counterparties in accordance with agreed upon thresholds. Pursuant to certain collateral agreements we have with these 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 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. See “CONSOLIDATED BALANCE SHEETS ANALYSIS — Derivative Assets and Liabilities, Net” and “Table 24 — Derivative Fair Values and Maturities” for a reconciliation of fair value to the amounts presented on our consolidated balance sheets as of June 30, 2014, which includes both cash collateral held and posted by us, net.

Table of Contents

Table 48 — Derivative Counterparty Credit Exposure

	As of June 30, 2014					
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	$42,139	$95	$21	4.3	$10 million or less
A+	4	51,455	998	19	5.5	$1 million or less
A	8	260,267	751	16	5.4	$1 million or less
BBB+	2	27,968	1	—	8.0	$ —
BBB	1	18,955	—	—	5.5	$ —
Subtotal	19	400,784	1,845	56	5.5	
Cleared and exchange-traded derivatives		195,917	—	27		
Commitments		23,773	79	79		
Swap guarantee derivatives		3,347	—	—		
Other derivatives[6]		8,346	—	—		
Total derivatives		$632,167	$1,924	$162		

	As of December 31, 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	$52,687	$191	$49	4.3	$10 million or less
A+	3	31,910	1,052	13	6.0	$1 million or less
A	9	345,824	931	110	5.1	$1 million or less
A-	1	35,935	300	16	6.7	$1 million or less
BBB+	1	33	2	—	0.6	$ —
BBB	1	38,442	—	—	5.4	$ —
Subtotal	19	504,831	2,476	188	5.2	
Cleared and exchange-traded derivatives		188,236	790	382		
Commitments		18,731	61	61		
Swap guarantee derivatives		3,477	—	—		
Other derivatives[6]		9,751	—	—		
Total derivatives		$725,026	$3,327	$631		

(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. Our last foreign-currency swaps matured in January 2014.

(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 and trade/settle receivable or payable, when applicable.

(5) Calculated as Total Exposure at Fair Value less both cash and non-cash collateral held as determined at the counterparty level. Does not include the fair value amount of non-cash collateral held that exceeds the associated net asset presented on the consolidated balance sheets. At June 30, 2014 and December 31, 2013, exposure is net of $340 million and $432 million, respectively, of non-cash collateral that had been posted to us. For cleared and exchange-traded derivatives, does not include non-cash collateral posted by us with an aggregate fair value of $1.3 billion and $0.6 billion as of June 30, 2014 and December 31, 2013, respectively. 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 collateral we have posted in connection with 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.

Over time, our exposure to individual derivative counterparties varies depending on changes in fair values, which are affected by changes in interest rates, yield curves, the implied volatility of interest 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 97% of our exposure at fair value for OTC interest-rate swap and option-based derivatives was collateralized at June 30, 2014 (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 measured at 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.

Four counterparties each accounted for greater than 10% and collectively accounted for 98% of our net uncollateralized exposure to derivative counterparties, excluding cleared and exchange-traded derivatives, commitments, swap guarantee derivatives, certain written options, and certain credit derivatives at June 30, 2014. All four of these counterparties, Toronto Dominion Bank, Wells Fargo Bank, N.A., JP Morgan Chase Bank and Bank of America, N.A. were rated "A" or above using the lower of S&P's or Moody's rating stated in terms of the S&P equivalent as of July 24, 2014.

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 a central clearing requirement. Our exposure to cleared and exchange-traded derivatives was $27 million and $382 million as of June 30, 2014 and December 31, 2013, respectively, which includes the consideration of cash collateral that has been posted for initial and variation margin. We net our exposure to cleared derivatives by clearinghouse and clearing member. Exchange-traded derivatives are settled on a daily basis through the payment of variation margin. We post initial and variation margin in connection with our cleared and exchange-traded derivatives. At June 30, 2014, our exposure for our cleared and exchange-traded derivatives resulted from our posting of initial and variation margin. The amount of margin we must post for cleared and exchange-traded derivatives may be based, in part, on S&P or Moody's credit rating of our long-term senior unsecured debt securities. 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."

In the event an OTC derivative or cleared 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.

The total exposure on our forward purchase and sale commitments for mortgages and mortgage-related securities, treated as derivatives for accounting purposes, was $79 million and $61 million at June 30, 2014 and December 31, 2013, respectively. 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.

Operational Risks

We continue to make strategic investments to maintain and improve our ability to operate the company for the foreseeable future in conservatorship and potentially afterwards. We also continue to strengthen our operations. Beginning in mid-2012 and continuing in 2013 and 2014, we took steps to enhance management's focus on control issues by elevating awareness of those issues across the company and stressing timely remediation. We are also conducting a multi-year project focused on simplifying our control structure and eliminating redundant control activities. We updated our risk and control framework to increase our emphasis on risk management and are conducting detailed operational control design reviews to identify ways to simplify our controls structure. These

design reviews will result in organizational realignments which could increase our operational risk during the period of implementation. Our human capital risks have stabilized in recent periods as increased levels of voluntary turnover experienced in 2011 have abated.

We continue to face significant levels of operational risk. Operational risks are inherent in all of our business activities and can become apparent in various ways, including accounting or operational errors, business interruptions, fraud, and failures of the technology used to support our business activities. Under the direction of FHFA, we continue to make various multi-year investments to build the infrastructure for a future housing finance system, including the development of the common securitization platform. Certain of these investments will result in changes to our underlying systems and could introduce increased operational risk. In addition, if any of these investments are not successful, it is uncertain if we would recover our investment. For more information, see "MD&A — RISK MANAGEMENT — Operational Risks" and "RISK FACTORS — Operational Risks" in our 2013 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 June 30, 2014. As of June 30, 2014, we had one material

weakness 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.”

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our business activities require that we maintain adequate liquidity to fund our operations. For a discussion of uses and sources of cash, see "MD&A — LIQUIDITY AND CAPITAL RESOURCES" in our 2013 Annual Report.

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. We continue to manage our debt issuances to remain in compliance with the aggregate indebtedness limits set forth in the Purchase Agreement.

Liquidity Management

Maintaining sufficient liquidity is of primary importance to and a cost of our business. For a discussion of our liquidity management practices and policies and related FHFA guidance, see "MD&A — LIQUIDITY AND CAPITAL RESOURCES — Liquidity — Liquidity Management" in our 2013 Annual Report.

To facilitate cash management, we forecast cash outflows and inflows using assumptions and models. These forecasts help us to manage our liabilities with respect to asset purchases and runoff, when financial markets are not in crisis. For further information on our management of interest-rate risk associated with asset and liability management, see “MD&A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK” in our 2013 Annual Report.

During the six months ended June 30, 2014, the majority of the funds in our liquidity and contingency operating portfolio was deposited with the Federal Reserve Bank of New York, or was invested in U.S. Treasury securities and short-term assets with a rating of at least A-1/P-1, or assets which were issued by a counterparty with that rating. In the event of a downgrade of a position or counterparty, as applicable, below minimum rating requirements, we make an assessment whether to exit the existing position or continue to do business with the counterparty.

Our ability to maintain sufficient liquidity, including by pledging mortgage-related and other securities as collateral to other 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, operational risks, 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 2013 Annual Report.

Other Debt Securities

During the six months ended June 30, 2014, we had sufficient access to the debt markets due largely to support from the U.S. government. Our effective short-term debt was 39% of outstanding other debt at June 30, 2014 as compared to 43% at December 31, 2013. 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 effective short-term debt.

Our debt cap under the Purchase Agreement is $663.0 billion in 2014 and will decline to $563.6 billion on January 1, 2015. As of June 30, 2014, our aggregate indebtedness was $449.2 billion. 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 Activities

The table below summarizes the par value of other debt securities we issued or paid off, based on settlement dates, during the three and six months ended June 30, 2014 and 2013. We repurchase, call, or exchange our outstanding debt securities from time to time for a variety of reasons, including: (a) to help support the liquidity of our other debt securities; (b) to manage the composition of liabilities funding our assets; or (c) for economic reasons.

Table of Contents

Table 49 — Activity in Other Debt

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(dollars in millions)			
Beginning balance	$458,334	$534,617	$511,345	$552,472
Issued during the period:				
Short-term:				
Amount	$54,120	$83,928	$94,176	$161,490
Weighted-average effective interest rate	0.09 %	0.11 %	0.10 %	0.12 %
Long-term:				
Amount	$16,347	$27,147	$39,294	$57,447
Weighted-average effective interest rate	1.11 %	1.17 %	1.18 %	1.03 %
Total issued:				
Amount	$70,467	$111,075	$133,470	$218,937
Weighted-average effective interest rate	0.33 %	0.37 %	0.42 %	0.36 %
Paid off during the period:[1]				
Short-term:				
Amount	$(58,974)	$(72,222)	$(125,616)	$(143,390)
Weighted-average effective interest rate	0.13 %	0.14 %	0.12 %	0.14 %
Long-term:				
Amount	$(20,595)	$(47,685)	$(69,967)	$(102,234)
Weighted-average effective interest rate	1.75 %	1.81 %	1.68 %	1.64 %
Total paid off:				
Amount	$(79,569)	$(119,907)	$(195,583)	$(245,624)
Weighted-average effective interest rate	0.55 %	0.80 %	0.68 %	0.76 %
Ending balance	$449,232	$525,785	$449,232	$525,785

(1) Consists of all payments on debt, including regularly scheduled principal payments, payments at maturity, payments resulting from calls, and payments for repurchases. Calls and repurchases of zero-coupon debt are reported at original face value, which does not equal the amount of actual cash payment.

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 July 24, 2014.

Table 50 — 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]	AA-	Aa2	AA-
Preferred stock[4]	D	Ca	C/RR6
Outlook	Stable	Stable	Stable

(1) Consists of medium-term notes and U.S. dollar 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.

Our credit ratings and outlooks are primarily based on the support we receive from Treasury, and therefore, are affected by changes in the credit ratings and outlooks of the U.S. government.

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 2013 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

Table of Contents

Excluding amounts related to our consolidated VIEs, we held $47.2 billion and $77.1 billion in the aggregate of cash and cash equivalents, securities purchased under agreements to resell, and non-mortgage-related securities at June 30, 2014 and December 31, 2013, 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. At June 30, 2014, our non-mortgage-related securities consisted of U.S. Treasury securities 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 of New York, 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 single-class and multiclass agency securities (excluding certain structured agency securities collateralized by non-agency mortgage-related securities). While our holdings of certain structured agency securities collateralized by non-agency mortgage-related securities, unsecuritized performing single-family mortgage loans, CMBS, non-agency mortgage-related securities backed by subprime, option ARM, and Alt-A and other loans, and unsecuritized seriously delinquent and modified single-family mortgage loans are also potential sources of liquidity, we consider them to be less liquid than agency securities.

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 decreased by $6.6 billion to $4.7 billion during the six months ended June 30, 2014, as compared to an increase of $5.4 billion to $13.9 billion during the six months ended June 30, 2013. Cash flows provided by operating activities during the six months ended June 30, 2014 and 2013 were $11.0 billion and $5.8 billion, respectively, primarily driven by cash proceeds from net interest income. Cash flows provided by investing activities during the six months ended June 30, 2014 and 2013 were $120.6 billion and $240.9 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 six months ended June 30, 2014 and 2013 were $138.2 billion and $241.3 billion, respectively, largely attributable to funds used to repay debt securities of consolidated trusts held by third parties and other debt.

Beginning in the first quarter of 2014, we reclassified net discounts paid on retirements of other debt and net premiums received from issuance of debt securities of consolidated trusts and other debt from cash flows from operating activities to cash flows from financing activities on our consolidated statements of cash flows. This reclassification resulted in a decrease of $639 million to net cash provided by operating activities and an increase of $639 million to net cash used in financing activities for the six months ended June 30, 2013.

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 June 30, 2014, 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, yield curves, 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 2013 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 2013 Annual Report for additional information on mandatory receivership.

Based on our Net Worth Amount at June 30, 2014 and the 2014 Capital Reserve Amount of $2.4 billion, our dividend obligation to Treasury in September 2014 will be $1.9 billion. We paid dividends of $14.9 billion in cash on the senior preferred stock during the six months ended June 30, 2014, based on our Net Worth Amounts at March 31, 2014 and December

31, 2013. Through June 30, 2014, we have paid aggregate cash dividends to Treasury of $86.3 billion, an amount that is $14.9 billion more than our aggregate draws received under the Purchase Agreement.

At June 30, 2014, 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 does not reduce the outstanding liquidation preference. Accordingly, while we have paid aggregate cash dividends to Treasury of $86.3 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 2013 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 market conditions. 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 and liabilities within the fair value hierarchy, the valuation techniques and processes used to measure fair value, and controls over fair value measurement, see “MD&A — FAIR VALUE BALANCE SHEETS AND ANALYSIS” in our 2013 Annual Report and “NOTE 16: FAIR VALUE DISCLOSURES.”

Level 3 Recurring Fair Value Measurements

At June 30, 2014 and December 31, 2013, we measured and recorded 30% and 31%, respectively, of total assets carried at fair value on a recurring basis using unobservable inputs (Level 3). At June 30, 2014 and December 31, 2013, we measured and recorded 6% and 11%, respectively, 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 — Assets and Liabilities on Our Consolidated Balance Sheets Measured at Fair Value on a Recurring Basis 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. For more information, see "MD&A — FAIR VALUE BALANCE SHEETS AND ANALYSIS — Consideration of Credit Risk in Our Valuation" in our 2013 Annual Report.

For a discussion of types and characteristics of mortgage loans underlying our mortgage-related securities, see “Table 16 — Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets” and “RISK MANAGEMENT — Credit Risk — Mortgage Credit Risk — Single-Family Mortgage Credit Risk.”

See “RISK MANAGEMENT — Credit Risk — Institutional Credit Risk — Derivative Counterparties” in this Form 10-Q and our 2013 Annual Report for a discussion of our derivative 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 June 30, 2014 and December 31, 2013. 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," "RISK FACTORS" and "RISK MANAGEMENT — Operational Risks" in our 2013 Annual Report for information concerning the risks associated with these models.

Limitations

Table of Contents

Our consolidated fair value balance sheets do not capture all elements of value that are implicit in our operations as a going concern because they only capture the values of the current investment and guarantee portfolios as of the dates presented. In addition, the 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 more information, see "MD&A — FAIR VALUE BALANCE SHEETS AND ANALYSIS — Consolidated Fair Value Balance Sheets Analysis — Limitations" in our 2013 Annual Report.

Table 51 — Consolidated Fair Value Balance Sheets

	June 30, 2014		December 31, 2013	
	Carrying Amount[(1)]	Fair Value	Carrying Amount[(1)]	Fair Value
	(in billions)			
Assets				
Cash and cash equivalents	$4.7	$4.7	$11.3	$11.3
Restricted cash and cash equivalents	2.8	2.8	12.2	12.2
Federal funds sold and securities purchased under agreements to resell	44.1	44.1	62.4	62.4
Investments in securities:				
Available-for-sale, at fair value	113.6	113.6	128.9	128.9
Trading, at fair value	34.3	34.3	23.4	23.4
Total investments in securities	147.9	147.9	152.3	152.3
Mortgage loans:				
Mortgage loans held by consolidated trusts	1,533.5	1,548.9	1,529.9	1,507.7
Unsecuritized mortgage loans	145.0	137.6	154.9	138.2
Total mortgage loans	1,678.5	1,686.5	1,684.8	1,645.9
Derivative assets, net	0.5	0.5	1.1	1.1
Other assets	38.1	38.0	42.0	42.0
Total assets	$1,916.6	$1,924.5	$1,966.1	$1,927.2
Liabilities				
Debt, net:				
Debt securities of consolidated trusts held by third parties	$1,453.6	$1,490.3	$1,434.0	$1,436.9
Other debt	445.1	453.5	506.8	512.8
Total debt, net	1,898.7	1,943.8	1,940.8	1,949.7
Derivative liabilities, net	1.3	1.3	0.2	0.2
Other liabilities	12.3	20.3	12.2	18.5
Total liabilities	1,912.3	1,965.4	1,953.2	1,968.4
Net assets				
Senior preferred stock	72.3	72.3	72.3	72.3
Preferred stock	14.1	5.5	14.1	4.4
Common stock	(82.1)	(118.7)	(73.5)	(117.9)
Total net assets	4.3	(40.9)	12.9	(41.2)
Total liabilities and net assets	$1,916.6	$1,924.5	$1,966.1	$1,927.2

(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 six months ended June 30, 2014.

Table 52 — Summary of Change in the Fair Value of Net Assets

	Six Months Ended June 30, 2014
	(in billions)
Beginning balance	$(41.2)
Changes in fair value of net assets, before capital transactions	15.2
Subtotal - balance before 2014 capital transactions	(26.0)
Capital transactions:	
Dividends and share issuances, net[1]	(14.9)
Ending balance	$(40.9)

(1) We did not receive funds from Treasury during the six months ended June 30, 2014 under the Purchase Agreement.

Table of Contents

During the six months ended June 30, 2014, the fair value of net assets, before capital transactions, increased by $15.2 billion, primarily due to: (a) an increase in the fair value of our single-family loans as the result of continued improvement in the credit environment; and (b) a benefit from settlements related to lawsuits regarding our investments in certain non-agency single-family mortgage-related securities. See “Table 51 — Consolidated Fair Value Balance Sheets” for additional details.

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 guaranteed 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 guarantees is primarily represented by the UPB of the underlying loans and securities, which was $106.7 billion and $101.0 billion at June 30, 2014 and December 31, 2013, 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 $300.7 billion and $289.7 billion in notional value at June 30, 2014 and December 31, 2013, 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 $10.0 billion at June 30, 2014 and December 31, 2013, 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 June 30, 2014 and December 31, 2013, 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 2013 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 2013 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 2013 Annual Report and “NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” in this Form 10-Q and our 2013 Annual Report.

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." Examples of forward-looking statements include, but are not limited to, statements pertaining to the conservatorship, our current expectations and objectives for our single-family, multifamily, and investment businesses, our loan workout initiatives and other efforts to assist the housing market, liquidity, capital management, economic and market conditions and trends, market share, the effect of legislative and regulatory developments and new accounting guidance, credit quality of loans we own or guarantee, 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,"

Table of Contents

"possible," "trend," "forecast," "anticipate," "believe," "intend," "could," "future," "may," "will," and similar phrases. These s
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" section of our 2013 Annual Report, and:

- the actions the U.S. government (including FHFA, Treasury, and Congress) may take, or require us to take, including to further support the housing recovery or to implement FHFA's strategic plan for us and Fannie Mae;
- the effect of the restrictions on our business due to the conservatorship and the Purchase Agreement, including 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 any changes in our credit ratings or those of the U.S. government;
- changes in our charter or in applicable legislative or regulatory requirements (including any legislation on the future status of our company), or in the regulation of the housing finance and financial services industries;
- changes in the fiscal and monetary policies of the Federal Reserve, including the effect of the tapering (and eventual termination) of its program of purchasing mortgage-related securities and any future sales of such securities;
- the extent of our success in our efforts to mitigate our losses on our Legacy single-family books and our investments in non-agency mortgage-related securities;
- the adequacy of our operating systems and infrastructure, and our ability to maintain the security of such systems and infrastructure (e.g., against cyber attacks);
- changes in accounting standards, or in our accounting policies or estimates;
- changes in economic and market conditions, including changes in employment rates, interest rates, yield curves, mortgage and debt spreads, and home prices;
- changes in the U.S. residential mortgage market, including changes in the supply and type of mortgage products (e.g., refinance versus purchase, and fixed-rate versus ARM);
- our ability to effectively execute our business strategies, implement new initiatives, and improve efficiency;
- our ability to recruit and retain executive officers and other key employees;
- the adequacy of our risk management framework, internal control over financial reporting, and disclosure controls and procedures;
- the failure of our customers, vendors, service providers, and counterparties to fulfill their obligations to us;
- our ability to manage mortgage credit risks, including the effect of changes in underwriting and servicing practices;
- our ability to manage interest-rate and other market risks, including the availability of derivative financial instruments needed for risk management purposes;
- changes or errors in the methodologies, models, assumptions and estimates we use to prepare our financial statements, make business decisions, and manage risks;
- changes in investor demand for our debt or mortgage-related securities (e.g., single-family PCs and multifamily K Certificates);
- adverse judgments or settlements in connection with judicial or regulatory proceedings;
- changes in the practices of loan originators, investors and other participants in the secondary mortgage market;
- the occurrence of a major natural or other disaster in areas in which our offices or portions of our total mortgage portfolio are concentrated; and
- other factors and assumptions described in this Form 10-Q, our Form 10-Q for the quarter ended March 31, 2014, and our 2013 Annual Report, including in the "MD&A" sections.

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 2013 Annual Report.

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 our PMVS and duration gap, see “QUANTITATIVE AND QUALITATIVE DISCLOSURES

Table of Contents

ABOUT MARKET RISK — Interest-Rate and Other Market Risks — PMVS and Duration Gap." 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

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 consider legislation on the future state of Freddie Mac, Fannie Mae and the housing finance system. Recent developments are discussed below.

On May 15, 2014, the Senate Banking Committee approved the "Housing Finance Reform and Taxpayer Protection Act of 2014." For information on this bill, see "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 March 31, 2014.

On July 10, 2014, the "Partnership to Strengthen Homeownership Act of 2014" was introduced in the House of Representatives. The bill proposes to establish a new housing finance system to replace Freddie Mac and Fannie Mae (referred to below as the "Enterprises"). Under the bill, the Enterprises would be placed into receivership (with Ginnie Mae as receiver) as early as five years after the enactment of the bill. One of the goals of the receivership would be to obtain an adequate return of taxpayer investment in each Enterprise. The bill contemplates certain changes to Freddie Mac's and Fannie Mae's senior preferred stock purchase agreements with Treasury, though it maintains the current "net worth sweep" dividend payment provisions of those agreements. The bill generally provides for a U.S. government full faith and credit guarantee of the Enterprises' outstanding debt and guarantee obligations. The bill contemplates that the Enterprises' assets may be returned to the private sector (as fully private entities) and any such private entities may operate within the new housing finance system as issuers and/or aggregators. The bill provides for the Enterprises' multifamily businesses to initially be transferred to subsidiaries, and authorizes Ginnie Mae to sell those businesses to the private sector. In addition, the bill contains certain provisions that would materially affect our business prior to our eventual liquidation. There is uncertainty as to how certain of the provisions described above and other provisions of the bill would be applied.

We anticipate that other bills related to Freddie Mac, Fannie Mae and the future of the mortgage finance system will be introduced. We cannot predict whether any of such bills will be enacted.

For more information, see "BUSINESS — Regulation and Supervision — Legislative and Regulatory Developments — Legislation Related to Freddie Mac and its Future Status" and "RISK FACTORS — Conservatorship and Related Matters — The future status and role of Freddie Mac are uncertain" in our 2013 Annual Report.

FHFA's 2014 Strategic Plan for the Conservatorships of Freddie Mac and Fannie Mae and the 2014 Conservatorship Scorecard

On May 13, 2014, FHFA issued its 2014 Strategic Plan and the 2014 Conservatorship Scorecard. The 2014 Strategic Plan provides an updated vision for FHFA's implementation of its obligations as conservator of Freddie Mac and Fannie Mae. The 2014 Conservatorship Scorecard establishes objectives and performance targets and measures for 2014 for the Enterprises related to the strategic goals set forth in the 2014 Strategic Plan.

The 2014 Strategic Plan establishes three reformulated strategic goals for the conservatorships of Freddie Mac and Fannie Mae:

- Maintain, in a safe and sound manner, foreclosure prevention activities and credit availability for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets.
- Reduce taxpayer risk through increasing the role of private capital in the mortgage market.
- Build a new single-family securitization infrastructure for use by the Enterprises and adaptable for use by other participants in the secondary market in the future.

As part of the first goal, the 2014 Strategic Plan describes various steps related to increasing access to mortgage credit for credit-worthy borrowers. These steps include FHFA evaluating and, when appropriate, implementing changes to the Enterprises' representation and warranty framework designed to provide lenders with greater certainty regarding their origination and servicing obligations. The 2014 Strategic Plan also provides for the Enterprises to refine and improve their foreclosure prevention and servicing initiatives for distressed borrowers and communities. The 2014

Strategic Plan provides for the Enterprises to continue to play an ongoing role in supporting multifamily housing needs, particularly for low-income households. The plan states that FHFA will continue to impose a production cap on Freddie Mac's and Fannie Mae's multifamily businesses, but one that does not require contracting their multifamily business.

FHFA stated that the second ("reduce") goal builds upon and reformulates the "contract" goal used in the 2012 Strategic Plan. The reformulated goal no longer involves specific steps to contract the Enterprises' market presence, but instead focuses on ways to shift risk to private market participants and away from the Enterprises in a responsible way that does not reduce liquidity or adversely impact the availability of mortgage credit. The second goal provides for us to increase the use of single-family credit risk transfer transactions (e.g., STACR debt note transactions). The 2014 Strategic Plan also provides for us to continue using credit risk transfer transactions in the multifamily business and to continue shrinking our mortgage-related

Table of Contents

investments portfolio consistent with the requirements in the Purchase Agreement, with a focus on selling less liquid assets. The second goal also describes steps to strengthen counterparty standards for mortgage insurers.

The third goal includes the continued development of the Common Securitization Platform. In the 2014 Strategic Plan, FHFA refined the scope of this project to focus on making the new shared system operational for Freddie Mac's and Fannie Mae's existing single-family securitization activities. The third goal provides for the Enterprises to work towards the development of a single (common) security. The third goal also includes steps to continue to develop and implement mortgage data standards for the Enterprises and other market participants.

For more information on the 2014 Conservatorship Scorecard, see our current report on Form 8-K dated May 14, 2014.

FHFA Advisory Bulletin

In April 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" (the "Advisory Bulletin"), which is applicable to Fannie Mae, Freddie Mac and the Federal Home Loan Banks. The Advisory Bulletin establishes guidelines for adverse classification and identification of specified single-family and multifamily assets and off-balance sheet credit exposures. The Advisory Bulletin indicates that this guidance considers and is generally consistent with the Uniform Retail Credit Classification and Account Management Policy issued by the federal banking regulators in June 2000. Among other requirements, this Advisory Bulletin requires that we classify the portion of an outstanding single-family loan balance in excess of the fair value of the underlying property, less costs to sell and adjusted for any credit enhancements, as a "loss" no later than when the 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%). For multifamily loans, the Advisory Bulletin requires any portion of a loan balance that exceeds the amount secured by the fair value of the collateral, less costs to sell, for which there is no available and reliable source of repayment other than the sale of the underlying real estate collateral, to be classified as a "loss." The Advisory Bulletin also requires us to charge off the portion of the loan classified as a "loss." The Advisory Bulletin specifies that, if we subsequently receive full or partial payment of a previously charged-off loan, we may report a recovery of the amount, either through our loss reserves or as a reduction in our foreclosed property expenses. In May 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. Effective January 1, 2014, we implemented the asset classification provisions of AB 2012-02 and we provide FHFA with this information on a quarterly basis.

We establish an allowance for loan losses against our loans either through our collective loss reserve or our loss reserve for individually impaired loans. Thus, at the time single-family loans become 180 days delinquent, we have already established an allowance for loan losses against them. The Advisory Bulletin requires us to change our practice for determining when a loan is deemed uncollectible to the date the loan is classified as a "loss" as described above. This is a change from our current practice for determining when a loan is deemed to be uncollectible, which is based on historical 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).

In the period in which we adopt the Advisory Bulletin, our allowance for loan losses on the impacted loans will be eliminated and the corresponding recorded investment in the loan will be reduced by the amounts that are charged off. Under our existing accounting practices and upon adoption of the Advisory Bulletin, the ultimate amount of losses we realize on our loan portfolio will be the same over time; however, the timing of when we recognize the losses in our financial statements will differ.

We are working with FHFA to consider how the Advisory Bulletin may impact our credit risk management practices. Our recent experience indicates that a significant percentage of our modifications are initiated after loans become 180 days delinquent. This is a result of a number of factors, including servicer backlogs, lack of borrower responsiveness to loss mitigation efforts, and extended foreclosure timelines, which affect the willingness of borrowers to engage regarding loss mitigation options. Given the current rate of modification activity after loans become 180 days delinquent, the benefit we expect to realize from modifications from this population of loans from borrower re-performance is significant. In July 2013, we introduced a streamlined modification program, which may accelerate

the timing of our modifications; however, we still expect that a meaningful amount of modifications will be initiated after our loans become 180 days delinquent.
We are working with FHFA to resolve certain implementation issues related to our adoption of the Advisory Bulletin. However, we do not expect that the Advisory Bulletin will have a material impact on our financial position or results of operations.
Single-Family Loan Limits
In December 2013, FHFA announced that it was requesting public input on the possible implementation of a plan to gradually reduce the maximum size of single-family mortgage loans that we and Fannie Mae may purchase. However, on May 13, 2014, the Director of FHFA announced that FHFA will not use its statutory authority as conservator to reduce current loan limits.

Table of Contents

FHFA Request for Input on Guarantee Fees

On June 5, 2014, FHFA announced it is requesting input on the guarantee fees that we and Fannie Mae charge lenders. FHFA's request for input includes questions related to guarantee fee policy and implementation regarding the optimum level of guarantee fees required to protect taxpayers and implications for mortgage credit availability. Input is due by September 8, 2014. We cannot predict what changes, if any, FHFA will require us to make to our guarantee fees as a result of this request.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest-Rate Risk and Other Market Risks

Our mortgage-related investments portfolio (i.e., mortgage loans and mortgage-related securities), non-mortgage investments, and unsecured debt expose us to interest-rate risk and other market risks, including basis and spread risk, and prepayment risk arising from credit risk primarily from: (a) the uncertainty as to when borrowers will pay the outstanding principal balance of mortgage loans and mortgage-related securities; and (b) unexpected prepayments or differences in expected cash flows due to default of the underlying borrower or modification of loan terms by the servicer. For a majority of our mortgage-related investments, the mortgage borrower has the option to make unscheduled payments of additional principal or to completely pay off a mortgage loan at any time before its scheduled maturity date (without having to pay a prepayment penalty) or make principal payments in accordance with the contractual obligation. For more information on credit risk, see "RISK MANAGEMENT — Credit Risk." See "MD&A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — Interest-Rate Risk and Other Market Risks" in our 2013 Annual Report for a discussion of our market risk exposures, including those related to derivatives, institutional counterparties, and other market risks.

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 (i.e., when we are making changes or market updates to these models). While PMVS and duration gap estimate our exposure to changes in interest rates, they do not capture the potential effect of certain other market risks, such as changes in volatility and basis risk. The effect of these other market risks can be significant. For a further discussion of limitations, see "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — Interest-Rate Risk and Other Market Risks — Portfolio Market Value Sensitivity and Measurement of Interest-Rate Risk — Limitations of Market Risk Measures" in our 2013 Annual Report.

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 six months ended June 30, 2014 and 2013. 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 June 30, 2014 was $19 million, which decreased compared to December 31, 2013 primarily due to a decrease in our duration exposure. On an average basis for the three and six months ended June 30, 2014, our PMVS-L (50 basis points) was $52 million and $68 million, respectively, primarily resulting from our duration exposure.

Table of Contents

Table 53 — PMVS and Duration Gap Results

	PMVS-YC	PMVS-L	
	25 bps	50 bps	100 bps
	(in millions)		
Assuming shifts of the LIBOR yield curve:			
June 30, 2014	$30	$19	$63
December 31, 2013	$—	$176	$368

	Three Months Ended June 30,					
	2014			2013		
	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	—	$20	$52	0.5	$23	$356
Minimum	(0.8)	$—	$—	(0.8)	$2	$214
Maximum	0.7	$65	$209	2.0	$56	$673
Standard deviation	0.3	$20	$46	0.6	$14	$100

	Six Months Ended June 30,					
	2014			2013		
	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	(0.2)	$16	$68	0.4	$21	$314
Minimum	(2.4)	$—	$—	(0.8)	$—	$161
Maximum	0.7	$65	$509	2.0	$56	$673
Standard deviation	0.5	$17	$101	0.5	$13	$92

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 $(2.8) billion at June 30, 2014, an increase of $0.8 billion from December 31, 2013.

Table 54 — Derivative Impact on PMVS-L (50 bps)

	Before Derivatives	After Derivatives